

BEIJING ENTERPRISES HOLDINGS LIMITED

2017 CORPORATE SOCIAL RESPONSIBILITY REPORT



ABOUT THIS REPORT

The Report is an annual report, aiming to candidly communicate with stakeholders in relation to the practices and performance of corporate social responsibility (CSR) by Beijing Enterprises Holdings Limited, and to systematically respond to material issues that are stakeholders' concerns.

Reporting Period

From January 1, 2017 to December 31, 2017, part of the content is beyond the scope.

Scope of Report

The Report covers four business segments of the Company: gas, water and environment, solid waste treatment, and beer. Cases and data are from the Headquarters of Beijing Enterprises and its subsidiaries, including Beijing Gas Group Co., Ltd. ("Beijing Gas"), China Gas Holdings Ltd. ("China Gas"), Beijing Enterprises Water Group Limited ("BE Water"), Beijing Enterprises Environment Group Limited ("BE Environment"), Beijing Enterprises Holdings Environment Technology Co., Ltd. ("BEHET"), EEW Energy from Waste GmbH ("EEW GmbH"), and Beijing Yanjing Brewery Co., Ltd. ("Yanjing Beer").

Although China Gas and BE Water are not included in consolidated financial statements, they are still highlighted in information disclosure in the Report considering the importance of their business.

Data Sources

All data and information included in the Report are from the Company's relevant data collection and statistical systems, qualitative and quantitative information collection tools for report preparation, and cases of CSR practice submitted by each subsidiary. If the data in this Report is inconsistent with the financial statements, the data in financial statements shall prevail. If not specified, the data is disclosed in consolidated terms.

Basis of Preparation

This Report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (*ESG Reporting Guide*) as set out in Appendix 27 to the *Main Board Listing Rules* of Stock Exchange of Hong Kong Ltd. (HKEX), and with reference to the Social Responsibility Guide of International Organization for Standardization (ISO 26000) and the Sustainability Reporting Standards of the Global Reporting Initiative (GRI).

Reference

For the convenience of expression and reading, Beijing Enterprises Holdings Limited is hereinafter referred to as "Beijing Enterprises", "the Company", or "we/us".

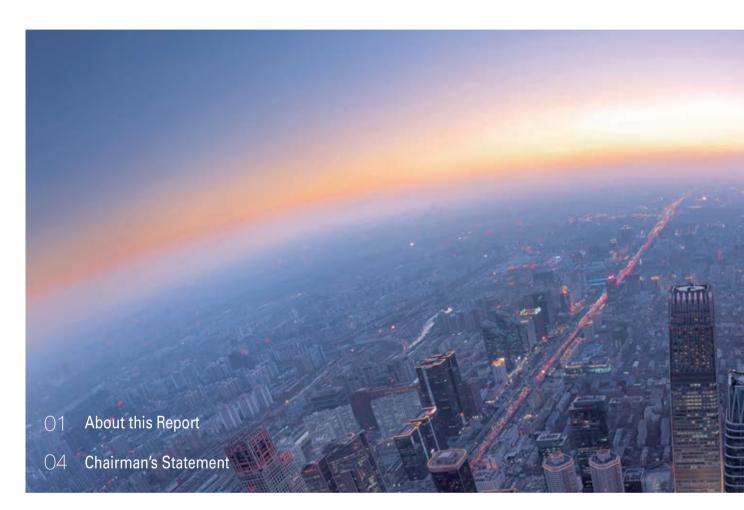
Availability

The Report is prepared both in Chinese and English. The Report is made in hard copy and soft copy. Please browse and download the Report as follows:

HKEX Website: http://www.hkexnews.hk

Website of Beijing Enterprises Holdings Limited: http://www.behl.com.hk

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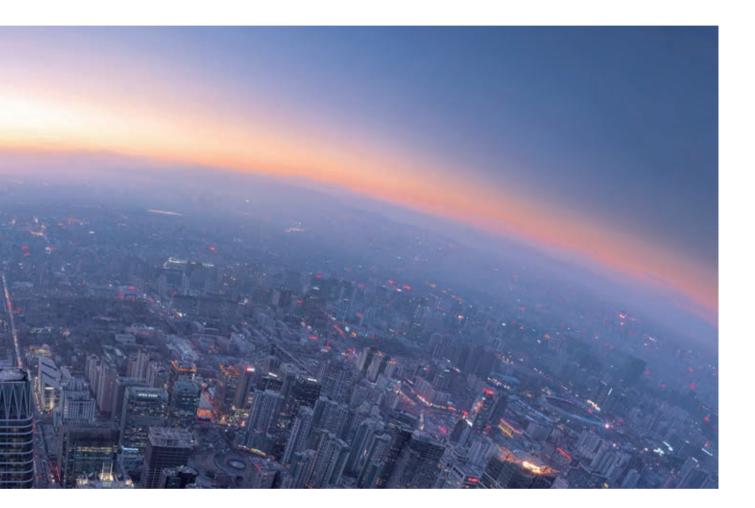
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CHAIRMAN'S STATEMENT



2017 was full of opportunities and challenges. Beijing Enterprises continued its efforts to enhance corporate value and reward shareholders, while keeping in mind its CSR mission of "invest for a better life". By paying close attention to the harmonious development of business and macro-economy, society, and the environment, the Company achieves satisfying accomplishments on the occasion of the 20th anniversary of its listing. In 2017, we put the principles of "determination in reform, innovative expansion, improvements in quality and efficiency, winwin development" into action. Each of our business segments such as gas, water and environment, solid waste treatment as well as beer achieved sound development with their continuous and stable growth. At the same time, we continued to fulfill social responsibility throughout the entire process of operations. We made constant innovations in CSR management methods and practices, and improved CSR management towards scientific, systematic and standardization. The remarkable achievements of the Company in respect to the environment and the society were well recognized by all sectors of the society.

In the field of environmental protection, we adhered to "sustainable development". We continued to explore and practice green, low-carbon, and environmentally friendly models of development and strengthened environmental management in production, projects, and operations. We vigorously invested and applied energy-saving and emission-reduction technologies to improve the efficiency of energy resources. Taking advantage of our core business, we actively communicated the concept of lowcarbon environmental protection to the society. The "On the Way-BEHL" charity walk launched by the Company connected 20 cities around the world where business sectors of Beijing Enterprises are located, and mobilized 4,036 people to participate. Through this event, Beijing Enterprises promoted its pledge towards environmental protection to the whole world.

In the field of social development, we persisted in "sharing and respecting" and "giving back to society," committed to common development with employees, business partners, and communities. The Company attached great importance to diversified employment and employee development, allowing every employee to tap into own potentials and exert his strengths. The Company strengthened technological innovation and shared achievements with partners through the industrial chain. Relying on Mingxi Charity Foundation Association, the Company provided opportunities and platforms for youth development and exchange. Various philanthropic activities were organized to encourage employees to create value in their volunteer services. While supporting community development, we demonstrated our actions, made our voices heard and disseminated our philosophy to the society. In 2017, the Hong Kong Council of Social Service awarded us the "Caring Company" logo for 2017-2018.

Beijing Enterprises has always regarded contribution to society as its ultimate goal of corporate development and value creation. This is not only the value of Beijing Enterprises that we have passed on over the 20 years, but also the precious spirit that has accomplished Beijing Enterprises today. Seizing the opportunity of building ecological civilization, we will focus on clean energy to improve people's welfare and contribute to the construction of ecological environment. We will build ourselves into a world-class comprehensive public utility company featuring "energy integration and service integration" with a view to repaying shareholders, serving people's livelihood and giving back to society.

> Chairman and Chief Executive Officer Hou Zibo

ABOUT US

COMPANY PROFILE

Founded in 1997, Beijing Enterprises Holdings Limited is a listed company on the Main Board of the Stock Exchange of Hong Kong (0392.HK). It is a constituent stock of the Hong Kong Hang Seng Composite Index and the Hang Seng China-Affiliated Corporations Index. It has a total of eight subsidiaries and associates as listed issuers (including six listed companies on the Stock Exchange of Hong Kong and two China A-share listed companies).

Thanks to its dual resource advantages in capital markets of Beijing and Hong Kong and adoption of proactive, prudent and dedicated development strategies, Beijing Enterprises has achieved sustained and steady growth in its business performance. As at December 31, 2017, the Company achieved an annual operating revenue of HK\$ 57.51 billion and profit attributable to shareholders of HK\$ 6.88 billion, and it had approximately 48,000 employees.



47.94 42.36 Revenue (billion in HK\$) 2013 2014 2015 2016 2017 6.88 6.24 5.67 4.83 4.18 **Profit Attributable** to Shareholders (billion in HK\$) 2013 2014 2015 2016 2017

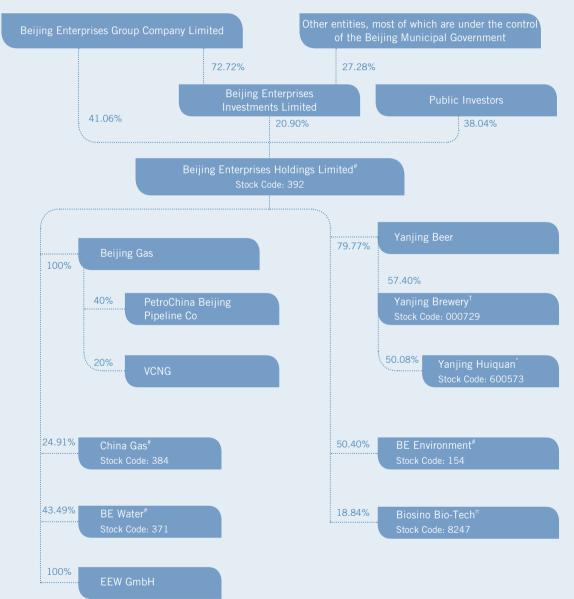
Revenue (billion in HK\$) 57.51 Profit attributable to shareholders (billion in HK\$) 6.88 Number of Employees 48,000

57.51

55.96

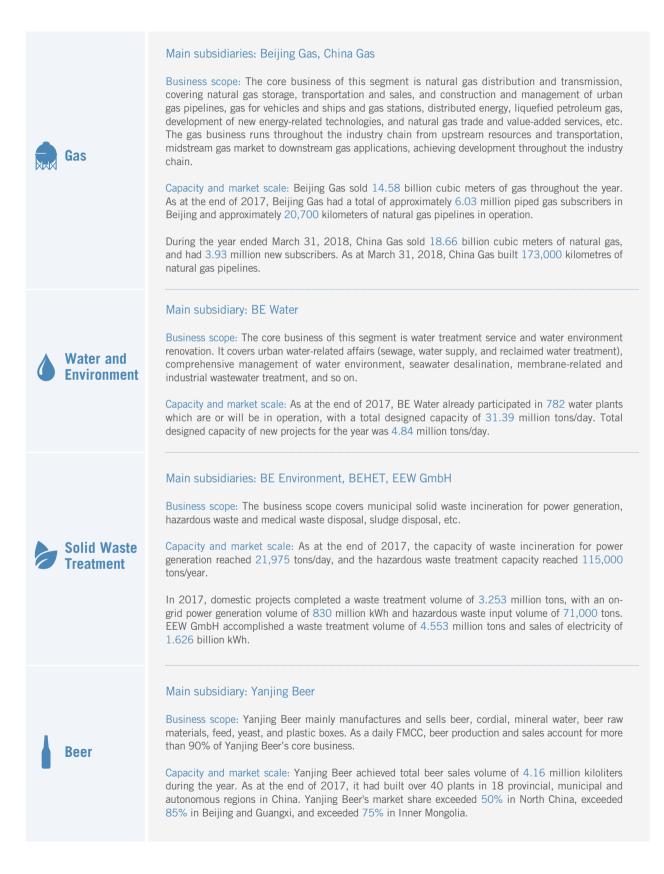
Corporate Structure

As at December 31, 2017



- * Listed on The Shanghai Stock Exchange
- ^T Listed on The Shenzhen Stock Exchange
- * Listed on The Main Board of The Hong Kong Stock Exchange
- ⁿ Listed on The Growth Enterprise Market of The Hong Kong Stock Exchange

Our Business



Development Strategy

"One Center", "Two Adherences", and "Three Markets"

Beijing Enterprises' vision is to become a "world-class comprehensive utilities services provider". To that end, we will focus on "green ecology" to develop clean energy and environmental protection industries, adhering to the "two-wheel driven" by capital operation and industrial operation as well as adhering to enhancing "brand building" in business areas. During the "Thirteenth Five-Year Plan" period, Beijing Enterprises "maintained a foothold in the Beijing-Tianjin-Hebei Region", "expanded across the country", and "moderately entered the international market", continuing to play a role as Beijing's overseas investment and financing platform orientated towards clean energy and ecological environment.

Corporate Culture

"Humanistic, motivated corporate culture with easy and harmonious human contacts"

Beijing Enterprises has always been greatly invested in cultivating our corporate culture and team spirit and also encouraging staff growth. We strive to nurture a corporate value with "trust, innovative, steadfast and understanding" as its core and build a "humanistic, motivated corporate culture with easy and harmonious human contacts". Integrating the corporate culture of Beijing and Hong Kong into the Company, we make great efforts in sharing the fruits of corporate development with our staff to realize the simultaneous growth in our staff and company value.

CORPORATE GOVERNANCE

We strictly abide by the requirements of the Listing Rules of Hong Kong Stock Exchange and relevant laws and regulations such as the *Company Law of the People's Republic of China*. Upholding the principle of corporate governance that is standardized, scientific, open, and efficient, we have adopted a sound corporate governance structure and a complete range of measures to honor our commitment to stakeholders.

Governance Structure

The Company adheres to transparent operations and pays attention to shareholders' rights and interests, believing that a sound and efficient Board of Directors is the foundation of good corporate governance. Under this principle, we have established a fair and independent Board of Directors and a management team with clearly defined powers and responsibilities. The Company's Board of Directors is an elite team with superior overall quality, professionalism, and strategic literacy. It is responsible for formulating company policies, setting strategic directions, ensuring the Company to create effective internal control environment, and supervising the management responsible for day-to-day operations. The Board of Directors authorizes the establishment of an audit committee and a remuneration committee principally composed of independent non-executive directors. They assist the Board of Directors in fulfilling its supervisory responsibilities and forming a standardized, robust, and efficient management feature. The articles of association of the committees are approved by the Board of Directors, and the chairman of each committee regularly reports their activities and resolutions to the Board of Directors.





Compliance with Laws and Regulations

The Company exerts a tight grip on legal work. It has established a professional and efficient legal team to check the Company's compliance. This ensures the Company's day-to-day operations, decision-making contents and related procedures to comply with relevant laws and regulations, listing rules, and compliance requirements of regulatory agencies. In 2017, the Company's Hong Kong headquarters completed 25 tasks for legal and compliance support; Beijing headquarters provided legal support for 12 major projects and reviewed 71 contracts. The Company also established a dynamic statistical analysis system to regularly analyze the performance of the contracts, identify problems in contract management in a timely manner, and make suggestions for improvement.

In recent years, in order to meet the Company's needs for business development and transformation and upgrading, the Company has further promoted compliance management and legal propaganda, so as to raise employees' awareness of compliance and nurture a culture of law-biding governance and compliant operations.

Anti-corruption

The Company has systematically implemented clean governance and anti-corruption in the most rigorous manner in five major aspects of institution and norms, education and publicity, whistle-blowing and reports, appointment under supervision, and special tasks. In 2017, no corruption litigation occurred within the Company.

Documents such as *Provisions on the Integrity of Employees with Business Discretion Right* were written to guide our efforts for anticorruption with a sound system.

Including special inspections for key projects, company car use, and the prevention and control of corruption risks, supervision and inspection for national holidays, etc.

Before the appointment of important personnel, the Company's Commission for Discipline Inspection must issue Personal Integrity Certification to prevent promoting someone with integrity issues. Candidates to leading positions should be interviewed and tested on anti-corruption before the appointment.



Key Measures on Anti-corruption

Theme activities of anti-corruption education and dissemination of related knowledge were conducted, and capacity building training and case-sharing workshops were organized.

The Measures for Implementing Discipline Inspection and Supervision and for Handling Whistle-blowing and Reports was formulated. The hotline, postal address and email address for whistle-blowing and reporting were announced. After a whistleblowing or report is received(the informant may be anonymous), an investigation group will be quickly established to thoroughly investigate and timely handle the case according to the investigation results.

2017 Education and Publicity on Anti-Corruption



Theme training "Discipline Challenges Encountered in Daily Work" Pra

14 full-time and part-time personnel responsible for disciplinary inspection and supervision from subsidiaries attended the training to improve their capabilities of disciplinary review.



Theme education campaign "Knowing, Advocating and Practicing Anti-corruption"

9 special learning and 9 film viewing activities were organized, 13 articles and 34 epigrams on anti-corruption were received.

<u>I</u>

Signing Letter of Commitment to Integrity

In order to further regulate employees' professional practice, those employees with business discretion rights working in the Headquarters and subsidiaries signed 366 copies of *Letter of Commitment to Integrity.*

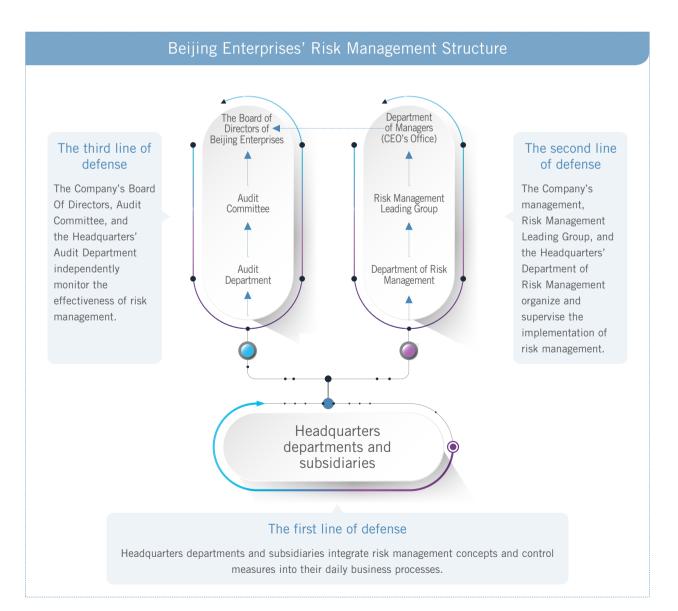


Dissemination of knowledge of anti-corruption

A column entitled "Things about Anti-corruption" was set up on the Company's office automation platform to collect common questions on anti-corruption. Based on relevant policies and cases, 5 posts of education and warning were published during the year.

Risk Management

With the formulation of the *Risk Management System*, the Company has established a sound risk management system that covers risk alert, risk identification, risk-related communication, and risk inspection. The system fully meets the requirements of the relevant regulatory authorities and ensures the healthy development of the Company. In terms of risk management structure, the Company has identified "three lines of defense" for risk management, which is also shared by its main subsidiaries.



CSR MANAGEMENT

The Company has formulated the *Management Rules of Corporate Social Responsibility*. Under the guidance of the Rules, the Company has continuously improved the CSR management towards scientific, systematic and standardization, and continued to carry out activities to raise CSR management level such as the "Training on ESG Indicator Management and Information Disclosure".

In 2017, the Company's performance in caring for the community, the environment and employees was recognized by all sectors of society.



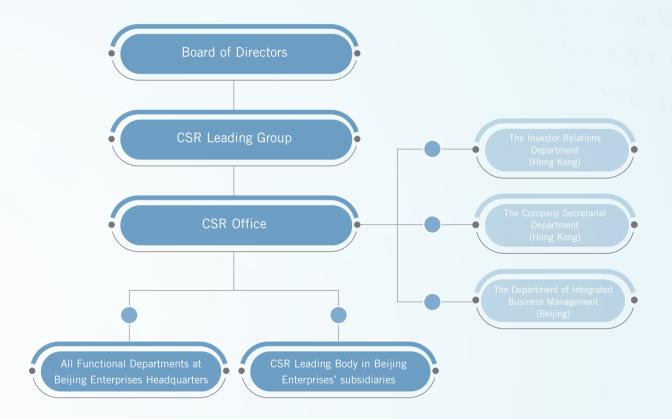
- 1 The Hong Kong Council of Social Service awarded Beijing Enterprises the "Caring Company" logo for 2017-2018.
- At the 2017 (11th) Solid Waste Strategic Forum co-sponsored by the E20 Environment Platform and China Urban Construction Design & Research Institute, Beijing Enterprises was awarded the "2017 Top Responsibly Investing Enterprise in the Solid Waste Industry in China".
- 3 Yanjing Beer won the "2017 China CSR Charity Award" at the "2017 China CSR Charity Festival" co-sponsored by Xinhua Net and the Chinese Academy of Social Sciences CSR Research Center.

CSR MANAGEMENT PHILOSOPHY



CSR MANAGEMENT SYSTEM

The CSR management system of Beijing Enterprises covers the Headquarters and its subsidiaries. The Headquarters' Board of Directors is the highest decision-making body for CSR work. A CSR Leading Group has been established to implement the CSR work plan. The Investor Relations Department and the Company Secretarial Department of Hong Kong headquarters and the Department of Integrated Business Management of Beijing headquarters are responsible for the day-to-day liaison in respect of CSR and for dovetailing with the subsidiaries' responsible departments and relevant persons in charge. The subsidiaries have established their own CSR management system based on practical conditions.



STAKEHOLDER ENGAGEMENT

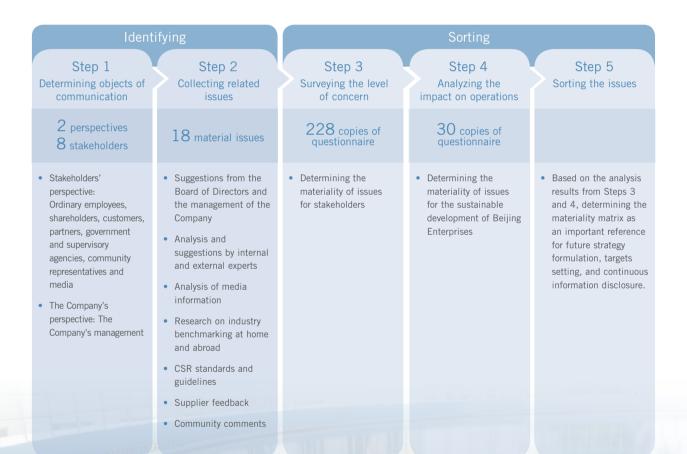
Communication and engagement of stakeholders are an essential part of the sustainable development of the Company. The Company attaches great importance to the concerns and interest appeals of all stakeholders by continuously improving the stakeholder management mechanisms, strengthening communication with stakeholders, and enhancing operational transparency.

Stakeholders	Topics Concerned	Response Channels	Effectiveness of Communication
Government & Regulatory Authorities	Lawful business operations Pay taxes according to relevant laws Increase employment opportunities, promote sustainable and healthy economic development	Daily report and communication Seminars and on-site meeting Forum and exchange programme	Developed strategic cooperation with local governments Created good external environment for enterprise development
Shareholders & Investors	Satisfactory investment return Good market value Transparent operation Improvement of profitability and core competitiveness	Annual report and announcements Roadshows and investor meetings Telephone conference with analysts Annual general meeting Company website	Established good relationship with investors Continuous improvement on credibility with investors Obtained the support from investors and shareholders on material decisions
دین Customers	Continuous and stable supply of products High-quality and safe products Considerate and convenient service Smooth communication channels	Customer forums Telephone service hot-lines Community service centers Customer satisfaction surveys	Continuous improvement on business operation based on customers' feedback Efficient and timely solutions for customers' complaints Continuous improvement on customers service
ess Business Partners	Fair procurement Sincerity and mutual benefits Long-term and stable cooperation	Suppliers' conference Strategic cooperation	Prepared suppliers management requirements, improved effectiveness of supply chain Facilitated co-development of upstream and downstream business partners
) Staff	Comprehensive rights and interests protection Good platform for career development Work-life balance Occupational health	Employee congress Complaint mail box Democratic communication platform	Vertical and horizontal communication among staff and hierarchies Created a harmonious workplace Built a healthy and safe working environment
Communities and non-governmental organizations	Community development Establishment of a harmonious community Improvement in the environment of the community Open and transparency information	Science activities Community propaganda Participating in public welfare and environmental protection activities	Employed social supervisor for inspecting and supervising service quality Established good relationship with local community Created a good external environment for the enterprise development
P Media	Financial performance Corporate governance Information disclosure	Annual report and announcement Annual and interim results presentations News releases and publications Media interview Media inquiries	Established a good relationship with media Maintained company image and received public recognition
V Environment	Clean energy supply Waste treatment Practice green operations	Annual reports and announcements	Implemented the "Clean Air Action Plan" Participated in environmental projects

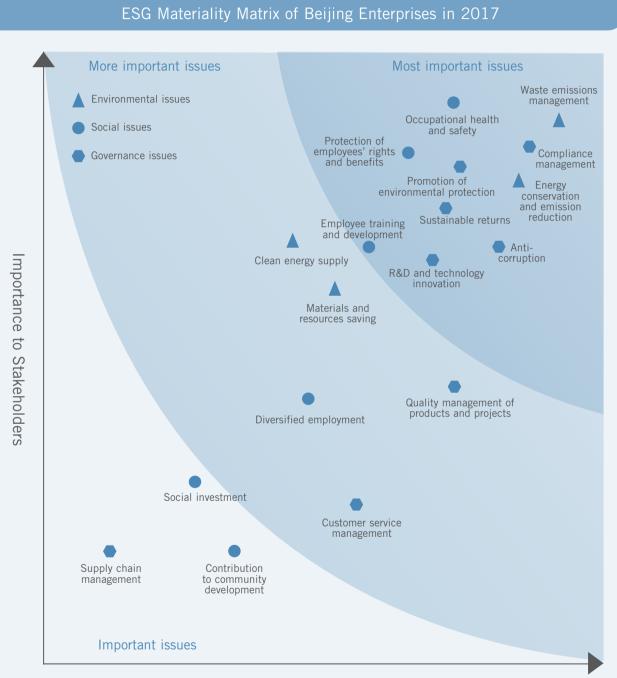
MATERIALITY ANALYSIS

In order to understand stakeholders' concerns, expectations and appeals regarding the Company's sustainable development, as well as for internal performance review purpose, we identify the key ESG issues through materiality analysis. To this end, we established a standardized materiality analysis workflow with reference to the *ESG Reporting Guide* of HKEX. This workflow identifies and screens the ESG issues related to Beijing Enterprises, understands the level of concerns from stakeholders to the issues and the impact of these issues on the sustainable operations of Beijing Enterprises, and then determines the material issues that will serve as the basis of our objectives for sustainable management.

To prioritize material issues, we understand stakeholders' views on the Company's ESG issues by scoring based on anonymous online questionnaires, and learned about their expectations and suggestions for Beijing Enterprises through open-ended questions, which contribute to our follow-up responses and improvements in a targeted manner.



Results of materiality analysis of Beijing Enterprises in 2017 as follows:



Importance to Sustainable Development of Beijing Enterprises

Through materiality analysis, we found the five most important ESG issues for Beijing Enterprises are waste emissions management, compliance management, energy conservation and emission reduction, occupational health and safety, and promotion of environmental protection. In 2017, Beijing Enterprises adopted the following measures in response to these issues.

Ranking	Issues	Scope	Main Measures
1	Waste Emissions Management	Environment	RecyclingFacilities renovationProper disposal
2	Compliance Management	Governance	 Forming a professional legal team Compliance dynamics analysis Legal propaganda
3	Energy Conservation and Emission Reduction	Environment	Energy managementProcess optimizationGreen office
4	Occupational Health and Safety	Society	 Annual physical examination Workplace environment quality monitoring Active protective equipment and emergency equipment Occupational health and safety training
5	Promotion of Environmental Protection	Governance	 Technological innovation Layout in environmental protection business Industry engagement

In the future, we will take measures based on the results of materiality analysis to actively respond to all issues with high materiality. We will also pay high attention to issues of medium and low materiality and take precautions against related risks.



INTEGRITY AND INNOVATION:

A Dialogue with Our Partners on Quality



20 Devotion to Meeting Customer Expectations

Concession (1)

- 22 Win-Win Cooperation with Suppliers
- 23 Leading Industry Progress by Innovation



INTEGRITY AND INNOVATION: A DIALOGUE WITH OUR PARTNERS ON QUALITY

Creating a responsible value chain is an important goal for Beijing Enterprises. We actively assume responsibility for customers, partners, peers and other relevant parties. We continuously provide customers with quality products and trustworthy services, giving full play to the Company's leading role in quality in the supply chain. At the same time, we are striving to seek breakthroughs, relying on technology and science innovation to participate in industry development and grow together with partners.

DEVOTION TO MEETING CUSTOMER EXPECTATIONS

We always pay attention to customer needs. Through strict project management and production process upgrades, we launch benchmark projects, create quality products, and enhance corporate core competitiveness, so as to create more value for customers.

Professional and Reliable Public Utilities Services

Our development has continued in the public utilities such as city gas, water and environment, and solid waste disposal. While doing so, the Company keeps a close eye on project construction and operation management, ensuring the safe and efficient implementation of projects. This has laid a solid foundation for the construction of urban public utilities.

Ensuring Stable Supply of Gas

In 2017, Beijing Gas signed a supply and sales agreement with China National Petroleum Corporation (CNPC). The agreement clarifies the responsibility of "guaranteeing the aggregated demand and peak demand" and avoids the uncertainties brought about by the online trading of gas. The two parties have done their best to ensure the natural gas supply in the capital city.

In order to ensure the natural gas supply for Beijing in winter, in September 2017, Beijing Gas formulated a winter supply protection plan, and cooperated with the city management committee to complete the *Preliminary Plan for Natural Gas Consumption Control and Supply Protection in Beijing*. We prepared in advance for such unfavorable situations as emergencies and extreme weather and improved the emergency coordinating mechanism for gas, heat, and electricity.

Beijing Gas Completing Acquisition of its 20% Stake in VCNG Project of Rosneft

At the end of June 2017, Beijing Gas completed the acquisition of the 20% stake in PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company and was given the right of first refusal to the future gas output of VCNG, which will greatly enhance the supply capability of Beijing Gas and safeguard its future development.

Performance in Coal-To-Gas Clean Heating

In 2017, Beijing Gas' rural gas for coal replacement project covered approximately **126,000** households in **328** villages, in **44** towns, and in **10** districts, and constructed **3,482** kilometers of pipelines and **420** pressure-control stations (boxes). In the **50** boiler coal-to-gas conversion projects, **88** kilometers of pipeline construction were completed. In the **24** township connection projects, **106** kilometers of pipeline construction were completed.

During the year ended March 31, 2018, China Gas completed new connections for **1.149** million households under replacement of coal with gas projects in towns and villages in Northern China. By June 15, 2018, China gas signed agreements with approximately **4.26** million households for the replacement of coal with gas in towns and villages.

Improving Urban Water Environment

In 2017, the Company's water and environment business focused on water treatment services and construction services for the water environment renovation. It continued to improve its investment system and expanded the management of urban water operations in collaboration with partners.

In terms of water treatment, we provided comprehensive solutions to the investment, construction and operation management of waterworks such as water source projects, water delivery projects, water supply projects, sewage projects, and reclaimed water projects. As at the end of the reporting period, we already participated in 782 water plants which are or will be in operation.

In terms of construction for the water environment renovation, we improved the water environment capacity of urban water resources from the five dimensions of "safeguarding water security, preventing and controlling water pollution, rehabilitating water ecology, building water culture, and fostering water industries". We aim to build ecological cities characterized by blue sky, green land, fresh and clear air, and lucid water. As at the end of the reporting period, we participated in the investment, development and construction of more than 60 water environment renovation projects.

Optimizing and Upgrading Solid Waste Treatment

In 2017, the solid waste treatment business segment of the company continued to improve its technology and management so as to increase the waste treatment efficiency and reduce emissions in the projects and daily operations.

BEHET optimized the management system on the basis of the original standardized system. It formulated the "three-standard" system (GB/T24001-2016/IS014001:2015, GB/T19001-2016/IS09001:2015 and GB/T28001-2011) that meet the new standards, and passed the management system certification of China Quality Certification Center (CQC) in November 2017.

After the acquisition of EEW GmbH, the largest waste incineration power plant in Germany, in 2016, the Company set up a platform for EEW development management and cooperation. By drawing on the international mature experience and technology, the Company further optimized and upgraded its domestic projects.

Quality Management throughout the Entire Process

Yanjing Beer is one of the first companies in the industry to pass the ISO 9001 quality system certification. The Company has established the *Procedures for Monitoring and Measurement Control of Processes and Products* to improve the management of production quality processes and ensure the stability of product quality and product safety. Yanjing Beer has obtained HACCP certification, marking that its food safety management is officially in line with international standards.

2017 marked the year of quality management for Yanjing Beer. We further extended the quality management chain by revising and refining the quality and inspection standards for raw materials such as rice, hops, and malts so as to strengthen quality control from the source. In the production process, we continuously improved the microbial control in the entire brewing process, and optimized the principles in the use of ingredients and hops. We also detailed evaluation rules for site management and quality control and strengthened equipment hygiene and freshness control. Using the Internet of Things technology, we achieved the traceability from "one bottle, one code to one person", providing consumers with quality assurance throughout the entire process. No major responsibility accident concerning product quality occurred to Yanjing Beer during the reporting period.

Water plants participated in

782

Water environment renovation projects participated in

^{ver} 60



Efficient and High-Quality Customer Service

We value communication with customers and protection of customer rights. Beijing Gas continuously promotes the dissemination of user safety knowledge and the door-to-door inspections. In 2017, Beijing Gas provided home-based installation and "face-to-face" instructions on gas use safety for nearly 66,000 households in 12 districts, and eradicated hazards that might result in gas accidents. In water treatment services and solid waste treatment projects, the Company requires continuous communication with customers, regular surveys on customer satisfaction, and timely handling of customer complaints. Yanjing Beer has set up a full-time after-sales service department to collect and follow up on feedbacks from distributors and consumers. The Product Recall Management System has been established to ensure that the recall processes are effective and complete. Consumers are also advocated to drink alcohol responsibly through product identification and promotional activities. In addition, we value customer privacy by strictly restricting the use of related information and ensuring the security of information.

We develop personalized service solutions guided by user needs. In 2017, Beijing Gas initially completed the layout of "Internet + Smart Services". Beijing Gas APP, official WeChat account, Alipay, etc. provide online basic services such as payment, report for repair, etc. All front-line service personnel work online in real time, providing users with immediate service experience. We have also established strategic cooperation with Alipay, Tencent, and Baidu to accelerate the integration of user thinking, data thinking, and ecological thinking into our gas business, and to further improve service quality.

WIN-WIN COOPERATION WITH SUPPLIERS

Suppliers are our important partners. The Company upholds the business values of integrity and win-win cooperation. It has created a sound competitive environment for suppliers and strengthened cooperation with suppliers to ensure that suppliers live up to quality standards. As at the end of the reporting period, the Company had a total of 2,107 suppliers, including 583 in Hong Kong, Macao, Taiwan and overseas.

The Company continues to improve its bidding management system. It has formulated strict bidding procedures for rigorous reviews of suppliers' qualifications and capabilities in terms of supply, quality assurance, process management, and production process control. During the procurement process, we strictly implement internal control systems such as anti-bribery to ensure that the procurement process is open, fair, and impartial. The Company has established a list of qualified suppliers to collect and evaluate information on suppliers such as supply quality, delivery time, technical support, and after-sales service. Dynamic management of suppliers has been achieved in the way of survival of the fittest.

In the process of reviewing, appraising and evaluating candidates on the supplier list, we take certifications of quality systems, environmental systems, and safety systems and other qualifications that reflect social responsibility as an important criterion for judgement.

Yanjing Beer Promotes Suppliers' Growth

Yanjing Beer supports the development of barley and hop planting industries in the western region of China. It has established partnerships with malt plants, hop farms, and barley farms in Gansu and Xinjiang. Yanjing Beer's management led a team to the raw material bases to inspect in advance, where they communicated with related parties to understand the planting and market conditions of the raw materials and put forward suggestions on product quality, etc. This laid the foundation for partnerships in procurement. Yanjing Beer also helps local farmers improve planting techniques to stabilize the prices of barley and hops and to ensure stable income for farmers.

China Gas Continues to Strengthen Communication with Suppliers

China Gas regularly holds supplier conferences to strengthen exchange with suppliers, exhibit the development status of the Group, and enhance their confidence in the cooperation. We also organize regular training for suppliers' personnel and hold meetings dedicated to technical exchange with suppliers from time to time. The meetings on technical exchange improve expertise of our own personnel and allow them to understand the technical standards of the industry, facilitating our introduction of new materials and new technologies.

LEADING INDUSTRY PROGRESS BY INNOVATION

The Company drives development with innovation. We promote innovative breakthroughs in technology and business models across all business segments. While continuously boosting our own development, we contribute our own advantages to the progress of the industry.

Commitment to Continuous Innovation

All of the Company's subsidiaries commit themselves to the innovation in mechanisms and resource input. In 2017, Beijing Gas further improved its management measures supporting scientific and technological innovation. It formulated Regulations for the Management of Scientific Research Projects and Regulations for the Management of the Application and Conversion of Scientific research projects and Regulations for the Management of the Application and Conversion of Scientific research platform. The platform consists of a national technology center, a key laboratory of light industry, a municipal key laboratory of Beijing, a post-doctoral research station, and a CNAS accredited laboratory. With the help of platform resources, the Company strengthens institutional innovation.

As at the end of 2017, we had a total of 9 high-tech companies, including 3 national ones. During the reporting period, the Company registered R&D investment of more than RMB130 million, applied for a total of 81 patents, and was granted 102 patents.



🔊 BE Water's Green Financial Innovation

In April 2017, BE Water successfully issued the first phase of green asset-backed notes (ABN) at the National Association of Financial Market Institutional Investors in 2017. This ABN has the right to charge minimum-guaranteed sewage treatment fees of its 18 subsidiaries as underlying assets and a total issue amount of RMB2.1 billion. This is the first actual off-balance-sheet green ABN in China and the largest-scale environmental securities product with the largest underlying assets. The underlying assets are all green assets, and the raised funds are earmarked for green projects such as environmental improvement. The ABN is rated AAA in priority ratings.

BEHET's Scientific and Technological Innovation Project Focuses an Reduction of CO Concentration in Boiler Emissions

BEHET teamed up with the Institute for Thermal Power Engineering of Zhejiang University to develop an automatic control system for fluidized-bed combustion (FBC) boilers. This system was expected to comprehensively diagnose key issues affecting boiler CO emissions, such as boiler feed, air flow, furnace temperature, oxygen, and boiler body. The automatic control system could reduce the CO concentration in boiler emissions, while improving the boiler efficiency. In November 2017, this project started comprehensive debugging of the combustion optimization procedure before being put in trial operation.

Yanjing Beer's R&D Process Enhances Malt Aroma

With the increase of consumers' connoisseurship of beer, malt aroma as a typical indicator of different varieties of beer has attracted more and more attention from winemakers. Yanjing Beer successfully developed an intense-flavor malting process to effectively enhance the aroma of the finished malt. The maltose produced from Maillard reaction during the malting process brings typical and rich flavor to the beer and increases the harmony and mellowness of the beer.

Boosting the Development of the Industry

The development of the Company is mutually beneficial and inseparable from the progress of the industry. We emphasize cooperation and communication with peers and cherish every opportunity to share with and learn from peers. We also focus our efforts on continuously improving industrial standards and promoting the vigorous development of the industry with our own scientific and technological resources and techniques.

Industry Communication and Collaboration

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As a leader in the industry, the Company is a member of major industry associations, and has participated in various industry activities. We have also organized or sponsored a number of conferences and forums to deepen communication and collaboration with domestic and foreign experts, government agencies, and industry peers.

During the reporting period, we attended such theme forums as the 2017 Domestic Waste Disposal Forum, the Air Pollution Prevention Forum, and the 11th Solid Waste Strategic Forum and such industry conferences as the 2017 IE Expo China, 2017 China International Solid Waste Summit, and the 2017 (12th) International Conference on China Urban Water Development. At these events, we have shared our technological innovation and industry insights, discussed the latest policies, regulations and technologies and analyzed market opportunities and trends of development with various parties.

Practicing an Ecological Strategy and Working Together to Create Prosperous Water Industries

BE Water has proposed an ecological strategy. Under this strategy, the Company is committed to working with others to build an environmentally-friendly water ecosystem that is "based on benefit-sharing and characterized by pan-centralization, symbiosis, interdependence, and regeneration", so that the Company and the society nourish each other and develop together in the four aspects of "resources development, capabilities aggregation, joint innovation, and value creation". In 2017, BE Water fully implemented its ecological strategy by actively attending or launching industry forums, promoting industry cooperation, cross-industry cooperation, and PPP-based strategic cooperation, and thus created a more favorable market environment.

Development of Industrial Standards

Based on its resources and achievements in scientific research and innovation, the Company actively involves itself in industrial standardization and promoting the normative development of the public utilities and food industry.

During the reporting period, Beijing Gas has contributed to the compilation of 14 national, industrial and local standards. Among them, 1 national standard and 1 local standard (published) was compiled principally by Beijing Gas; and it participated in formulating 5 national standards (one of which has been published), 5 industrial standards (one of which has been published), and 3 local standards. These efforts have effectively sustained the industry influence of Beijing Gas. It also puts its scientific research results into application in the form of technical terms of relevant national, industry and local standards. This not only solves the problems encountered in our own production practices, but also provides new products and basis of standards for the development of the industry.

In 2017, Yanjing Beer participated in the preparation of the updated national standard Beer (GB/T 4927) and group standards *Pure Draft Beer* (T/CBJ 3101) and *Craft Beer* (T/CBJ 3201). As at the end of the reporting period, Yanjing Beer compiled as chief editor 6 national standards and 2 industrial standards and participated in compiling 13 national standards and 3 industrial standards. In addition, Yanjing Beer participated in the revision of the *Regulations on the Implementation Food Safety Law of the People's Republic of China.*

China Gas Research Institute Compiles as Chief Editor of the *Technical Standard on Small Propane Tank Gas Supply*

In 2017, China Gas Research Institute compiled as chief editor of the *Technical Standard on Small Propane Tank Gas Supply* for China City Gas Association. This standard covers the construction and application of small propane tank gas supply systems, filling the gap in the domestic industry. It is a direct solution to many problems with LPG tanks, such as high safety risks, high transportation costs, population aging, and non-standardized supervision. The standard also provides guidance for adjusting the energy structure, alleviating the tight supply of natural gas, and developing and applying this technology in a scientific and normative manner.

ENVIRONMENT AND SAFETY: Our Unremitting Efforts



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ENVIRONMENT AND SAFETY: OUR UNREMITTING EFFORTS

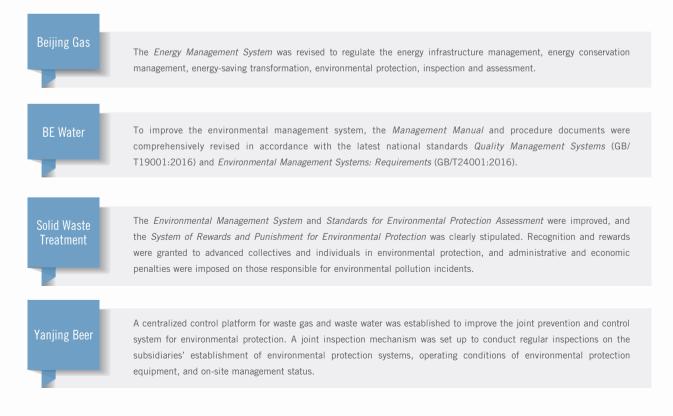
Adhering to our mission of "invest for a better life", we have firmly established a green development concept. While providing comprehensive solutions to environmental protection, we strengthen the establishment of environmental safety management systems and facilities in production and project operations. From the perspective of environmental safety, we strive to achieve the goal of zero accidents, zero injuries, zero pollution and zero loss to provide a strong guarantee for the Company's sustained and coordinated development.

FOR OUR BLUE SKY AND LUCID WATER

Beijing Enterprises upholds the concept of environmental protection that "environment is people's livelihood with beauty in green mountains and happiness in blue sky". We practice social responsibility in an omni-dimensional manner such as regulating environmental protection systems, strictly implementing pollutant discharge management, improving the utilization efficiency of resources, advocating green office, and strengthening employees' performance in environmental protection, thereby contributing to the protection of lucid water and blue sky.

Strengthening Institutional Building and Enhancing Awareness of Environmental Protection

Beijing Enterprises strictly follows the national and local laws and regulations in production and operation management. In compliance with the *Environmental Protection Law of People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, etc., we have established and improved the energy conservation and environmental protection systems to continuously strengthen and standardize energy management and environmental protection, and enhance employees' awareness of environmental protection.



Clean Production to Reduce Emissions

Beijing Enterprises' subsidiaries continuously improve the level of clean development by designing environment-friendly construction projects, strengthening management of pollutant discharge, and upgrading and transformation of environmental facilities, etc. This multi-pronged approach minimizes the negative impact on the environment while ensuring that the discharge level of pollutants is fully up to standard. For solid waste, the Company takes effective measures to ensure harmless treatment or comprehensive utilization. Hazardous wastes are classified, stored, and properly kept, and measures such as prevention of leakage are taken to prevent environmental pollution. Hazardous wastes are regularly disposed of by qualified third parties.

Beijing Gas	In 2017, on-site inspections of clean production were carried out to enhance the level of energy saving and emission reduction in day-to-day production operations.
BE Water	Strict management of operational discharge was carried out. The effluent from sewage treatment plants in cities where we operate complied with the relevant national and local standards such as the <i>Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants</i> (GB18918-2002).
Solid Waste Treatment	The relevant environmental protection laws and regulations such as <i>Standard for Pollution Control on the Municipal Solid Waste Incineration</i> (GB18485-2014) and <i>Pollution Control Standard for Hazardous Wastes Incineration</i> (GB18484-2001) were observed. While maintaining normal production, the Company continuously improved the burn-off rate of solid waste in order to truly achieve volume-reducing and harmless incineration.
Yanjing Beer	Efforts on environmental protection were actively carried out according to laws and regulations and industrial standards such as <i>Clean Production Standard for Brewing Industry</i> and <i>Discharge Standard of Pollutants for Beer Industry</i> .

DE Water's Emissions in 2017

Yanjing Beer's Emissions in 2017

Wastewater (10,000 tons)	191,981.0	Wastewater (10,000 tons)	376.2
COD (tons)	95,111.0	COD (tons)	217.3
NH ₃ ·N (tons)	5,658.0	NH ₃ ·N (tons)	5.0
NO _x (tons)	586.0	Exhaust gas (10,000 m ³)	7.2
SO ₂ (tons)	104.0	NO _x (tons)	36.0
Sludge (10,000 tons)	112.6	SO ₂ (tons)	73.1

Distance of Solid Waste Treatment Business Segment in 2017

Wastewater (10,000 tons)	104.1	SO ₂ (tons)	299.6
COD (tons)	60.2	Dioxin (milligram)	450.0
NH₃·N (tons)	2.0	Fly ash (10,000 tons)	38.3
Exhaust gas (10,000 m ³)	1,471,529.6	Slag (10,000 tons)	175.6
NO _x (tons)	1,757.0		

Note: Considering the "Reporting Principle of Materiality" as outlined in the ESG Reporting Guide, and considering current data collection in subsidiary companies of Beijing Enterprises:

The pollution discharge in Beijing Gas is not disclosed since it is not a material issue for the company based on its business characteristics--natural gas distribution and supply as the core business.

The data of Yanjing Beer only covers the Beijing region except for those of COD, NH₃·N and SO₂.

The data of solid waste treatment business segment covers BE Environment and BEHET.

Environmental Protection Is Given Top Priority in Solid Waste Treatment

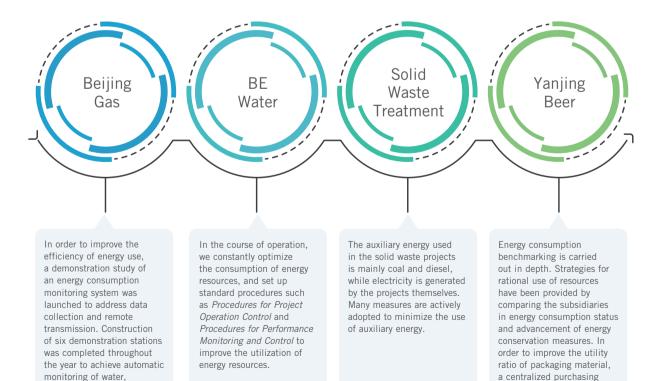
BE Environment actively puts three requirements of Ministry of Environmental Protection (MEP) into action, which are "Installation (of automatic monitoring equipment for pollutant discharge)", "Setting up (electronic display screen to release emission data)", and "Connecting (with local environmental protection department)", transforming from a "not in my backyard" company into a "neighbor friendly" one. All projects of BE Environment completed relevant work one month ahead to the requirements of MEP. On this basis, BE Environment, in strict compliance with national, local and industrial highest standards, has renovated environmental protection facilities, set up a network for environmental supervision, and improved the environmental management system. At present, all environmental monitoring and testing data are up to standards, some of which are better than national standards, reaching EU 2000 environmental requirements.

Yanjing Beer Upgrades Its Sewage Treatment System

The South Plant of Yanjing Beer Headquarters upgraded the sewage treatment system by installing a contact oxidation pool to further reduce the indicators of wastewater emissions, so that COD concentration decreased from 60mg/L to 45mg/L and the reuse rate of reclaimed water increased to 60%.

Efficient Use of Energy to Reduce Resource Consumption

According to its own characteristics, each business segment of Beijing Enterprises adopts different measures for energy conservation and consumption reduction, such as energy consumption monitoring systems, energy consumption approval and performance systems, management standardization, and corporate energy consumption benchmarking, etc. All are exploring and innovating ways continuously to achieve the same goal.



approach is applied. In

2017, Yanjing purchased 2.03 billion pop cans.

electricity and gas usage.

	Beijing Gas	BE Water	Solid Waste Treatment	Yanjing Beer
Electricity usage (10,000 kWh)	1,610.3	85,280.7	2,811.0	1.2
Natural gas consumption (10,000 m³)	205.4	41.7	1,306.2	3,464.2
Coal consumption (10,000 tons)	N/A	N/A	16.4	1.2
Gasoline consumption (kiloliters)	1,685.8	2,867.3	103.4	943.5
Diesel consumption (kiloliters)	71.1	6,658.4	1,843.0	1,422.3
Fresh water usage (10,000 tons)	33.4	550.0	420.8	482.9
Greenhouse gas emissions (10,000 tons of CO_2e)	1.4	62.0	42.9	19.0

Resources and Energy Use of Beijing Enterprises in 2017

Note: Fresh water consumption refers to the use of municipal water and underground water.

The data of solid waste treatment business segment covers BE Environment, BEHET, and EEW GmbH, and the data of fresh water does not cover EEW GmbH.

The data of Yanjing Beer only covers the Beijing region.

Beijing Gas' Energy-Saving Reform

In 2017, Beijing Gas invested RMB5,637,100 in energysaving transformation, involving insulation renovation of 10 buildings, 3 water-saving and energy-saving transformations, replacement of 26 new air-conditioning units, and elimination of 4 old motors, as well as installation of solar PV power generation facilities at 9 pressure-control stations.



Beijing Daoxianghu Underground Reclaimed Water Plant Fully Utilizes Self-Developed Energy-Saving Technologies

Beijing's first full-scale underground reclaimed water plant has a total planned capacity of 260,000 tons/day, using BE Water's reclaimed water core treatment process and improved A2O + rear MBR. The reclaimed water plant is integrated with the wall-sharing group layout of the main structures, high-standard multi-level multi-stage deep deodorization, circum-inflow and circum-outflow rectangular settling basin, efficient natural lighting, precision aeration of sewage treatment, accurate dosing, water source heat pump and other self-developed green energy-saving technologies.



/ Beijing Gaoantun Waste to Energy Co., Ltd. Adopts Several Energy-Saving Measures

In 2017, Beijing Gaoantun Waste to Energy Co., Ltd., a subsidiary of BE Environment, adopted a number of energy-saving and emission-reduction measures in accordance with the Energy Saving and Emission Reduction Management System, combined with actual production operations.

- Mechanical ventilation towers operated with variable frequency, saving about 50,000 kWh of electricity use per year;
- For the aerobic tank aeration of the leachate treatment system, Roots blower was replaced by magnetic levitation blower, saving about 600,000 kWh per year in electricity use;
- Management measures were refined for waste quality, stacking of garbage, and drainage equipment to ensure the working condition of incineration and reduce the use of diesel fuel.



🖉 Yanjing Beer Enhances Water Resources Utilization through Equipment Transformation

Water for malting process accounts for about 1/3 of the total water used for production. In order to save valuable water resources, the Company carried out equipment transformation to increase the utilization rate of water resources in the malting process to 95%, saving more than 100,000 tons of water annually.



Advocating Green Office and Developing Green Habits

Beijing Enterprises advocates green office. Starting from saving every kilowatt of electricity and every piece of paper, we put the spirit of environmental protection into practice. Employees make full use of emails and internet to release and deliver enterprise internal information. We apply OA system instead of paper-based procedures to minimize the printing, copying and delivery of paper documents. Boxes for recycled paper are prepared for double-sided use of office paper. In terms of energy saving, we use LED luminaires instead of CFLs, set reminders for air-conditioner temperature control and promote the habit of "people out, lights off". We reduce waste of water resource by installing sensor faucet, encouraging employees to bring their own cups and reduce the use of bottled water. When bottled water is a must-have, smaller ones should be prepared and the leftover water is required to be taken away. The Company also encourages video conferences and supports multi-site and real-time information exchange in order to minimize the resource and energy waste caused by business trips.

Data of Headquarters Buildings of Beijing Enterprises in 2017

Electronic waste quantity (pieces)	153
Office paper usage (10,000 pieces)	21.5
Electricity usage (10,000 kWh)	27.3
Gasoline consumption (kiloliters)	34.2
Greenhouse gas emissions (tons of CO ₂ e)	277.2

Note: Data cover the office buildings of Hong Kong and Beijing headquarters.

Beijing Gaoantun Waste to Energy Co., Ltd. Actively Implementing Green Office

The company encourages all employees to reutilize paper. Faxes received and obsolete documents are collected and put aside the printers and fax machines for reutilization. Up to now, double-sided use of paper has become a group habit. As a power generation enterprise, the company, however, sets strict regulations for daily electricity use in the plant, including requiring all offices to turn off all electrical equipment after work, limiting the temperature of air conditioners to 26° C and turning on only indispensable lights in all corridors.

UNSWERVINGLY DEFENDING THE RED LINE OF SAFETY

In order to regulate safety management and curb the occurrence of safety accidents, the Company constantly improves the safety management mechanism and prevents possible harm caused by all sections in production and operation. We try to solve problems from the source and comprehensively build a safe and comfortable working environment.

Safety Management System

Taking the *Law on Safe Production of the People's Republic of China* and other relevant rules and regulations as a yardstick, the Company established management regulations and clear safety objectives to root safety & occupational health management deeply into every detail of the operation. In 2017, the Company altogether invested over RMB1.3 billion in safe production.

Investment in safe production over (billion in RMB)

1.3

The Company attaches importance to the standardization of safe production and establishes a coordinated and unified safe production management mechanism. In 2017, we comprehensively inspected the establishment of our subsidiaries' safe production system. The subsidiaries which have not set up safety management organizations or lack safe production management systems are urged to conduct a thorough combing and make rectifications within a prescribed time limit.

The Company sets safe production objectives at the beginning of each year and signs the letters of responsibility for annual safe production with subsidiaries. We also make statistical records of subsidiaries' dynamic comprehensive information. Some of the subsidiaries' projects, including those involving limited space, working high above the ground and the storage of dangerous chemicals, as well as non-capital function extraction projects and projects under construction in Beijing, are tracked and managed by the Company through the records. The safety work of subsidiaries is statistically managed and monitored every month.

Safety Risk Control

The Company attaches great importance to safety risk prevention and control, supervises and guides subsidiaries to strictly check on safety matters.

The Company carries out a series of safe production inspection, and requires all subsidiaries to implement special rectifications in key safety risk matters including limited space, electrical safety and construction safety. In 2017, we conducted 22 regular inspections, special inspections and holiday inspections at our subordinate enterprises, and identified 131 potential risks.

In-Company Special Safety Inspections in 2017

Time	Objects of Inspection	Results of Inspection
July to October of 2017	3 sewage treatment plants, 2 refute incineration power plants, 2 property renting companies and 1 water environment control projects.	39 potential safety risks were identified.
November to December of 2017	Key subsidiaries in Beijing with underground spaces, property leases, construction sites, temporary buildings and limited spaces.	92 potential safety risks were identified. 6 fire exits were opened up, 2 combustible colored steel houses with an area of 180 m ² were removed.

We strictly require all subsidiaries to establish a sound responsibility systems on potential risk investigation & control and a management system with the principle of "bottom-up, full participation and regular investigation". We encourage them to comprehensively promote the construction of hidden risk investigation & control system and standard setting to formulate an individualized investigation standard and checklist. For the potential risks identified, the Company requires timely rectification plans. Through inspections and supervision, we instruct all subsidiaries to constantly improve their safety management level.

The Company regularly revises the headquarters' comprehensive emergency plans, special plans and on-site treatment plans for accidents. Subsidiaries are required to establish corresponding-level emergency plans and strengthen emergency drills in order to promote the Company's emergency response capability and employees' self-rescue capabilities.



Safety Culture and Education

Strengthening employees' awareness and knowledge of safety is a key section in promoting the Company's safety management level. Every year, we provide safety training programs in diverse forms and multiple themes to create the culture of safety production, and urge employees to be familiar with the safe operation procedures and master emergency response skills.

In June 2017, the Company carried out a series of "safe production month" activities themed "comprehensively implementing enterprises' main responsibility of safe production". During the safe production month, we invited experts to deliver training courses on fire safety knowledge, emergency rescue and accident investigation & analysis. Over 80 employees, including all staff in the head office and major responsible persons in subsidiaries, attended.

We hang safety propaganda banners in subsidiaries to prompt employees to pay attention to safety risks and organize activities including fire training to reinforce safety propaganda. These measures help us strengthen employees' awareness of safety risks and guarantee the steady situation of safe production.

Occupational Health and Safety

The Company complies with the laws and regulations related to occupational health, including the *Law on Prevention and Control of Occupational Diseases of People's Republic of China*, and establishes an effective management system of occupational health and safety.

The Company ensures employees' health and safety through comprehensive occupational health management methods. We regularly monitor the environmental quality of the workplaces and effectively control the identified hazards. Complete occupational safety protection equipment and emergency facilities are provided for employees together with the instruction of their proper use. We carry out training programs on occupational health and safety to ensure every employee to master necessary safety knowledge and skills of occupational health and safety. We organize an annual physical examination for all employees and a special physical examination for staff that are exposed to occupational hazards. In 2017, 100% of the employees had physical examination and incidence of occupational disease was zero.

Beijing Gas Continues to Improve the Operational Level of Occupational Health & Safety Management System

In 2017, Beijing Gas carried out a special work of "looking back" on the non-conformities and suggested items during the 5-year operation of the occupational health & safety management system. A key monitoring list was formulated. Inferences were drawn from the special work and a thorough investigation and rectification was made group-wide. Beijing Gas conscientiously organized the fifth external audit of the system in which its operation results were approved by all evaluation experts and passed the re-accreditation of the international standard OHSAS 18001.

Beijing Gas innovates on its internal audit model. In addition to the Group's overall audit, it carries out independent audit of the operation of each unit's system and safety standard, so as to fully verify the compliance and effectiveness of the system and safety standard for the units of the Group.



PEOPLE-ORIENTED:

Creating a Value-shared Community



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- 39 Supporting Employees to Grow in Value
- 41 Creating a Harmonious Work Environment



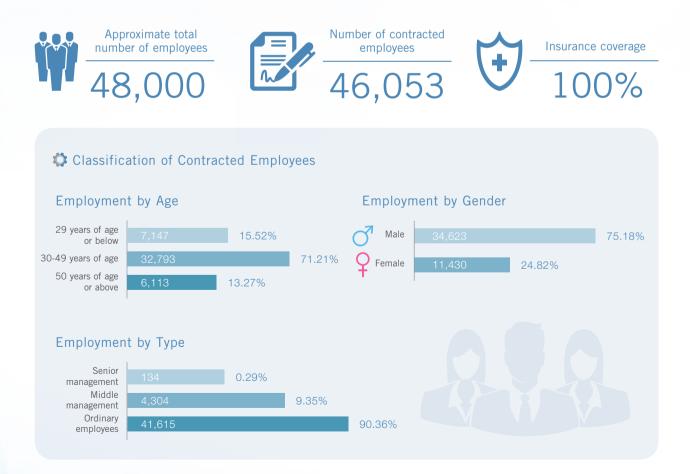
PEOPLE-ORIENTED: CREATING A VALUE-SHARED COMMUNITY

We regard employees as the Company's most important assets. Insisting the philosophy of "people-oriented", we are committed to creating a harmonious working environment with fair employment, broad platform of career development and care of rights and interests. We live with our employees, gorw with them and share benefits of the Company's progress.

EQUAL EMPLOYMENT AND DIVERSITY

In order to regulate recruitment and appointment, and at the same time to create, promote and maintain a work environment that provides equal opportunities without any discrimination and harassment, the Company earnestly abides by the *Labor Law* of the People's Republic of China, Labor Contract Law of the People's Republic of China and other related laws and regulations. Specifically, it formulated Regulations for the Recruitment Management of Beijing Enterprises Holdings Limited and Equal Opportunities and Privacy Code of Beijing Enterprises Holdings Limited. The Company pursues equal employment when hiring employees and does not employ child labor or forced labor. It applies equal pay for equal work for men and women, encouraging employees to actively seek promotion opportunities regardless of gender, age, cultural and educational background or professional experience. It respects employees' multicultural background and exerts zero tolerance against discrimination, harassment, slander, or retaliatory behaviors. In order to protect employees from discrimination and harassment in all aspects of employment, the Company has formulated appropriate reporting procedures.

As at December 31, 2017, the Company had a total of approximately 48,000 employees, including 46,053 formal employees who signed labor contracts, with social insurance coverage reaching 100%.



SUPPORTING EMPLOYEES TO GROW IN VALUE

We create a sound workplace for their career development. To support employees to live up to their potential, we actively organize employee trainings for steady growth of their core skills and professional performance.

The Company has formulated the *Rewards and Punishment System for Employees of Beijing Enterprises Holdings Limited (Trial)* to constantly improve the incentives for the core team and general employees. In order to build a comprehensive, structured and multi-dimensional talent training system, the Company has formulated the *Training Management Regulations of Beijing Enterprises Holdings Limited (Revised Edition)*, an institutional guarantee for the conduct of various trainings.

At the end of each year, each department of the Company submits training requirements to the Human Resources (HR) Department. The HR Department then formulates training plans based on summarization and adjustment of the requirements submitted. After the plans are approved, the HR Department coordinates the implementation of the plans. The forms of training mainly include internal teaching, online training, continuing education, open classes and seminars, etc.

In 2017, the Company's full-time employees participated in training for **54,516** times and total hours were **461,573** with the per capita hours of **10**. Among them, training times for the Company's headquarters were **530** and total hours were **16,930**.

Contracted Employees Training Performance in 2017

By Gender

Gender	Total Training Hours	Training Hours Per Capita	Times of Participation
Male	267,967	8	46,055
Female	193,606	17	8,461

By Employment Type

Туре	Total Training Hours	Training Hours Per Capita	Times of Participation
Senior management	6,657	50	1,064
Middle management	49,130	11	7,401
Ordinary employees	405,786	10	46,051

🖉 Organizing Professional and High-Skilled Personnel to Receive Training In Germany

In order to build a technician echelon with high quality and solid skills, Beijing Enterprises actively expands its overseas training resources by taking advantage of the acquisition of EEW in 2016. In 2017, it organized two batches of 40 technical personnel from the solid waste treatment segment to go to Germany to accept the "Training on Waste Incineration Power Generation Technologies and Standardized Management" and the "Training on Operation of the Automatic Combustion Control System for Waste Incineration Power Generation". By combining theory with practice, the trainings allowed technical personnel to systematically learn about this German plant's fine management model and the operation and maintenance of its automation production systems, to recognize the similarities and differences in management and technology between China and Germany, and to clarify the direction in which domestic projects could be improved in the future.



🖉 Starting a "Dual-System" Order-Class Model to Nurture Senior Technicians

With the strong support of the Beijing Municipal Bureau of Human Resources and Social Security, Beijing Enterprises and Beijing Instrumentation Senior Technical School co-established a "dual-system" order-class training model for Beijing Enterprises. In 2017, 58 junior high school graduates were recruited to form two specialized order classes of "Installation and Maintenance of Electrical Automation Equipment".

The Company and the school jointly formulated the international "3+2" five-year training program of senior technicians oriented towards professional competence by referring to the German "dual-system" vocational education model. During the training, in addition to learning theoretical knowledge on garbage power plants, students were arranged to designated companies for apprenticeships, practical training and on-job internships. The training process introduced the concept of German fine management, focusing on industry and enterprise norms, and fostering the students' spirit of craftsmanship.



CREATING A HARMONIOUS WORK ENVIRONMENT

We are committed to building a harmonious relationship between the Company and our employees, providing employees with comprehensive welfare. We listen to our employee's demands and truly care for their work-life balance.

Protecting Employees' Rights and Interests

The Company earnestly observes laws and regulations such as *Labor Law of the People's Republic of China* and *Social Insurance Law of the People's Republic of China*. It has formulated relevant management regulations such as the *Regulations on Paid Annual Leave for Employees* and the *Regulations on Emergency Preparedness for Employee Accidents*. It has established a basic welfare insurance system, consisting of basic pension, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund. It also provides employees with supplementary medical insurance.

The Company values highly of democratic communication and management. It launches inspections to trade unions at the grassroots level, pays visits to front-line employees, and holds democratic-spirited symposiums, etc. to listen to reports on local business development. It also conducts in-depth exchanges with employees at the grassroots level in relation to employee rights protection and development, in order to involve more employee participation in decision-making.

Employee Care

The Company regularly organizes general physical check-ups for all employees every year together with special ones for different age groups. At its Beijing headquarters, it has installed a fresh air system, set up a fitness center for employees, and offered yoga classes. The Company has also set up baby care rooms at its headquarters and some of its subsidiaries. Since 2009, it has provided special medical check-ups to its female employees on Women's Day every year. In addition, employees are organized to participate in the Group's sports events and various art competitions.







DEDICATION TO THE SOCIETY:

Our Charity and Public Service



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Beijing Enterprises Holdings Limited | Dedication to the Society: Our Charity and Public Service

Feature Page

"On the Way·BEHL" for 20 Years, Marching Forward and Never Forget Why We Started

With aims to share the happiness of the 20th anniversary of the Company's listing in Hong Kong and spread the idea of healthy life and low-carbon environmental protection among people, the Company launched the "On the Way-BEHL" charity walk on March 26, 2017.

Lasting for 32 days, the charity walk started from the Yanqi Lake of Beijing and ended in the Victoria Harbor of Hong Kong. The tour connected 20 domestic and foreign cities where business sectors of Beijing Enterprises are located. By relaying from one person to another at power walking tour the Company kept making contributions to the public and society since it was listed in Hong Kong. At the same time, the Company organized an online activity "Power Walking for Love and Lighting up the City" and a photo contest "Showing Charity with Your Own Photos". With all these activities, the Company encouraged more employees to participate in public service.

With more than 4,036 online and offline participants, the "On the Way-BEHL" charity walk has raised RMB4,036,000. To encourage the exchange between the youth from Beijing and Hong Kong, the Company donated RMB3,536,000 to the Hong Kong Mingxi Charity Foundation Association. Another RMB500,000 was donated to the SEE Foundation to support its development in public service and environmental protection.

Online and offline participants

4,036

Charitable fundraising amount (million in RMB)

4.036





DEDICATION TO THE SOCIETY: OUR CHARITY AND PUBLIC SERVICE

Over the past 20 years since its establishment and listing, Beijing Enterprises has been upholding the core values of "dedication, sharing and respect". Combining the Company's business model, it has returned the society with a grateful heart and practical actions. It persists in practicing its CSR concept while promoting the development of the industry. According to incomplete statistics, Beijing Enterprises has so far made donations accumulatively exceeding RMB1 billion.

SUPPORTING SOCIETY'S DEVELOPMENT

The Company has always been enthusiastic about public service and carried out a series of activities centered on youth growth, environmental protection as well as culture, sports, science & technology and education. By doing all these, the Company has given substantial support to society's development.

Support for Youth Growth and Development

The Mingxi Charity Foundation Association

Initiated and founded by Beijing Enterprises, the Mingxi Charity Foundation Association has 4 different programs, i.e. the Hong Kong-Beijing college students exchange program called "Bathing in the Spring and Meeting in the Future", "Youth Innovation and Entrepreneurship Funds", the "Mingxi Youth Award Scheme" and the "Mingxi Student Scholarship". It also has two affiliated organizations, including the Mingxi Alumni Association and the Mingxi Volunteer Team. Since it was established, the foundation has launched more than 20 activities by cooperating with relevant institutions and benefit more than 1,500 students.

To boost youth exchanges, the foundation has launched, assisted and sponsored a series of cultural exchange activities for youths in 2017, including the Hong Kong-Beijing College Students Exchange, Youth Exchange Symposium and the Micro Film Creation Contest of "Same Root and One Heart" to celebrate Hong Kong reunification; "One-hundred Talents within Three Years Plan" focusing on the social practice of Hong Kong college students; cross-cultural and cross-domain exchanges under the topic of "the Belt & Road Initiative"; and the "Exchange Group for the Exploration of China" centered on culture and arts exchange.

In 2017, the foundation also sponsored the BOAO Youth Forum for Asia (Hong Kong) on November 2, 2017. Meanwhile, it also established a youth exchange platform by cooperating with domestic and foreign youth groups, educational institutions and philanthropic organizations.



Upholding the Concept of Environmental Protection

A Tree Planting Event: Developing Employees' Sense of Belonging

On March 17, 2017, the Company organized a volunteer tree-planting event with the theme of "Developing Employees' Sense of Belonging and Meeting the Spring in Tongzhou District". This tree-planting event was held to celebrate the 20th anniversary of Beijing Enterprises' listing in Hong Kong. During the event, over 70 employees from Beijing Enterprises and its branch companies came to the Xiaotaihou River and planted more than 70 white bark pines and albizzia.



Spreading the Knowledge of Waste Incineration and Strengthening People's Awareness of Environmental Protection

The solid waste treatment business segment of Beijing Enterprises, for instance, Beijing Haidian Project, Gaoantun Project and Harbin Project, have established seven centers for the training and research of environmental protection. In these centers, the Company spread the knowledge of waste incineration and strengthened people's awareness of environmental protection. Among them, Gaoantun Project alone receives up to 10,000 visitors every year.



Popularizing Scientific Knowledge at Water Plant and Carrying Out Environmental Protection Education

In 2017, Xinhua Branch of BE Water organized voluntary activities in schools. The volunteers from the company carried out two science activities for the second-grade students of Chengdu Garden (International) Primary School. In addition, the company also launched popular science activity of "getting to know water plants" and provide environmental education for Peng Zhou Primary School students who visited the plant.



Advancement of Culture, Sports, Science and Education

In Response to the National Call of Targeted Poverty Alleviation by Promotion of Education

In response to the national call of "Targeted Poverty Alleviation", the Company offered 12 quotas of targeted poverty alleviation for students at the "dual-system" ordered-class of Beijing Instrumentation Senior Technical School. Those 12 students will not only be exempted from tuition and fees, but also receive living subsidy. The corporate subsidy for targeted poverty alleviation will be given to those 12 students by the school on behalf of Beijing Enterprises on a monthly basis, who come from Hebei, Shaanxi, Shandong and Hunan and other provinces.

With the targeted poverty alleviation project, the Company aims to give those students born in poor families an access to the rich education resources and cultivate more extraordinary technical talents for its "dual-system" ordered-class and the core business of Beijing Enterprises as well.

Support to the Development of Chinese Sports by "Seed Plan" Program

The "Seed Plan" program, launched in 2014 by Chinese Football Association Cup with the sponsorship of Yanjing Beer, aims to support the development of football game for teenagers. The "Seed Plan" has donated 25,300 footballs to more than 1,200 schools over the past four years.

The "Seed Plan" program was upgraded in 2017. The program not only invited professional football coaches to give young football fans the tactical instructions, but also invited the teenagers to visit professional football clubs and experience professional player's training. Yanjing Beer was awarded the "China CSR Charity Award in 2017" for its sponsoring the on-campus activity—"Seed Plan" program of Chinese Football Association Cup.





PASSING ON THE LOVE WITH OUR OWN EFFORTS

The Company supports and encourages its employees to join in various volunteer activities and make contributions to the community development.

🖉 Support to Voluntary Teaching and Environmental Protection by "On the Way-BEHL"

In November 2017, the Company's volunteers came to a "love & care" primary school in Sanpo District of Laishui County, a state poverty stricken county in Hebei Province, and carried out a three-day volunteer teaching and environmental protection activity. With the slogan of "On the Way-BEHL 'Lighting up a Road to Knowledge with Hearts Linked Closely and Jointly Creating Ecological Civilization with Hand in Hand'", volunteers passed on the environmental protection knowledge to the students in various ways such as teaching, video, experiment, games, etc. After that, the Company donated RMB10,000 worth of stationery and sporting goods, courseware and experimental apparatus to the school so that it could continue environmental protection courses. The Company's trade union has made Sanpo "love & care" primary school one of its centers for environmental conservation education.





Taking Part in the Sowers Action Challenging 12 Hours Charity Marathon

On October 22, 2017, 45 Hong Kong employees of Beijing Enterprises and its branch companies participated in the 19th "Sowers Action Challenging 12 Hours Charity Marathon". Two teams of the Company achieved the second and the third place in the Marathon. Finally, Beijing Enterprises won the "Corporate Participation Gold Award". The fund and donations will be used to help poor children return to the school, which created an integration of culture and love.



China Gas – "Caring about Community and Caring about Employees"

With the commitment of "Caring about Community and Caring about Employees", China Gas Charity Foundation and China Gas Employee Care Committee were founded. In 2017, China Gas Charity Foundation visited both its grassroots employees in each region and senior citizens in Hong Kong. By participation into various activities such as the "Walk for Millions by the Community Chest", China Gas popularized its philanthropic concept. Meanwhile, China Gas Employee Care Committee focused on the financial assistance and emotional support to its employees.

133 volunteers of China Gas took part in various public services and employee care activities in 2017.



SOCIAL RESPONSIBILITY PERFORMANCE IN 2017

Revenue (billion in HK\$)	57.51	
Basic earnings per share (HK\$/share)	5.45	
Greenhouse gas emissions (10,000 tons of CO_2e)	63.3	
Greenhouse gas emissions per HK\$10,000 of revenue (kg/HK\$10,000)	110.1	
Energy consumption (10,000 tons of standard coal, including: coal, electricity, nature gas, gasoline and diesel)	20.5	
Energy consumption per HK\$10,000 of revenue (kg/HK\$10,000)	35.6	
Fresh water consumption (10,000 tons)	937.1	
Fresh water consumption per HK\$10,000 of revenue (kg/HK\$10,000)	1,629.5	
Hazardous waste emissions (10,000 tons)	38.4	
Hazardous waste emissions per HK\$10,000 of revenue (kg/HK\$10,000)	66.8	
Non-hazardous waste emissions (10,000 tons)	181.9	
Non-hazardous waste emissions per HK\$10,000 of revenue (kg/HK\$10,000)	316.3	
Total number of contracted employees	46,053	
Employee training hours	461,573	
Percentage of employee physical examination (%)	100	
Number of suppliers	2,107	
Donation (HK\$)	7,000,000	

Note: Data in this sheet come from statistics in consolidated financial statements. Among them, the environment data (greenhouse emissions, energy consumption, fresh water consumption, hazardous and non-hazardous waste discharge) of Yanjing Beer only covers Beijing region. The data of fresh water consumption does not cover EEW GmbH.

OUTLOOK FOR 2018

2018 is the first year for the full implementation of the principles of the 19th National Congress of CPC and marks the 40th anniversary of China's Reform and Opening Up. It is also a critical year for the decisive victory in building a moderately prosperous society on all fronts and for the continued implementation of the 13th Five-Year Plan. For Beijing Enterprises, 2018 is set to be an extraordinary year. What we have achieved serves as a sustained inspiration for us to persist in becoming a "potent, responsible and trustworthy" company that strives to fulfill social responsibilities and to create greater values for the environment and the society.

In the future, we will remain true to our original aspiration. We will focus on the development of comprehensive public utilities, with persist in innovation and earnestly observing our responsibilities. We will forge ahead against all odds and continue to optimize the industrial layout, focus on the development of core business to enhance the value of the Company. We will continue practicing our CSR mission of "invest for a better life" by integrating the Company's development strategy with the construction of ecological environment, and create a better future.

HKEX ESG INDEX

Subject Areas	Aspects	KPIs	Description	Disclosure
	A1: Emissions	General Disclosure	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P28-P33 P51
		A1.1	The types of emissions and respective emissions data.	
		A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
		A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
		A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
		A1.5	Description of measures to mitigate emissions and results achieved.	
A Environmental		A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
	A2: Use of Resources A3: The Environment and Natural Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	
		A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
		A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
		A2.3	Description of energy use efficiency initiatives and results achieved.	
		A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
		A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
		General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	
		A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
B Social	B1: Employment B2: Health and Safety	General Disclosure	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P38
		B1.1	Total workforce by gender, employment type, age group and geographical region.	P41
		B1.2	Employee turnover rate by gender, age group and geographical region.	
		General Disclosure	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
		B2.1	Number and rate of work-related fatalities.	P33-P35
		B2.2	Lost days due to work injury.	
		B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	

Subject Areas	Aspects	KPIs	Description	Disclosure
	B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P39-P40
		B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
		B3.2	The average training hours completed per employee by gender and employee category.	
	B4: Labour Standards	General Disclosure	Information on: a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	
		B4.1	Description of measures to review employment practices to avoid child and forced labour.	
		B4.2	Description of steps taken to eliminate such practices when discovered.	
		General Disclosure	Policies on managing environmental and social risks of the supply chain.	
	B5: Supply Chain	B5.1	Number of suppliers by geographical region.	P22-P23
	Management	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
	B6: Product Responsibility	General Disclosure	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	P20-P23
B Social		B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
		B6.2	Number of products and service related complaints received and how they are dealt with.	
		B6.3	Description of practices relating to observing and protecting intellectual property rights.	
		B6.4	Description of quality assurance process and recall procedures.	
		B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
	B7: Anti-corruption	General Disclosure	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Р10-Р11
		B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
		B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
	B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P44-P51
		B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	
		B8.2	Resources contributed (e.g. money or time) to the focus area.	

FEEDBACK FORM

Dear Reader,

Thank you for reading 2017 CSR Report of Beijing Enterprises Holdings Limited. We highly value your feedback regarding our social responsibility management, practice and information disclosure of Beijing Enterprises. In the light of your opinions and suggestions, we will push forward our CSR management and practice. Looking forward to hearing from you!

Please Answer The Questions As Follows By Marking " $\sqrt{"}$

1. Do you think the Report can reflect the significant impact of Beijing Enterprises on the economy, society and environment?

Very much

Average
Very little

2. Do you think the analysis of relations between stakeholders identified in the Report and Beijing Enterprises is accurate and complete?

Very much
Average
Very little

3. Do your think the information in the Report is complete?

Very much

Average
Very little

4. Do you think the information in the Report is readable?

Very much
Average
Very little

Open-ended Question

Welcome your opinions and suggestion on 2017 CSR Report of Beijing Enterprises Holdings Limited as follows:

Your Contact Information

Name:	
Company:	
company.	
Phone:	
E-mail:	



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