



**2016**  
ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE  
REPORT



**中國恒大集團**

CHINA EVERGRANDE GROUP

China Evergrande Group

中國恒大集團

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3333





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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## About this Report

China Evergrande Group (“Evergrande” or the “Company”) is delighted to announce 2016 Annual Environmental, Social and Governance Report of the Company and its subsidiaries (together the “Group”). This Report describes the management approach and performance of Evergrande Group in environmental, social and governance aspects.

## Report Scope

This Report covers the time range from 1 January 2016 to 31 December 2016, partial contents dated back to past years. This report covered the real estate, Internet finance and financial insurance business operated by the Group.

## Preparation Standards of the Report

This Report was prepared in accordance with Appendix 27 Environmental, Social and Governance Report Guidelines of the Listing Rules of the Hong Kong Stock Exchange (ESG Report Guidelines). According to the requirements of ESG Report Guidelines, the preparation of the report must be in compliance with the principles of importance, quantification, balance and consistency, aiming at adequate reflection of the management status and achievements of the Group in the aspect of ESG. Please refer to the annual report for the financial performance of the Group.

## Stakeholder Engagement

The Group deeply understands that the sustainable development of the enterprise is closely related to the participation and support of stakeholders. Over 20 years since foundation, the Group actively communicates with all stakeholders through a variety of channels, timely understands and actively responds to the opinions and demands of all parties concerned and constantly optimizes the internal management. The Group gradually achieves sustainable development while meeting the expectations of stakeholders.

| Stakeholders               | Communication Channels  | Demands and Expectations  |
|----------------------------|---|---|
| Shareholders and investors | General meeting<br>Online opinion survey<br>Annual report and interim report<br>Announcements and communications      | Business performance<br>Corporate governance<br>Corporate sustainable development<br>Social investment and contribution           |
| Government                 | Policy implementation<br>Compliant operation<br>Active tax payment<br>Information disclosure<br>Social public welfare | Law-abiding<br>Tax payment according to law<br>Promoting employment<br>Driving the development of industry<br>Social contribution |
| Customers                  | Service hotline<br>Online community platform<br>Customer survey<br>Client activities                                  | Compliant operation<br>Customer information protection<br>High-quality products and services<br>Business integrity                |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

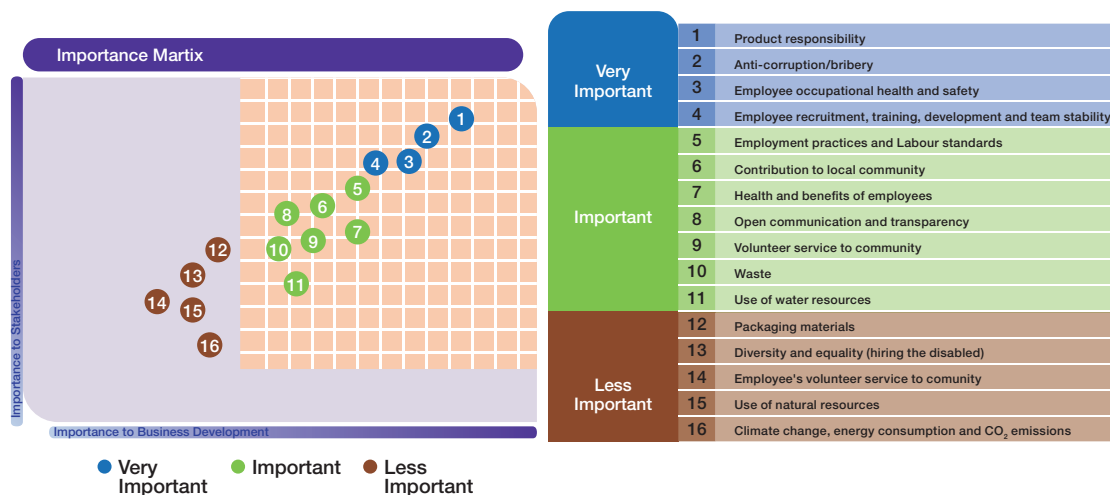
| Stakeholders             | Communication Channels   | Demands and Expectations  |
|--------------------------|--|---|
| Employees                | Employee training<br>General meeting of employees<br>Employee activities<br>The Group's internal publication | Health and safety<br>Career development<br>Remuneration and benefits<br>Equal opportunities           |
| Suppliers and partners   | Bidding meeting<br>Site visits<br>Regular meetings and evaluation<br>Communications and visits               | Fair competition<br>Compliant operation<br>Business ethics and credit standing<br>Win-win cooperation |
| Community and the public | Promoting employment<br>Volunteer activity<br>Community investment and donations                             | Compliant operation<br>Social responsibility<br>Promoting social harmony                              |

## Materiality Assessment

In accordance with the requirements of ESG Report Guidelines, the Group entrusted an independent consultant to carry out materiality questionnaire of ESG for 2016. The questionnaire covered 16 ESG issues including environment, employment, employees' health and development, labor standards, supplier management, product responsibility, anti-corruption and community investment, with stakeholder representatives being invited to rate the importance of the issues. The independent consultant was responsible for the sorting and analysis of the questionnaire results.

According to the results of materiality questionnaire and considering the business development plan formulated by the Group's management, we finished the evaluation of the importance of the contents of this Report. Evaluation results show that the comprehensive score of the importance of the issues like product responsibility, anti-corruption, employment, employees' health and development is higher. On the premise of strictly following the reporting requirements of ESG Report Guidelines, issues with high score will be disclosed in more detail in this Report. The following matrix shows the materiality assessment results of the Group (see Figure 1).

Figure 1 2016 ESG Materiality Assessment Matrix of Evergrande Group



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Looking forward to the future, the Group will timely review its own ESG strategic planning and performance based on the macro policy environment and the business development direction, considering the matters that the stakeholders concern about. With the economy developing into the new normal, the Group will insist on adhering to the concept of “Centering on People’s Livelihood and Serving Country with Industrial Development”, take the courage to bear the social responsibility, spare no effort in creating social value and realize common development hand in hand with shareholders, employees, upstream and downstream of industry chain, customers and communities.

## Our Commitment to Environment

The Group deeply understands the importance of environment and resources protection to the sustainable development of the enterprise, actively promotes environmental protection concept in the daily operation and in the construction of real estate projects, actively practices environmental protection measures so as to reduce the negative effects on the environment caused by the business operations, and achieve the synchronous growth of economy and environmental benefits.

In the aspect of environmental management, the Group strictly complies with all environmental laws and regulations of the state; meets the national and industrial environmental standards through the implementation of internal systems and measures of energy saving and emission reduction, strengthening the management of energy and resource use and speeding up the introduction of new technology and new equipment for environmental protection. In the reporting period, no serious violation of laws and regulations on environmental management occurred.

### Green Office

The Group issued Office Space Management Policy, Administrative Measures on Centralized Print, Administrative Measures on Lighting, Administrative Measures on Air Conditioning and so on in order to conduct strict management of office resource use and energy consumption, and avoid waste of resources.

#### Managing Office Resources

- controlling cost of office supplies, economical use of all kinds of office resources and proper maintenance of equipments;
- giving priority to electronic form of official document in circulation to maximize the implementation of paperless office and reduce the consumption of paper;
- promoting the repeated use of office supplies and prohibition of arbitrary discard.

#### Energy Saving and Emissions Reduction

- setting running time of the lighting and air conditioning in office area and strict management of lighting and air-conditioning during non-office hours;
- adhering to the principle of “who uses who is responsible”, dividing up the management responsibility of the lighting and air-conditioning of public area in each floor and specify the responsible department and personnel;
- setting up supervision and inspection team under President Office to inspect whether the lighting and air conditioning equipment is turned off at each floor every night as required and reporting violations regularly.

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## Waste Management

- collection of abandoned cartridge and office equipment by the administrative department and prohibition of arbitrary discard.
- regular collection of office garbage by trash pickup company to conduct centralized processing.

## Raising Environmental Protection Awareness

The Group is dedicated to the promotion of environmental protection concept, recognition of the importance of environment protection among all employees, enhancing the individuals' willingness of environmental protection, so that the employees will take the initiative to participate in the work of energy saving and consumption reduction.

As effective means of conveying environmental protection information to employees, environmental protection bulletins and banners are posted across office area so as to popularize environmental protection behavior, encourage employees to start with trivial things and fulfill environmental protection idea jointly.

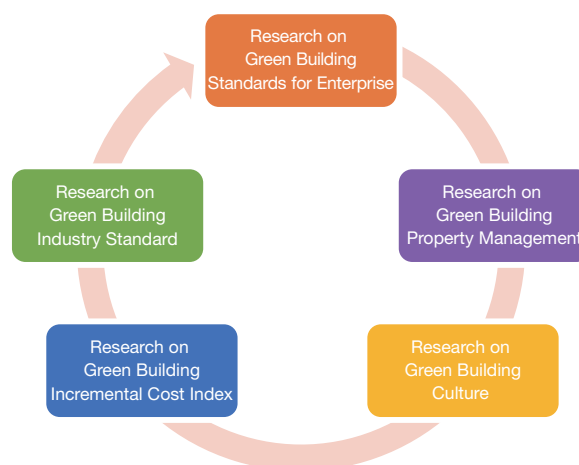
## Green Building Research and Practice

The Group understands that as a leading domestic real estate enterprise, it should spare no effort in promoting the development of green building.

In 2013, the Group entered into the strategic cooperation agreement for research on green building with Tsinghua University. Since 2014, the Group has been in cooperation with Harvard University in building the research platform of green building among Harvard, Tsinghua University and Evergrande.

In early 2015, the Group cooperated and signed a contract with the Ministry of Housing and Urban-Rural Development and Tsinghua University to carry out three-year research on the management system of green building standardization, which focuses on five issues of green building (see Figure 2). In July 2015, the project team completed the compilation of Evergrande Green Residential Design Standards, which provides a theoretical guidance for the Group's promotion and practice of national green building projects.

Figure 2 Green Building Research Priorities



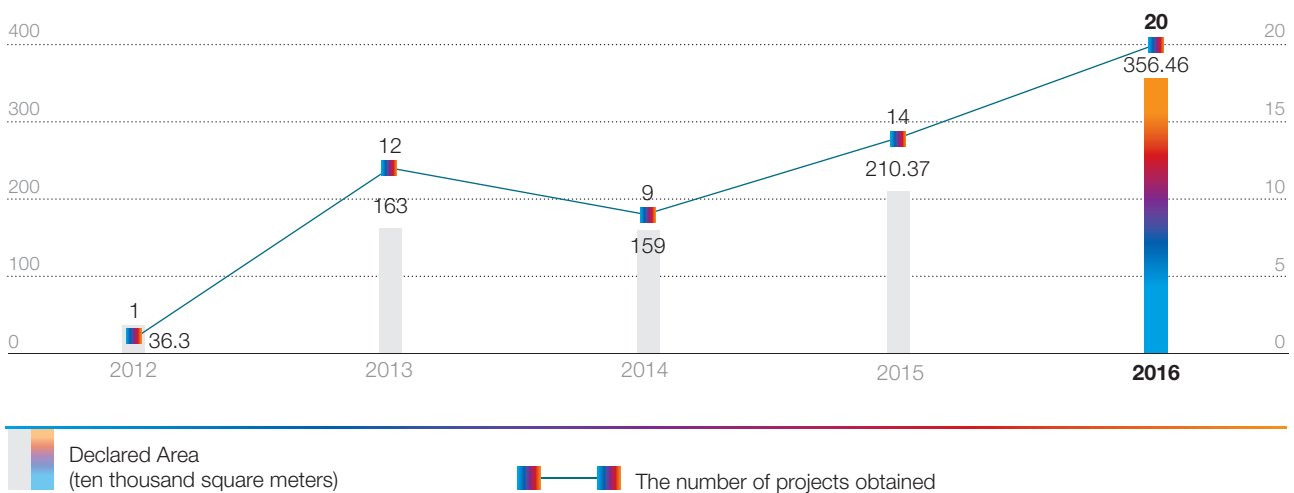


## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Since the second half of 2015, the Evergrande Green Residential Design Standards has been implemented within the Group. From July 2016, the Group required that the new projects across the country have to be subject to star-level certification of national green building<sup>1</sup>, and the certification will be treated as a evaluation indicator for regional company.

Since 2012, the Group has gradually increased investment in green building practices. With the implementation of enterprise green building standards, the Group's star-level certification of green building achieved leapfrog development. In 2016, a total of 20 projects of the Group passed the certification of national green building project with a total construction area of 3.5646 million square meters, increasing 42.9% and 69.4% compared to 2015.

**Figure 3 2012–2016 Statistics of Annual Green Building Projects**



## 2016 Green Building Case Study

### Green Commercial project of the Group-Hainan Ocean Flower Island

Evergrande Ocean Flower Island is located in the bay area between Paipu port and Yangpu port of Danzhou City, consisting of three separate offshore islands. As the green innovation base of the Group, the design and construction of the Ocean Flower Island followed the goal of “Supreme Ecology, Supreme Environmental Protection and Supreme Green”. Technical studies were conducted on six aspects including green building, clean energy use, water recycling, green transportation, ecological environmental protection and solid waste disposal. Research on 48 green innovative technologies for single building was conducted and the research results were applied.

### Green Certification and Honor Awarded to the Project (by the end of 2016)

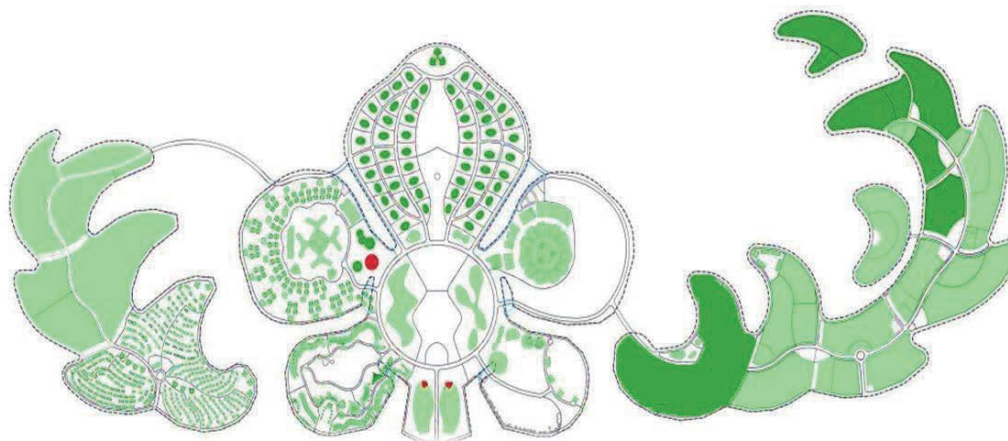
- the building area of 1.48 million square meters of the project gained green building certification label, among which the area of two-star green building is 750,000 m<sup>2</sup> and the area of one-star green building is 730,000 m<sup>2</sup>.
- The application for the honor of “Green Eco-City”<sup>2</sup> was approved by the municipal government, and provincial ministries and the national examination and approval is under way.

<sup>1</sup> refers to the green building management institutions designated by the provincial governments, who carry out green building star-level evaluation in accordance with the Green Building Evaluation Criteria, Technicals of Green Building Evaluation and Management Method of Green Building Evaluation Identity (Trial). According to different degree of satisfaction of green building indicators, the projects will be evaluated as one star green, two stars green and three stars green from low to high. The three stars green represents the highest level of Chinese green building evaluation criteria.

<sup>2</sup> “Green Eco-City” is the honorary title awarded to the construction projects and regions conform to the concept of green, healthy and sustainable development by national Ministry of Housing and Urban-Rural Development. The application of the honorary title must be examined and approved by relevant administrative departments at municipal, provincial and national levels.

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Figure 4 Distribution of Star Certification of Green Building in Ocean Flower Island



**Clean Energy:** adoption of a number of renewable energy technologies, including wind, solar, and tidal power, etc. The utilization rate of renewable energy reached 2.2%. In terms of solar energy use, distributed solar power stations located in the film and television base of Sea Island, is one of the nation's largest roof type large-scale solar power plants. It has a solar panels area of 58,000 m<sup>2</sup> and can generate electricity of about 10 million degrees for the whole year to supply the energy consumed by the public buildings of about 50,000 m<sup>2</sup>.

**Water Resources:** adoption of the design concept of sponge city, application of technologies such as permeable ground, rain garden and rainwater recycling and storage to strengthen the recycling, storage, purification and utilization capacity of rain water. Non-traditional water utilization rate reached 5%, which was mainly used for road cleaning and watering the greenery.

**Green Transportation:** restriction on social vehicles' access to the island, with clean energy sightseeing car and slow traffic being given priority, and traffic channel through efficient transfer inside the island.

**Ecological Environment:** adoption of appropriate means of ecological rehabilitation in order to reduce the environmental impact of land reclamation and achieve recovery and construction of a system of vegetation and water ecological environment, etc. At the same time, setting up the ecological tourist routes to exhibit the ecological and green design highlights in Ocean Flower Island.

**Solid Waste Management:** adoption of mechanization pickup, closed-end vacuum transportation and establishment of multiple garbage transfer stations to ensure 100% safety disposal of garbage.



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**Green residential project of the Group — Ningbo Shanshuicheng**

The project is located in Jiulonghu Town, Zhenhai District, Ningbo and composed of residence, shops and accessory occupancy. On the basis of meeting the green building standards of the Group, the project was designed according to the highest national standard of three-star green building, and has achieved remarkable social, environmental and economic benefits.

**Clean Energy:** preparation of hot water through utilization of solar energy to be supplied to residents for use.

**Outdoor Wind Environment:** planning to simulate and optimize outdoor ventilation in order to realize indoor natural ventilation in summer and effective prevention of cold air infiltration in winter, so as to reduce the demand for heating and cooling.

**Ecological Design:** considerable adoption of the design of low elevation greenbelt to effectively regulate the storage of rainwater and reduce the discharge of rainwater; wide use of porous asphalt and grass planting brick in outdoor rigid pavement to effectively enhance the rain infiltration.

**Water Resources:** installation of rainwater recycling system, and using the water after centralized processing for greenery watering and street flushing; non-traditional water utilization rate reached 13%.

**Recycled Materials:** the utilization rate of recycled materials reached 6%, which effectively reduced energy consumption and environmental pollution caused by the production and processing of new materials.

**High-Strength Material:** the utilization rate of high strength steel reached 98.32%, which reduced the use of component materials, and at the same time reduced the weight of the structure.

**Outside Shading Design:** installation of the built-in shutter window of hollow structure to reduce the effect of outside light on residents.

**Noise Reduction:** adoption of silencing drain in sewage disposal system to reduce the effects of noise on residents.



Figure 5 Ningbo Shanshuicheng Project Aerial View

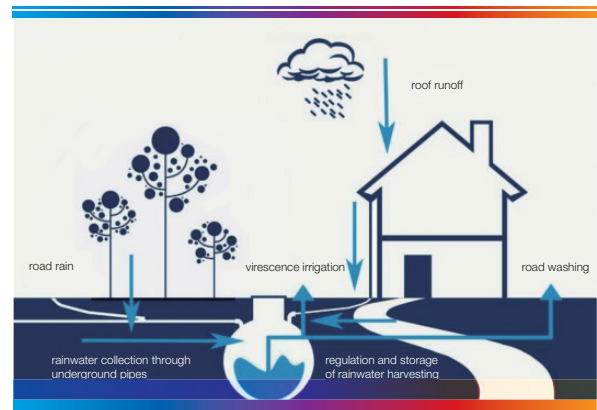


Figure 6 Rainwater Recycling System

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## 2016 Green Building Star Certification of Real Estate projects

| No. | Project Name   | Certified Star Level | Type of Green Building Certificate | Declared Area (ten thousand square meters) |
|-----|--|----------------------|------------------------------------|--|
| 1   | Xi 'an Feicui Huating  | One Star             | Design Label                       | 19   |
| 2   | Zhangjiagang Evergrande Yayuan                                       | One Star             | Design Label                       | 16   |
| 3   | Langfang Feicui Huating Phase II                                     | One Star             | Design Label                       | 15   |
| 4   | Quanzhou Evergrande Feicui Huating                                   | One Star             | Design Label                       | 8.7  |
| 5   | Xiamen Evergrande Dijing   | One Star             | Design Label                       | 13.6                                       |
| 6   | Zhengzhou Feicui Huating   | One Star             | Design Label                       | 3.2  |
| 7   | Changsha Evergrande Jiangwan Phase III                               | One Star             | Design Label                       | 12.8                                       |
| 8   | Changsha Evergrande Yujing Bandao                                    | One Star             | Design Label                       | 16.5                                       |
| 11  | Langfang Feicui Huating Phase II                                     | One Star             | Design Label                       | 15   |
| 12  | Danyang Biyao Garden 9 #, 10 # floor                                 | One Star             | Design Label                       | 2.8  |
| 13  | Wuhan Evergrande Yufu  | One Star             | Design Label                       | 24   |
| 15  | 3-01-2 Plots, 3# Island, Ocean Flower Island                         | One Star             | Design Label                       | 1.6  |
| 16  | 2-03-3, 2-03-7, 2-03-7 Plots, 2# Island, Ocean Flower Island, Hainan | One Star             | Design Label                       | 67.8                                       |
| 17  | 4 # Plots, Hefei Evergrande Square                                   | Two Stars            | Design Label                       | 40   |
| 18  | 2-01-1, 2-02-7, 2-02-8, 2-04-1 Plots, 2# Island, Ocean Flower Island | Two Stars            | Design Label                       | 70.96                                      |
| 19  | 2-02-1 Plots, 2# Island, Ocean Flower Island                         | Two Stars            | Design Label                       | 7.5  |
| 20  | Ningbo Evergrande Shanshuicheng, 12 # Plots Phase II                 | Three Stars          | Design Label                       | 22   |

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## Employment Practices

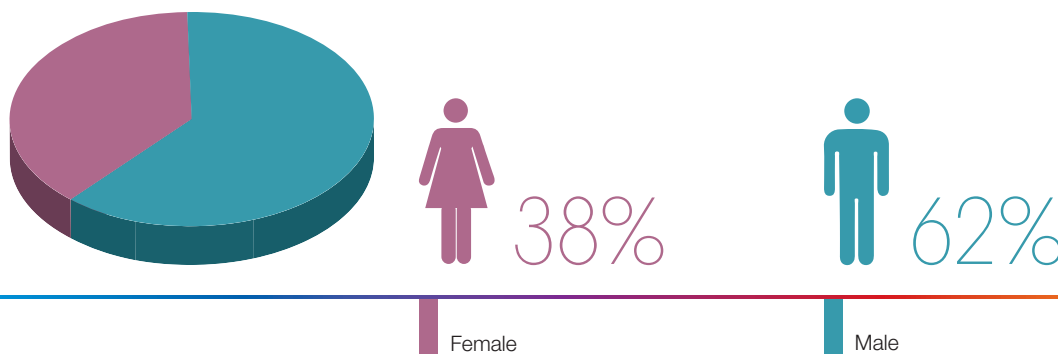
### Our Values in People

Talent forms the important cornerstone for the country foundation and prosperity of the industries.

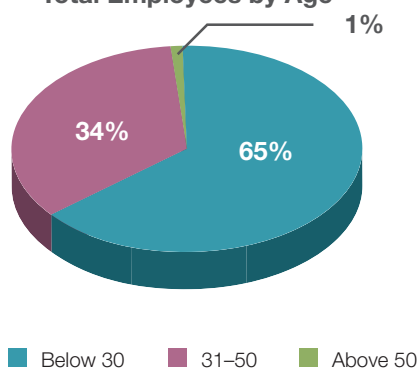
The Group believes that talent is the fundamental productive force in the development of enterprise, follows the talent strategy of “first-class team,” and emphasizes staff training and team building. At the same time, it attaches importance to the creation of a harmonious, healthy, fair and positive working environment for employees, protects the rights and interests of employees, improves the staff’s sense of belonging and sense of honor, and strives to realize the common development of employees and enterprises.

As of 31 December 2016, the Group has a total of 89,250 employees. All the staff are formal employees located in mainland China. In accordance with the labor laws of the state, formal labor contracts were signed with all the employees.

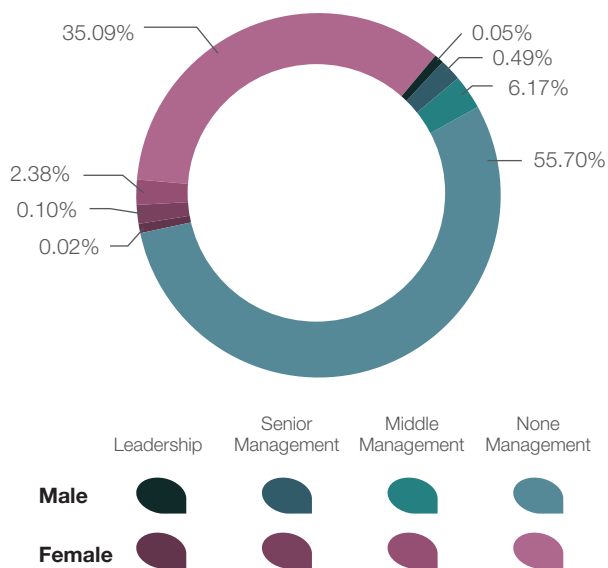
**Total Employees**



**Total Employees by Age**



**Total Employees by Employment Category and Gender**





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Talent Recruitment

The Group has established high recruitment standards and recruits talents from campus, society, internal referral and overseas. We also work with various headhunting companies to systematically recruit outstanding talent. In 2016, the Group headquarter recruited 1,586 talents from society.

### Campus recruitment

Given the fierce competition for talents, the Group views college graduates as a major force for developing talent echelon. In 2003, we officially initiated campus recruitment program. Since then, we have attracted a large number of outstanding graduates. In 2016, the Group headquarter recruited 1,275 talents from campus, of which 159 talents are from top domestic colleges.

To assist the graduates adapt to the transition from school to workplace, we have developed a series of training and tutoring programs, including guided orientation program, "one-on-one" tutoring, experiencing rotation study; meanwhile, through in-depth fostering, targeted on-the-job training, free degree training, fair competition, a large number of outstanding college graduates have become management talents and technical professionals, realizing their professional goals and becoming the backbone of the enterprise.

## Remuneration and Benefits

The Group provides employees with competitive salaries and benefits which are timely adjusted based on market average salary, so as to attract and retain talents, and enhance employees' initiative.

With respect to the remuneration management, we establish clear policies on salary calculation and employee attendance in accordance with the labor law and relevant regulations. Adhering to performance-based principle, the Group gives priority to efficiency and fairness by associating bonus with employees' attendance and job performance.

The Group safeguards employees' entitlement to statutory benefits. We pay for all kinds of insurance and housing fund for the employees in accordance with the law, and abide by any national holiday leave prescribed by the government. Besides, we provide a number of benefits policy for different levels of employees, including the funding support for further education, vacation, annual physical check and accident insurance, etc. Our employees can apply to use the employee accommodation and staff shuttle, enjoy free lunch and discounts for housing and proprietary products or those from our suppliers, etc.

## Career Development

The Group emphasizes the employees' career development, establish and continuously improve the selection mechanism of leading cadre so as to provide employees with broad development platform and promotion opportunities. For leadership selection and appointment, we unfold an all-round selection and assessment of the candidate with "fairness, justice, openness, meritocracy" as a guiding principle and the qualifications set by the system as the benchmark. The result of selection and assessment will be made public for 7 days inside the Group prior to the appointment. The employees should have the right to report their questions and concerns with the result to the HR department, who will verify and review the reported issues. If verified, the appointment decision should be cancelled to conduct re-selection.

## Equal opportunities and Mutual Respect

To comply with labor laws and regulations, the Group guarantees that no employee will be subjected to discrimination because of ethnic group, race, gender and religious belief.

Committed to providing equal opportunities of employment and development, the Group conducts personal evaluation based on the employees' experience and competence to actively promote the concept of equality. The Group will penalize those who violate the principles of equal opportunity.

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## Health and Safety

Complying with the laws and regulations on occupational health and safety, the Group advocates working healthily, and provides employees with healthy and safe working environment to ensure their physical and mental health.

Regarding employee health management, the Group organized the employee to have physical examination in 2016, and carried out the occupational health knowledge training in order to improve employees' awareness and ability in relation to personal health. At the same time, the Group encourages employees to do physical exercise by organizing sports meetings and actively carrying out the weekly exercise plan for employees.

With regard to occupational safety, the Group is committed to provide multiple security for employees. During 2016, the Group repeated safety checks of the working environment and fire drills to eliminate safety risks. Based on the characteristics of different business and jobs, the Group carried out specialised training on safety precaution and skills for employees to improve their knowledge and skills in relation to safety.

In accordance with the laws and regulations of production safety, the Group prevents industrial accident and pays for the insurance premium of industrial injury. If industrial injury occurs, the Group takes measures to ensure employees get timely treatment. After the industrial injury is confirmed by the administrative department of labor, the employee can apply for industrial injury leave with the industrial injury certificate.

### Employees' Health and Safety Performance in 2016

| Health and Safety   | Unit  | 2016  |
|---|-------|-------|
| Industrial Injury Rate (per 1,000 employees) <sup>3</sup> | Ratio | 4.660 |
| Mortality (per 1,000 employees) <sup>4</sup>              | Ratio | 0.023 |

## Development and Training

The Group values employees' knowledge and skills improvement as one of the basis of the long-term sustainable development of the enterprise. The Group applies modern enterprise training concepts and offers training to all the employees, determines to facilitate the enterprise development and employees' personal growth.

The Group has developed a number of training management policies, and gradually established a sound training system. The Group sets up the annual training program based on the requirements of different levels and jobs, and provides a variety of knowledge and skills learning opportunities. In 2016, 741,305 people attended training cumulatively. Total training time amounted to 99,524 hours.

<sup>3</sup> Industrial Injury Rate = Industrial Injury/Number of Employees \* 1,000

<sup>4</sup> Mortality = Death Toll/Number of Employees \* 1,000

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The Group's major training activities include:

## Management Training

- Provide senior and middle-level managers with leadership improvement training to broaden their horizons and improve leadership competence;
- Cooperate with Tsinghua University and Wuhan University of Science and Technology to provide in-service degree courses such as Master's Degree in Project Management, Engineering Management and Business Administration to senior and middle-level managers as well as key talent.

## Employee training

- Orientation Program: Inform new recruits with corporate culture, organizational structure and basic management system of the Company;
- Professional Skills Training: Conduct skill training based on actual job requirements to enhance employee's expertise;
- Public Lectures: Regularly invite external experts and internal lecturers to instruct classes to promote the overall competence of employees.

## Training for college graduates

- Orientation Program: The Group provides at least one week of orientation program for newly recruited college graduates, including corporate culture introduction, professional knowledge learning, professional role change and team development activities to help graduates quickly adapt to their workplace;
- Competence Training: In line with the career development needs and job requirements of the college graduates, the Group provides them with "growth acceleration" training courses. The training includes all kinds of general skills to help accelerate the personal development of the college graduates;
- Management Training: The Group provides systematic management training for excellent college graduates to enhance the management skills of participating personnel, and helps them to take up the management positions as soon as possible.

Figure 7 Photo of employee routine training



Figure 8 Orientation program for graduates





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## HDFAX and Evergrande Life Insurance training system

Based on the characteristics and business requirements of the Internet financial and insurance industry, Group's financial and insurance sector has established a special training system for employees. The training content includes professional knowledge, business operations, industry specific compliance, anti-money laundering standards and ethical standards. Setting up training plans, training courses and assessment requirements for each grade, the Group requires employees to obtain corresponding qualifications and ensure that their knowledge and skills reserves meets the job requirements.

To ensure the smooth launch of the training programs, Evergrande Life Insurance has set up a leading group for education and training headed by the general manager, having department heads as its members, who are responsible for developing employee training plans and supervision and inspection of the training programs.

## Labour Standards

The Group strictly abides by the National "Labor Law" and the "Labor Contract Law". It clearly stipulates in the recruitment and entry management system that the recruits should be at least 18 years of age, and employment of child labor is prohibited under any circumstances.

In order to protect the right of employees to have rest and vacation, the Group stipulates in explicit terms in the labor contract and attendance system about the working hours, rest and leave entitlement, labor protection and working conditions. The Group institutes an eight-hour working day and five-day a week system. No forced labour or forced overtime work is allowed.

The Group established the trade union, supports trade union to organize independent activities, and respects the rights of employees to participate in trade unions in accordance with the law.

To standardize the personnel management, the Group requires self-checks of all departments as well as monthly special inspections conducted by the Group. If violation is found, the concerned department and persons will be seriously punished and labor relations should be timely coordinated; the violations should be made public inside the Group; and the HR Department should organize relevant institutional training to avoid violations.

## Supply Chain Management

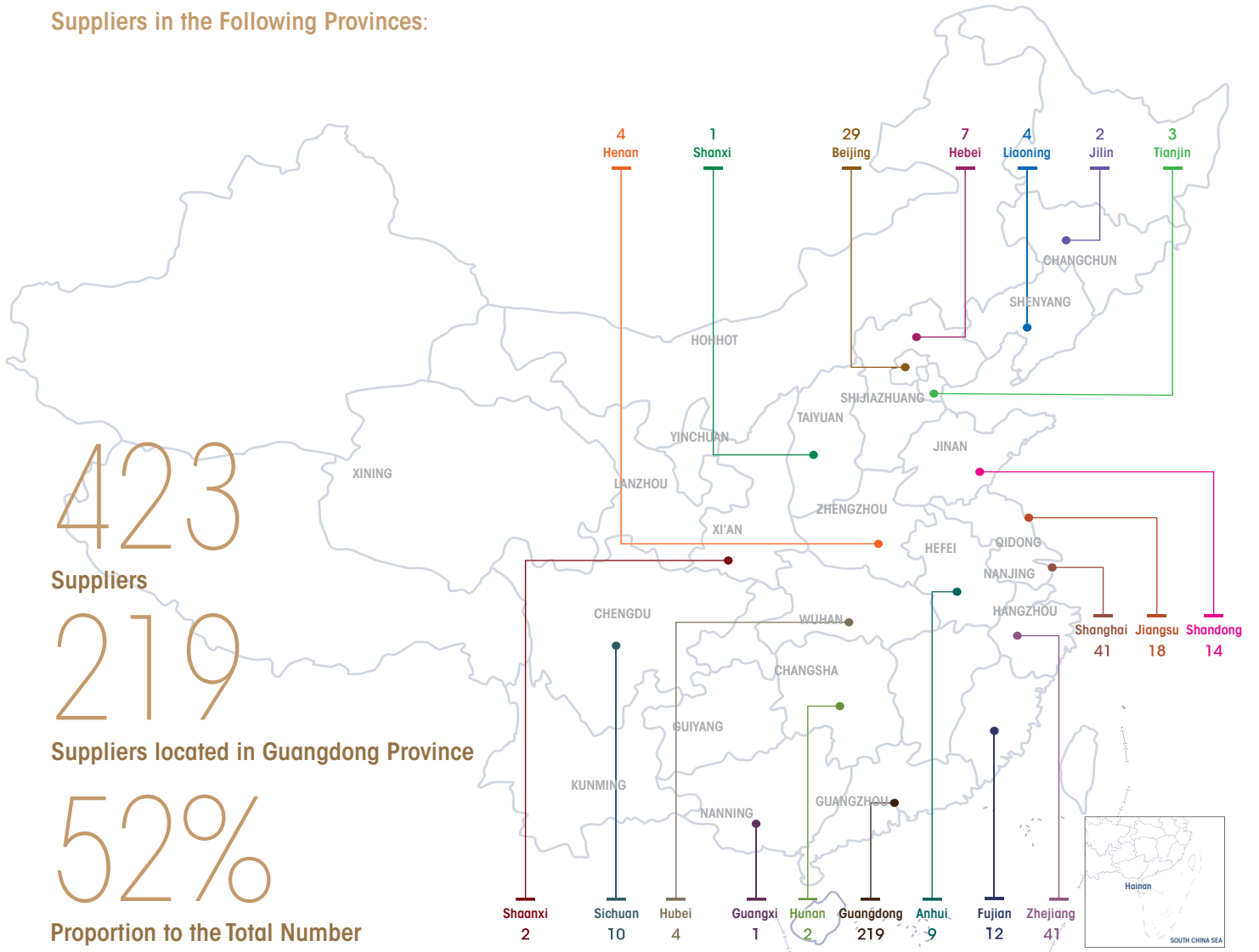
As one of the leading comprehensive corporations in the country, the Group's supply chain covers various industries, involving a large number of renowned corporations in different industries.

The Group understands that qualified suppliers are the key to ensure the product quality. Adhering to the principle of "equality, justice, transparency and openness", the Group has maintained good cooperative relationship with many outstanding suppliers and has signed strategic corporation agreements with a number of well-known suppliers of materials, equipment and services. The Group actively fulfills corporate responsibilities together with strategic partners. Relying on the influence of suppliers and itself, the Group is firmly determined to promote the sustainable development of the industry to promote the positive effect on the environment and the society.

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As at 31 December 2016, the Group has engaged 423 suppliers, 219 of which are located in Guangdong Province, accounting for 52 percent of total suppliers.

## Suppliers in the Following Provinces:



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## Suppliers Selection

The Group implements centralized procurement. The Group's recruitment team, consisting of bidding center, material companies and architectural design institutes, strictly implements the management system of selecting and reviewing suppliers to ensure a transparent bidding environment and a fair competition platform for suppliers.

According to the Group's Procurement Management System, Technical Evaluation Methods and other management regulations, the bidding process of the Group's supplier is as follows:

**Figure 9 Supplier Recruitment Process**



In the processes of Preliminary Assessment — Business Qualification Review — Inspection — Technical Review — Bidding, the recruitment team, in strict accordance with the criteria, reviews respectively the brand, comprehensive strength ranks, business qualification, production areas, product quality and technical project of recruit units to screen the units one by one. The director of procurement center reviews each link of the review results, and determines the finalist suppliers. The approved suppliers can be directly involved in the bidding or quotation. The procurement department inspects the warehouse of the supplier annually, and makes supplement plan accordingly.

The Group attaches great importance to the quality assessment of the suppliers which is critical to being selected in a bidding, established the quality assurance system of 360 degrees of monitoring, set up the controlling red line of “one veto system of product quality”, so as to strengthen quality control from the source of purchasing.

## Regular Evaluation of Suppliers

In order to ensure the quality of products and services supply, the Group evaluates suppliers regularly during the contract period.

The evaluation, jointly made by the Group's Material Company, the management department of material, the operation department, the quality management department, the procurement department, the materials and technology department, mainly focuses on product quality, service, and deliver time to grade the suppliers.

According to the results of the regular evaluation, the Group gives priority to the excellent and good suppliers in participating in the distribution of supply areas; at the same time, the non-qualified suppliers will be eliminated through selection.

## Product Responsibility

The Group has been committed to provide high-quality products and services to customers. We strictly manage product quality from construction to post-sales services. We are dedicated to achieving our development goal of becoming a “World-class Brand”.

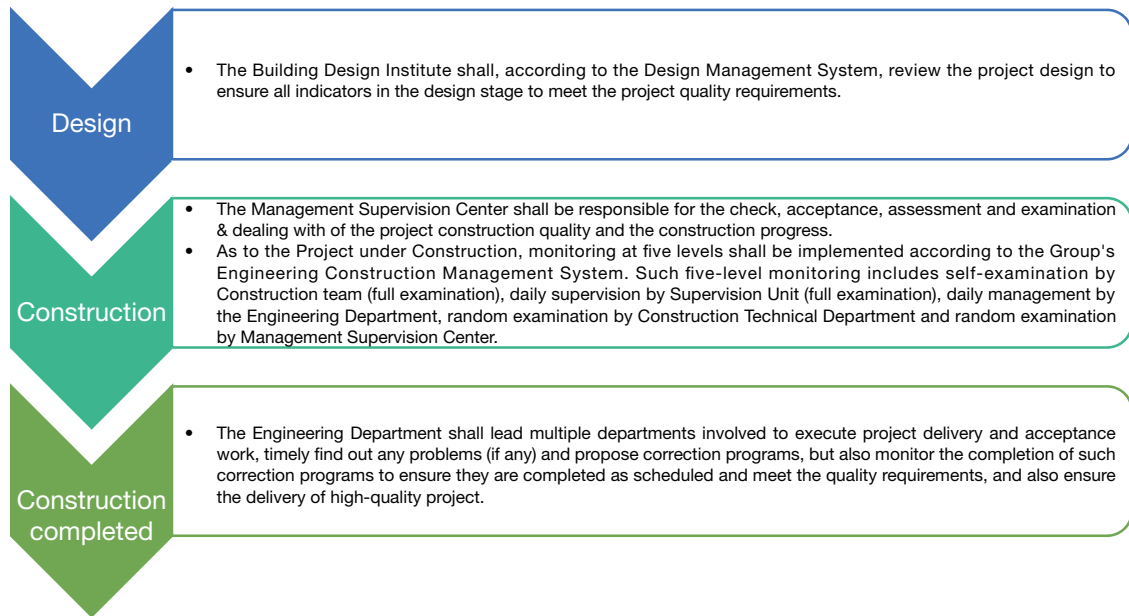
## Product Quality

The Group strictly follows all national construction quality standards and has developed its internal construction management systems covering all stages of project development and set up their corresponding monitoring mechanisms. In addition, the Group actively promotes its product strategies of “Standardization of Premium Products” to constantly optimize its product types and design standards, with an aim to continuously improve its capacity to control and manage the project quality.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Figure 10 Quality Management Procedure of Construction Project**

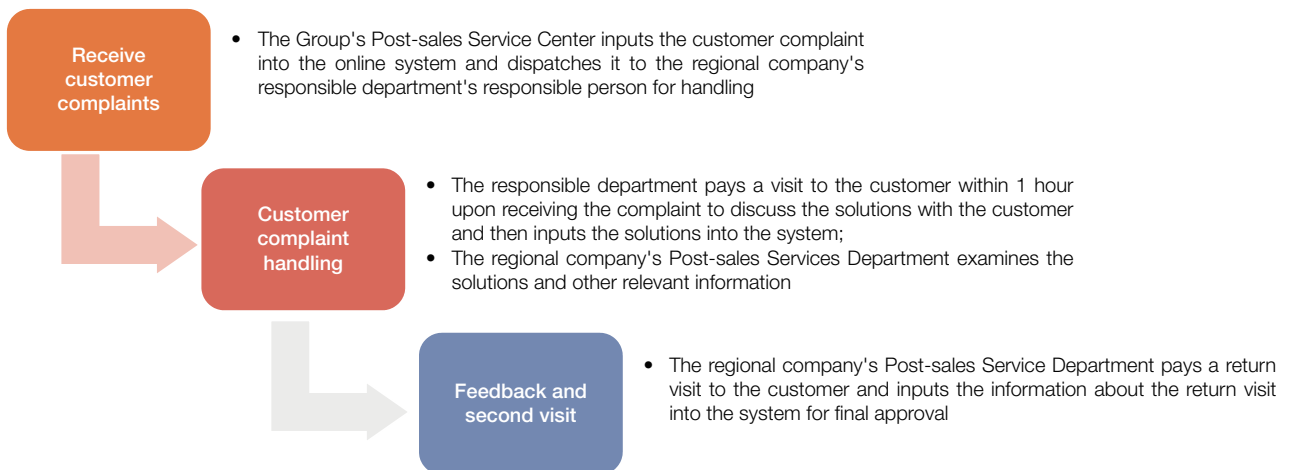


## Customer Service and Complaint Handling

The Group has launched its Post-sales Service Management Measures to regulate uniformly the customer service standards and service procedures at the system level. Meanwhile, the Group and the companies at all regions have set up their respective post-sales service centers to implement a vertical management of from the Group to the project so as to ensure the effective implementation of the customer service standards.

The Group attaches great importance to hearing the customer's voices, for which, it has established multiple online and offline complaint channels, including: the Group's email box, official websites, Wechat Official Accounts for customer service, 24 hours customer service hotline, visits and internal communication. The Post-sales Service Center deals with the customer complaints in a principle of Responsive, Friendly Reception and Solving the Problems as soon as possible.

**Figure 11 Customer Complaint Handling Procedure**



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In order to improve the complaint handling quality and reduce relevant risk, the Group organizes a monthly meeting for sharing of and exchange on typical complaint cases, and conducts a conclusive analysis of the complaints. The Group also performs a big data analysis of the complaints every half year, and submits the analysis results to the executive vice president for review.

The Group generally organizes special rectification for key complaints so as to solve the problems completely and improve the customer satisfaction.

### Protection of Customer Privacy and Benefit

The Group has developed a confidential system and an information management system to strictly prohibit any occurrence of customer information leakage events so as to ensure customer information safety and protect their privacy. The Group requires an implementation of a strict authority management of customer information stored in the online system. So relevant business personnels must keep properly their personal account and passwords and also be responsible for any operation performed in its name as recorded in the system and any consequences arisen thereof. They are strictly prohibited to disclose, lend or transfer their respective personal account and passwords. Any such personnel who is found to breach the forgoing regulations and cause customer information leakage will be dismissed immediately.

During 2016, the Group did not receive any complaint from customers regarding their privacy protection and information safety.

### Anti-corruption

The Group upholds a principle of managing the company legally and strictly adheres to the relevant national laws and regulations. Moreover, the Group also, by developing internal management and control systems, monitors and manages the exercising of the power, in a move to reduce the incidence of corruption, embezzlement and other events.

The Group has set up a Supervision Office as a full-time management body for corruption cases. The Group also sets up subordinate branch offices in the areas where the projects to be developed and constructed are located. The Group implements a vertical management as to anti-corruption from the Group to the local companies, in order to exclude any possible interference. The Group's Supervision Office directly reports to the Board of Directors.

Meanwhile, the Group's Anti-bureaucracy Office, Management Supervision Center, Bidding and Tendering Supervision Center, Financial Audit Department, Budget and Final Accounts Audit Department and other departments take responsibility for supervision, pay close attention to the high-risk fields of embezzlement, morality and integrity when checking the operation compliance of all units, report to the Supervision Office if any illegal event, such as, corruption and embezzlement, is found and assist with the investigation.

### Whistleblowing Mechanism

The Group has set up hotline, email and QQ for receiving any complaint and whistleblowing as to any corrupt practices from employees. The whistleblowing channels mentioned above are listed in Honesty Terms of any Tendering Document and any Contracts Signed. At the same time, letter of notice of such whistleblowing channels are displayed in the main office areas of all units.

In 2016, there was no filed and concluded legal cases regarding corrupt practices brought against the Group or any of its employees.

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## Anti-corruption Education and Training

The Group's Supervision Office organizes the employees to watch "Admonitory-Education Films" annually to constantly improve the employees' legal sense and the sense of incorruptible employment concept and responsibility.

In June 2016, the Group organized all employees to watch 2016 vision admonitory education films as to anti-corruption, and required each department to organize discussion for employees to review and share their feelings and thoughts about this special topic. As to this, the Group's supervision departments at all level conducted on-site supervision and inspection.



Figure 12 The Group's Employees are Watching 2016 Vision Admonitory Education Films



Figure 13 Departmental Discussion

## HDFAX and Evergrande Life Insurance: Anti-Money Laundering Management

HDFAX and Evergrande Life Insurance strictly adhere to anti-money laundering related laws and regulations as well as relevant regulatory provisions, effectively execute internal anti-money laundering control systems, attach great importance to identifying the customer's identity, establish and perfect real-name registration system, implement customer risk rating management, and constantly follow up customer information. Moreover, these two companies are also strictly monitoring large-amount transactions, report to regulatory bodies in a timely manner if any suspicious transaction information is found and assist the regulatory bodies in investigating.

The Company has established an anti-money laundering management system to specify how all of the business bodies to execute their respective anti-money laundering work and which departments shall be set up to monitor such work. The Company regularly organizes anti-money laundering publicity and education to ensure all of its employees to master anti-money laundering related legal knowledge and skills and also to ensure an effective implementation of all management systems, thus, anti-money laundering obligations will be fully performed. Evergrande Life directionally submits to competent administrative units and insurance regulation and management bodies as required anti-money laundering related data and information as well as the report of its performance of anti-money laundering work.



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**Social Contribution**

While developing its business, the Group actively fulfills its social responsibilities as a corporate citizen, with an aim to continuously create value for the society. Since its establishment, the Group has successively made contributions which amount to over RMB4.2 billion to charitable cause in more than 100 occasions in the areas of the people's livelihood, poverty alleviation, environmental protection, sports, culture, etc. In 2016, the contributions made by the Group amounted to RMB1.6 billion. The Group has been granted the highest level governmental awards in China's charitable sector- "China Charity Award" for seven consecutive years, and won the national "Award of Outstanding Contribution to Poverty Alleviation" of the first session.

**Poverty Alleviation at Dafang County**

Under the guidance of National Committee of the Chinese People's Political Consultative Conference (CPPCC), the Group has supported in a way of twinning and helping Dafang County, Bijie City, Guizhou Province since 1 December 2015, becoming a model among the private companies participating in activities of "improve weak links" to promote "common prosperity". The Group has been implementing industrial poverty alleviation by means of company assistance according to actual circumstances. It plans to invest RMB3 billion in three years to help the poor in Dafang County overcome poverty, so that all of the 180,000 poor people in Dafang County will be liberated from poverty by the end of 2018.

In January 2016, the Group made the first donation of RMB1 billion for poverty alleviation. On 27 February 2016, the construction of the first batch of 40 key assistance projects and 200 farming and animal husbandry industrialization bases project started officially. On 23 November 2016, the construction of the second batch of 63 key projects officially started. By the end of 2016, it helped 80,500 people of Dafang County overcome poverty preliminarily, accomplishing 45% of the total poverty alleviation missions.

**Poverty Alleviation Project Types and Names**

|   |   |
|---|---|
| The first batch of 40 key projects for construction of Dafang County      | 1 small ethical town SheXiangGu Town, 1 Wanquan middle school, 1 modern institute of vocational technology, 1 charitable hospital, 1 old people's home, 1 welfare house for children, 10 new villages, 11 primary schools, and 13 kindergartens |
| The second batch of 63 key projects for construction of Dafang County     | 40 new villages and 23 projects for major industrial poverty alleviation, such as, vegetable, beef cattle, traditional Chinese medicine, economic fruit trees, village tourism, etc.  |
| The first batch of 200 industrial bases for construction of Dafang County | Vegetable production base<br>Beef production base<br>Traditional Chinese medicinal materials production base<br>Economic fruit trees production base  |
| 4 charitable funds  | Evergrande Special Loan Guarantee Fund for Industrial Poverty Alleviation<br>Evergrande Dafang Education Award Fund<br>Evergrande Dafang Fund for Entrepreneurship of Poor Family<br>Evergrande Dafang Charitable Fund                          |
| Other poverty alleviation measures  | Poverty alleviation by creating more employment opportunities<br>Poverty alleviation for livelihood guarantee of extreme poverty groups<br>Poverty alleviation through development of education<br>Donation of powdered milk                    |

Remark: The above mentioned aided poverty alleviation projects were still being under construction at the end of 2016.

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Figure 14 The Commencement Ceremony, of the Second Batch of Key Projects



Figure 15 The Xingfu Ercun Village constructed with the Group's donation



Figure 16 The Xingfu Wucun Village constructed with the Group's donation



Figure 17 The Xingfu Sicun Village Breeding Base constructed with the Group's donation

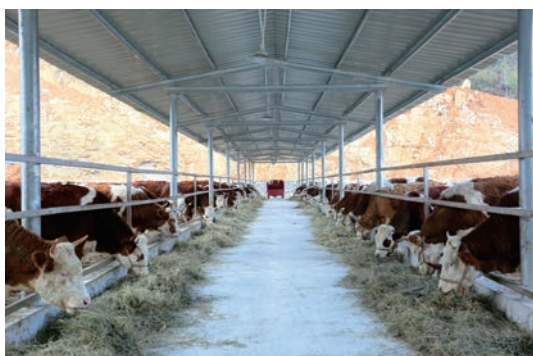


Figure 18 The Dianzi Village Vegetable Base constructed with the Group's donation



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### Helping Educational Development

Strengthening China through human resource development and reinvigorating China through education. The Group has for a long term been paying attention to the development of the education cause, making donations to build hope schools and supporting poor children to complete their education and has gradually built a comprehensive system for making financial donations to help develop education. In 2016, the Group made donations totaled RMB274.25 million to multiple regional and college and university education funds for granting scholarship and purchasing teaching devices and etc.

### Caring for Underprivileged Groups

The Group has paid great attention to the underprivileged groups in the society and the poor areas, strongly supporting charitable cause, promoting livelihood development and advancing the construction of a harmonious society. In 2016, the Group made a donation to several Provincial and Municipal Funds for the Handicapped to support the cause of the handicapped and also support the special activities for helping the handicapped. At the same time, the Group has successively made donations to multiple regional charity federations to support the local poverty alleviation projects, charitable activities and etc. In 2016, the donations made by the Group to the underprivileged groups amounted to RMB2.1 million.

### Supporting Sports and Culture

The Group actively promotes the development of Chinese sports in professional operation mode and with modern and intelligent enterprise management. Evergrande's football remounted peak in 2016, took the crowns of the Chinese Football Association Super League, Football Association Cup and Super Cup and won 13 championships over seven years. Evergrande' football school won a total of 19 championships in attending multiple competitions. In November 2016, the Group solely organized Evergrande Cup World Snooker China Championship to do what it can to support the development of the sports cause.

At the same time, the Group actively promotes the development of national cultural industry, 36 film cinemas were newly opened by the companies of cinema lines, reaching 75 accumulatively. The number of screen reached 523.





中國恒大集團

CHINA EVERGRANDE GROUP

China Evergrande Group

Suite 1501–1507, One Pacific Place  
88 Queensway, Hong Kong

<http://www.evergrande.com>

