



# BAOYE GROUP COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China)

Stock Code: 2355



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

# 2018









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# ABOUT THIS REPORT

This is the third Environmental, Social and Governance Report of Baoye Group Company Limited (hereinafter referred to as the “Company” or “Baoye”) and its subsidiaries (hereinafter collectively referred to as the “Group” or “We”), with an aim to enhance stakeholders the understanding of the sustainable development strategies and environmental and social performance of the Group. The Board of Directors of the Company has reviewed this report and confirmed that the contents are accurate, true and complete.

We have taken into consideration interests of different stakeholders in the compilation of this report and will continue this approach in the future. We strived to disclose issues that different stakeholders concerned in order to make this report plain, clear and easy-to-read.

## Reporting Guide

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited on the Main Board and in accordance with the actual situation of the Group. It satisfied the requirements of the reporting principles regarding materiality, quantitiveness, consistency and balance. For corporate governance, please refer to the Corporate Governance Report in the Annual Report of the Company.



## REPORTING SCOPE

This report disclosed the performance in the environmental and social aspects of the Group from January 1, 2018 to December 31, 2018. The information and data of the Company and its major subsidiaries are covered in this report. The Group is improving the collection of data and information and will continue to enlarge the scope of disclosure. For the overview of each indicator, please refer to the content index at the end of this report.



### Feedback

We will continue to improve and refine the content and format of the report in the future. Should you have any enquiry or suggestion, please feel free to contact the Company via:

### Investor Relation Department

Tel: **86-575-84135837**

Fax: **86-575-84118792**

Email: **[irbaoye@baoyegroup.com](mailto:irbaoye@baoyegroup.com)**





# CHAIRMAN'S REPORT

Dear Stakeholders,

I would like to present the third "Environmental, Social and Governance Report" of the Group with pleasure. In this report, we would present the efforts and achievements of the Group in promoting sustainable development in the previous year.

In line with its core corporate culture "corporate, market, society", Baoye has been deeply embedding the sustainable development concepts into its daily operation in an effort to fulfil its social responsibilities. We understand that our sustainable development should take in to account the interests of various stakeholders, including the government and regulators, investors, customers, employees, suppliers, environmental protection organisations, media and the general public. As such, through different channels and platforms, we listen to the concerns of the stakeholders, and identify the risks and opportunities arising from our sustainable development from different perspectives and carry out different environmental, social and governance measures. In 2018, the Group endeavoured to further improve its operation efficiency and service quality while promoting industrialized construction. Efforts were also made to create a safe and healthy working environment for employees and contribute to the society.



# " **QUALITY** is our commitment to **CUSTOMERS** "

As the national housing industrialization base, Baoye has established the Construction and Housing Industrialisation Institute of the National Center for Construction Engineering Technology Research, which boasts the complete ability in taking general contracting of assembled type construction project. Our products are also widely applied in the fields of infrastructure construction, real estate development, indemnificatory housing and new countryside building.

As one of the earliest private enterprises to explore and research the industrialised construction, we have been committed to adopting sustainable method for producing construction products that are energy saving and environmental friendly and have maximum life cycle. Based on the whole industry chain business model of "Three Business in One", covering construction, property development and industrialised construction, Baoye endeavours to provide a more comfortable and energy-saving residential and living environment for the market.

Through refined quality management system and sustainable supply chain, we have improved our construction quality to satisfy customers' needs. During the year, the construction projects of the Group received different international awards and were recognised by professional judges in terms of their creativity, originality and innovation.





# “ ENVIRONMENT PROTECTION is our commitment to THE COMMUNITY ”

For more than a decade, Baoye has focused on the industrialisation of energy-saving housing. Based on three self-developed models and different specifications, its century low-carbon industrialised residential housing has been widely adopted in domestic and overseas markets and was the first to integrate the concept of low-carbon economy suggested in the Copenhagen Summit. In 2018, various construction projects of the Group received green building certifications. The Shanghai Baoye Centre (上海寶業中心), which features the extensive use of advanced green technologies, was the first in China to be awarded with the “Three-star Operation Label of National Green Ecological District” (國家綠色生態城區三星級運行標識) by Chinese Society for Urban Studies.





# "EMPLOYEES are our key to SUCCESS"

With over 5,000 employees, Baoye has always regarded its employees as its most valuable asset. We recruit, retain and train talents and provide them with healthy and safe working environment to promote sustainable development of the Company. Safe production management system has been fully implemented to ensure a safe working environment and a proper work-life balance for our staff. Regular safety inspection and contingency training for safe production have been carried out. In addition, the Group encourages its employees to develop skills that cater for its development needs. We have established a talent nurturing system under which various training programmes have been launched for our staff at different levels. Besides, we have regularly organised different activities for staff to balance out their stressful work schedules.

Adhering to the principle of using the resources derived from the community for the good of the community, the Group is committed to helping the underprivileged and giving back to the society. During the year, we attached importance to poverty alleviation and educational sponsorship in the community and made donations to different organisations to facilitate community development.

Sustainable development is a long-term mission, which the Group would go to any lengths to accomplish. Looking forward, we will continue to shoulder social and environmental responsibilities and create sustainable value for stakeholders. We look forward to your continuous encouragement and support.

**Mr. Pang Baogen**

*Chairman of the Board*

**Baoye Group Company Limited**

March 25, 2019



# STAKEHOLDERS ENGAGEMENT

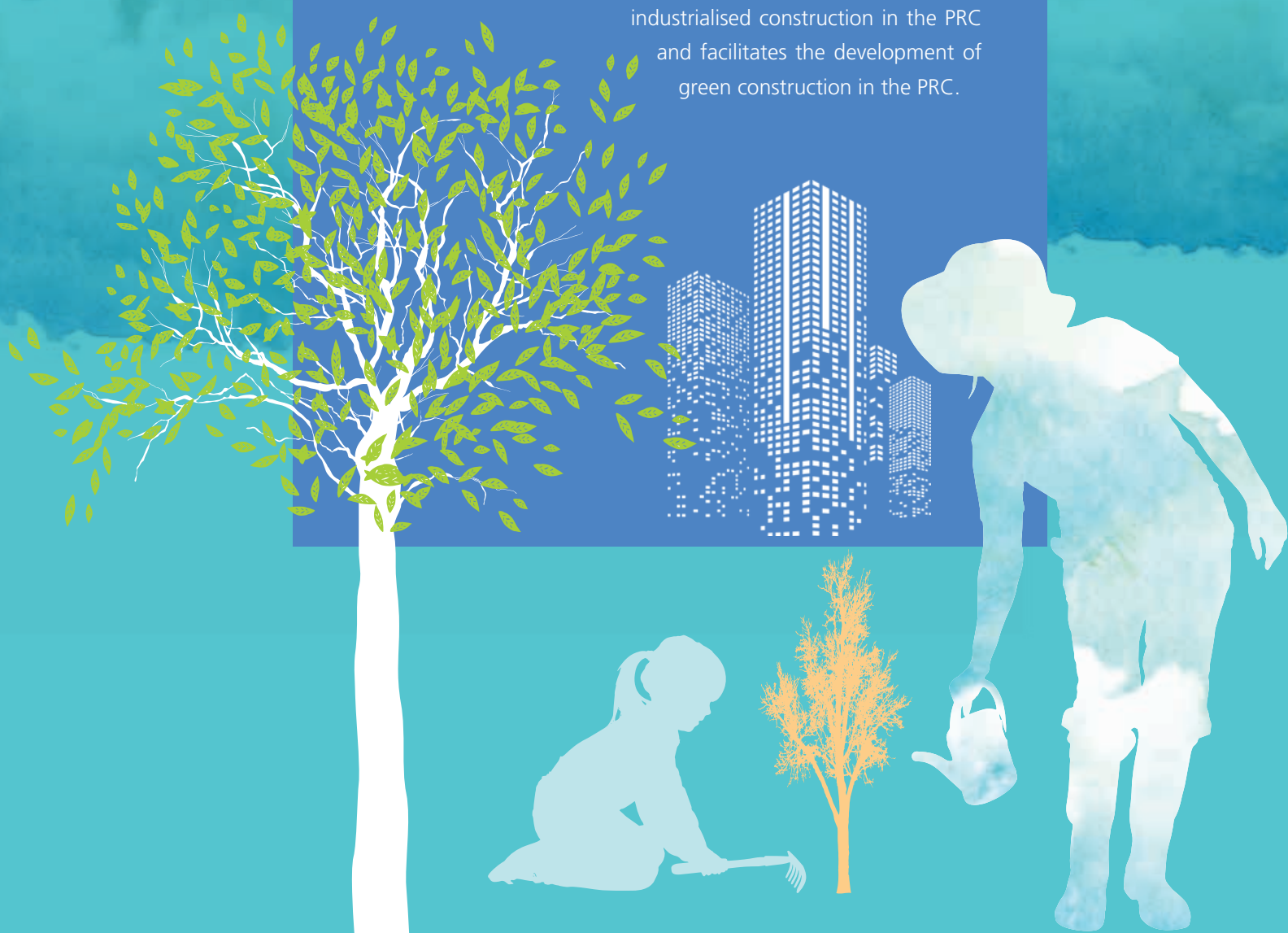
The Group understands that balancing expectation and needs of various stakeholders is a key to the sustainable development of an enterprise. Through listening to their complaints and needs, we can understand the risks and opportunities of sustainable development faced by the Group in various aspects and implement different kinds of environmental, social and governance measures. We have continuously communicated with various stakeholders through a wide range of channels and platforms including shareholders' general meetings, conferences and regular conversations and have reflected their opinions in this report. The table below has set out the major stakeholders and communication channels of the Group.

Main Stakeholders	Communication Channels
<b>Governments and regulatory agencies</b>	<ul style="list-style-type: none"> <li>• Participation in government conferences</li> <li>• Actively reporting to relevant departments</li> <li>• Proactive receipt of supervision</li> </ul>
<b>Investors/Shareholders</b>	<ul style="list-style-type: none"> <li>• Shareholders' general meetings</li> <li>• Information disclosure</li> <li>• Annual results conferences, interim results conferences, and other roadshow activities</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Customer complaints system</li> <li>• Customer satisfaction survey</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Regular and irregular employee talks</li> <li>• Employee training and workshops</li> <li>• Employee activities</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Communication by email</li> <li>• Interviews by telephone</li> <li>• On-site investigation</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Press conferences</li> <li>• Communication by email</li> <li>• Interviews by telephone</li> </ul>
<b>The Public</b>	<ul style="list-style-type: none"> <li>• Community participation</li> <li>• Charity donation</li> </ul>



# “ ENVIRONMENT PROTECTION is our commitment to THE COMMUNITY ”

The Group puts emphasis on its environmental responsibilities. It is committed to implement effective energy saving and emission reduction measures in the course of business operation to reduce its impact on the environment. Meanwhile, the Group actively explores the innovation and application of technologies for the industrialised construction in the PRC and facilitates the development of green construction in the PRC.

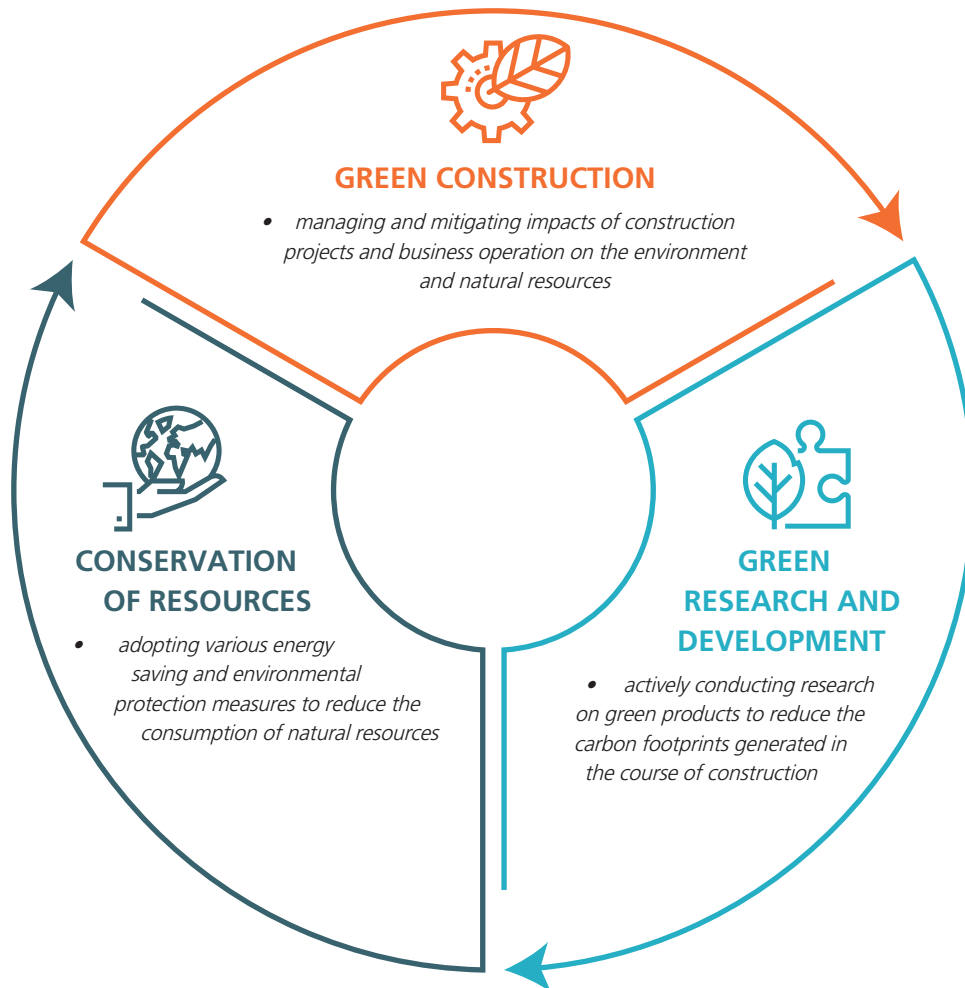




# ENVIRONMENTAL RESPONSIBILITY

The Group is committed to managing the environmental impacts of three main aspects of its business operation, namely construction, property development, and construction materials. We have identified conservation of resources, green construction and green research and development as our environmental management strategies, and proactively shoulder our environmental responsibility.

In order to enhance civilised construction and environmental management and prevent the occurrence of environmental pollution incidents, the Group has formulated Regulations on Civilised Construction and Environmental Protection and Project Green Construction Management System according to the national environmental protection requirements, which explicitly control the environmental impacts produced in the course of construction. The Group has also confirmed the duties of green construction management system.



## DUTIES OF GREEN CONSTRUCTION MANAGEMENT SYSTEM

Positions	Duties
<b>Project Manager</b>	<ul style="list-style-type: none"> <li>• fully responsible for the energy saving and environmental protection plan of contracted projects</li> <li>• consistently comply with applicable laws and regulations and other requirements and implement each accountability system and operational procedures</li> <li>• establish and assess objectives of conservation of resources</li> <li>• evaluate relevant conservation plan and arrange and implement improvement measures</li> </ul>
<b>Chief Engineer</b>	<ul style="list-style-type: none"> <li>• review green construction proposals formulated by construction units</li> <li>• approve objectives of green construction</li> </ul>
<b>Production Manager</b>	<ul style="list-style-type: none"> <li>• arrange related management personnel to formulate relevant conservation skills and measures according to project conservation plans</li> <li>• reasonably utilise different kinds of devices which can reduce consumption</li> </ul>
<b>Project Technical Manager</b>	<ul style="list-style-type: none"> <li>• formulate energy saving and consumption reduction measures and optimise high consumption construction operational proposals</li> <li>• participate in construction project evaluation on green construction stage and make suggestions for improvement</li> </ul>

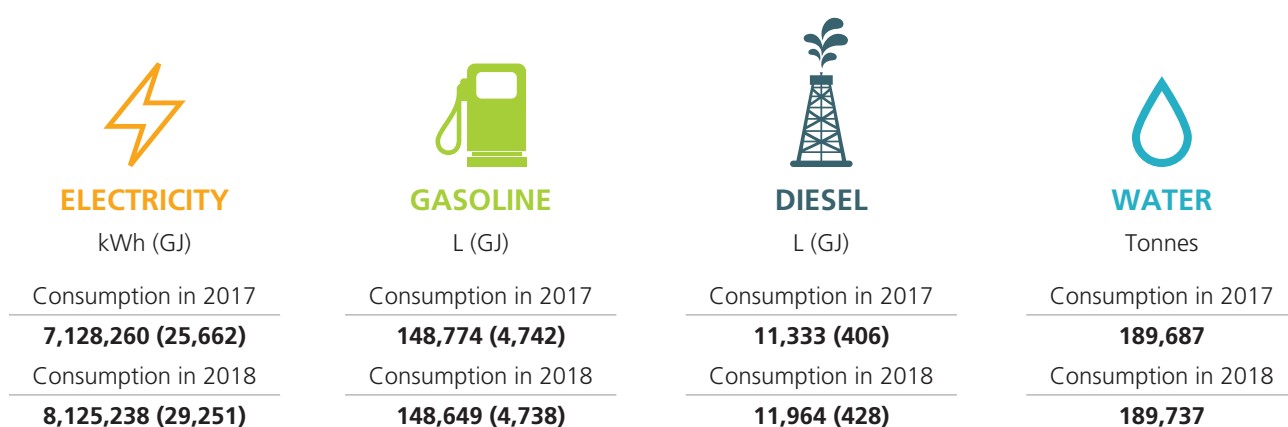
The Group strictly complies with the environmental protection laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, Energy Conservation Law of the People's Republic of China, Environmental Impact Assessment Law of the People's Republic of China and the Regulations on Environmental Protection Management for Construction Projects. During the year, the Group was not aware of any matter violating laws and regulations related to emission of exhaust gas and greenhouse gas, sewage discharge to water and land, production of hazardous or non-hazardous waste, which would have a material effect on the Group.



## USE OF RESOURCES

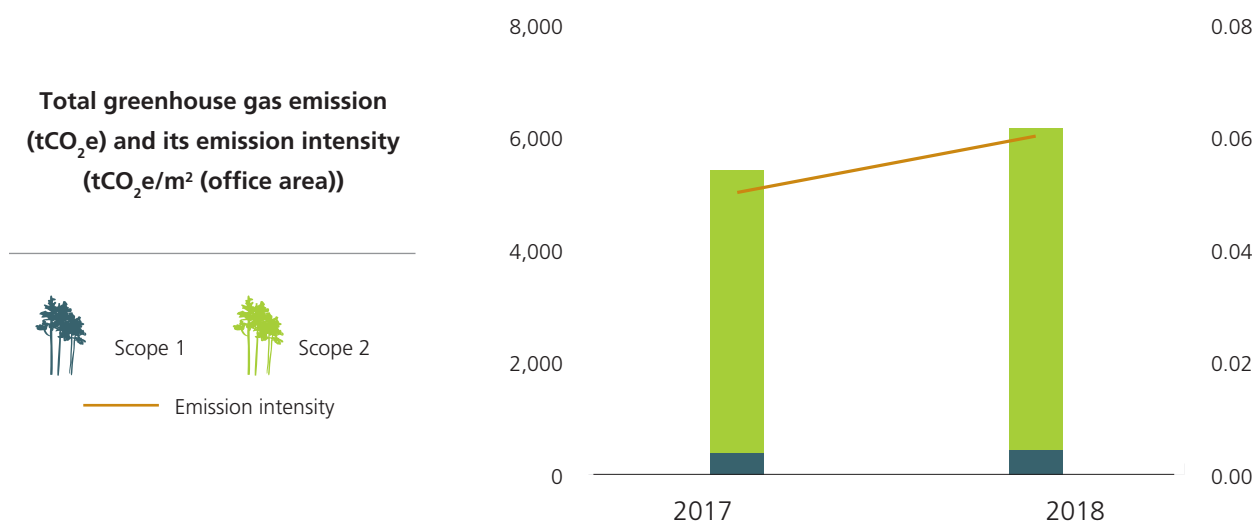
The resources used in the business operation of the Group include electricity, gasoline and diesel. In 2018, the total energy consumption of the Group and energy consumption intensity amounted to 34,417GJ and 0.33GJ/m<sup>2</sup> (office area), representing increases of 12% and 5% as compared to 2017, respectively.

For water resources, the total water consumption of the Group for the year amounted to 189,737 tonnes. Water consumption intensity was 1.81 tonnes/m<sup>2</sup> (office area), representing a decrease of 6% as compared to 2017. There was no difficulty in sourcing water that was suitable for purpose.



## Greenhouse Gas

The greenhouse gas emission of the Group is mainly from direct emission due to the combustion of fuels by motor vehicles (Scope 1) and indirect emission due to consumption of purchased electricity (Scope 2). In 2018, the total greenhouse gas emission and its emission intensity amounted to 6,144 tCO<sub>2</sub>e and 0.06 tCO<sub>2</sub>e/m<sup>2</sup> (office area), representing increases of 14% and 20% as compared to 2017, respectively.



The business of the Group does not involve any substantial use of packaging materials.

## CONSERVATION OF RESOURCES

The Group proactively adopts various measures of conserving resources to reduce carbon emission generated in the course of business operation. The table below shows certain of our energy and water saving measures during the construction:

### Case — Solar Photovoltaic (PV) Power Generation Renovation Project

In the course of business operation, the Group fully utilises renewable energy resources to reduce its reliance on fossil fuels and lower the carbon emissions. During the year, Solar PV Power Generation Renovation Project of the research and development building was completed. This project was successfully included in the national power network. This project will satisfy the energy consumption needs for all lighting of the research and development building of the Company. After integrating PV curtain walls in Phase 2, the Group will become truly self-contained with building energy and be able to sell the surplus energy to national power network. In 2018, total power generation of the project was 98,687kWh.



#### Energy saving measures

- Prioritise the use of energy efficient construction equipment promoted by the country and industry
- Set electricity consumption benchmarks for production, household, office and construction facilities in construction sites, regularly carry out measurement and comparative analysis and execute relevant prevention and rectification measures
- Fully utilise solar power, geothermal power and other renewable energy according to the local climate and natural resources condition
- Establish a management system of construction machines and equipment and record the consumption of electricity and gasoline
- Carry out repair and maintenance timely so that machines and equipment remain in low-consumption and efficient condition



#### Water saving measures

- Adopt advanced water saving construction procedures
- Establish reusable water collection and treatment systems in construction sites to recycle and reuse water resource
- Set up rainwater collection systems in large construction sites and use collected rainwater during the construction
- Increase the re-usage volume of non-traditional and recycled water sources during the construction



For resources used in the ordinary operation of office premises, the Group proactively carries out green office initiatives and encourage employees to cultivate a habit of energy saving and environmental protection in office premises. We have also formulated the Administrative Measure on Office Supplies to standardise the management of office supplies. Office supplies are centralised and collectively sourced, deployed, collected and disposed so as to reduce wastage.

## EMISSION MANAGEMENT

Air pollutant, sewage and waste are generated during the construction. In order to efficiently manage the emissions, we implement various emission reduction measures according to the Green Construction Management Policy for Construction Projects and in compliance with the Integrated Emission Standard of Air Pollutants, the Integrated Discharge Standard of Sewage and other relevant standards.



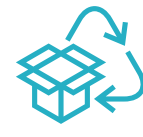
### LIGHTING

- Try to use natural light
- Use LED lighting in certain office premises



### AIR-CONDITIONING

In summer, the temperature of air-conditioning should not be lower than 26°C while in winter, the temperature of air-conditioning should not be higher than 20°C

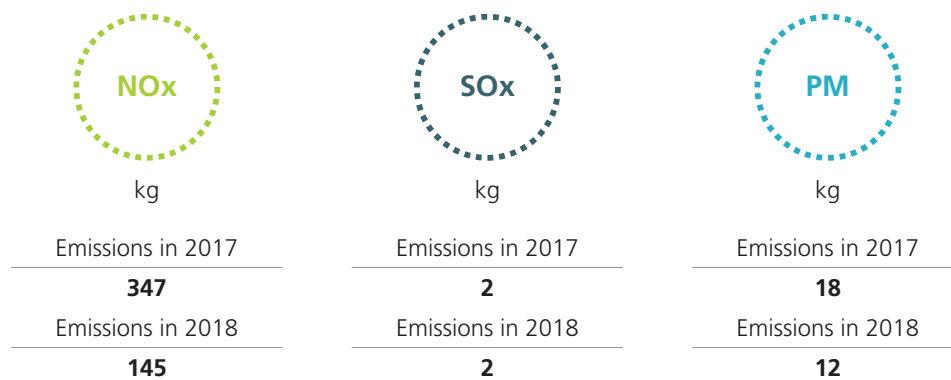


### PAPER

- Use recycled papers in daily office operation and reduce paper consumption
- Encourage to print out only when necessary, encourage double-sided printing and copying

## Exhaust Gas

Air pollutants emitted during the operation of the Group include nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matter (PM) released from fuel combustion of vehicles. In 2018, NOx, SOx and PM emissions of the Group were 146kg, 2kg and 12kg, respectively.



For dust pollution in construction sites, the Group requires the sites to have enough amounts of water sprinklers to minimize dust on construction roads. In addition, fine and bulk materials which are easy to cause dust should be covered or properly sprinkled with water. We regularly clean the road surface of the construction sites and request vehicles to slow down when entering construction sites to avoid dust.

Moreover, in order to reduce the emission of hazardous gases in construction sites, we have implemented various effective measures, including: It is forbidden to burn any kinds of waste in construction sites; emissions from construction vehicles and machines shall comply with the emission standards stipulated by the country and the region of construction site; asphalt and coal tar preservatives and moisture-proof agents are strictly banned to be used in interior decoration of civil construction projects; the amount of ammonia released from flame retardant and concrete admixture used in construction should comply with national standards; coal cannot be used as fuel in construction sites; welding fume emissions should comply with the Integrated Emission Standard of Air Pollutants (GB16297).

### Wastes

Hazardous wastes generated during the operation of the Group include fluorescent tubes, waste batteries and ink cartridges while non-hazardous wastes include papers. In 2018, wastes generated by the Group were as follows:

 <b>HAZARDOUS WASTES</b>		 <b>NON-HAZARDOUS WASTES</b>	
<b>FLUORESCENT TUBES</b> piece	<b>FLAT BATTERIES</b> piece	<b>INK CARTRIDGES</b> piece	<b>PAPERS</b> box
Production in 2017	Production in 2017	Production in 2017	Production in 2017
<b>1,298</b>	<b>1,340</b>	<b>394</b>	<b>416</b>
Production in 2018	Production in 2018	Production in 2018	Production in 2018
<b>1,355</b>	<b>1,350</b>	<b>404</b>	<b>442</b>

The Group has established waste management plan for construction projects, which requires contractors to adopt reasonable waste treatment procedures according to the plan and recycle and reuse materials so as to reduce wastes generated in construction sites.

For non-hazardous wastes, they should be sorted and stacked at specific place for sort treatment during the construction period. Solid wastes such as discarded steels, woods and plastics that produced during construction period should be recycled and reused. Construction wastes should be transported to municipal waste disposal area for centralised treatment while domestic wastes should be regularly collected by environmental protection department.





In order to increase the recycling ratio of wastes, we arrange relevant management personnel and back office personnel in charge of sorting wastes in recycling rooms and implementing waste management tasks and recording daily construction wastes and recycling volume, respectively. We compile statistics and update waste statistical charts monthly to keep track of waste recycling volume.

For hazardous wastes, after collection, they are processed by qualified hazardous waste treatment unit and forbidden to be used as the refills of earth work in order to avoid polluting soil, vegetation and groundwater.

Solid wastes generated in office operations, such as waste papers, scrap metals and waste batteries, are collected separately and provided to qualified recycling companies for centralised treatment.

### **Sewage**

To ensure sewage discharged in construction sites in compliance with the requirements of the Integrated Discharge Standard of Sewage, the Group adopts different sewage treatment measures, which include:

- 
- **Forbid sewage direct discharge into municipal sewage pipe networks**
  - **Enhance maintenance and repairs of machines to prevent leakage of gasoline**
  - **Undergo centralised treatment of domestic sewage collected from the living places of construction workers and install septic tanks in the living places**
  - **Use filtration and sedimentation tanks to handle the operation water that contains sediments**
  - **Waste oil and chemical solvent are undergone centralised treatment and shall not be dumped randomly**

## GREEN CONSTRUCTION

Over the decade, Baoye focused on the development of energy saving and environmental friendly residential properties. It developed low carbon residential properties with three systems and various specifications, which are widely used in domestic and overseas markets, and become a pioneer of the implementation of low carbon economy promoted by the Copenhagen Climate Summit. To further promote green construction development, the Group has implemented an incentive scheme, pursuant to which green demonstration sites will be awarded cash incentives. With the support of this policy, the Group completed several green construction projects which were well received by the international market.

### Case of Three-Star Green Building

#### Shanghai Baoye Centre

Advanced environmental protection technologies were widely used in the Shanghai Baoye Centre with innovative breakthroughs in the aspects of low carbon construction, three-dimensional transportation, roof greening and bicycle management. During the year, the project was awarded the first "National Green Ecological Urban Area Three-Star Operation Certification" by Chinese Society for Urban Studies.



### Major Characteristics

#### Roof Greening

- Arbors, shrubs and organic vegetable have been planted in gardens to enhance aesthetic scene of landscapes, provide employees places for leisure and improve ecological environment
- As at the end of September 2018, the roof greening of core area amounted to 187,400 sq.m., approximately 50% of the total core area

#### Sky corridor

- Pedestrians can pass through buildings by sky corridors and underpasses quickly and conveniently, which reduce walking distances and free from the sun and rain





### Green Construction Awards

During the year, Baoye was honoured for recognising its efforts on promoting the development of green construction. Among which, Shanghai Baoye Ido was awarded the Two-Star Health Building Design Certification, and became the first domestic project being awarded by both health building certification in China and WELL building certification in the US. Shanghai Baoye Centre project received the WA Award and Archilovers Best Project.



### Promoting the Development of Construction Industrialisation

According to 13th Five Year Plan of Zhejiang Construction Industry, the Group has proactively introduced advanced technologies, processes, materials and equipment to the construction industry so as to improve the structure and system of construction industrialisation.



During the year, the Group has entered into a construction industrialisation cooperative agreement with Hubei Hongtai State-owned Capital Investment Operation Group. Taking advantage of over 20 years of experience in construction industrialisation and the support of National Research Institute of Construction Industrialisation (國家建築工業化研究院) and widespread construction industrialisation bases, the Group cooperated with Hongtai Group to establish an intelligent manufacturing base of prefabricated buildings in Hubei through technical output and economic cooperation. They jointly invested in the development of green prefabricated construction and the establishment of a prefabricated construction research institute.

# " EMPLOYEES are our key to SUCCESS "

The Group has always regarded its employees as its most valuable asset. We recruit, retain and train talents and provide them with a healthy and safe working environment to promote the sustainable development of the Company.





# HUMAN RESOURCES MANAGEMENT

Baoye Group always believes that excellent human resources management is the key to its sustainable development. To protect the rights of its employees, the Group strictly complies with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and fully implements the Human Resources Management Policy of Baoye Group (《寶業集團人力資源管理制度》).

Adhering to the recruiting principle of “prudent deployment of posts and manpower”, the Group conducts recruitment through unified interview and assessment; the Group would hire the candidates with better abilities. Baoye promises to treat employees of different genders, nationalities, ethnicities and cultural backgrounds in a fair and just manner without discriminating against anyone. In addition, in the event of vacancies, the Group will prioritize internal promotion so as to provide outstanding employees with better career prospects.

Recruitment campaign in Hunan province



Recruitment campaign at Tongji University



Recruitment and Interview Seminar for Universities in Shaoxing in 2019

We recruit talented graduates with bachelor's degree or above through major recruitment campaigns of colleges or universities from time to time. Through intensive training, these new recruits help boost our team performance. In the third quarter of 2018, Baoye Group organized recruitment campaigns for the talent pools in Shaoxing, Zhejiang province and Hunan province and at different universities including Tongji University, Shanghai Jiao Tong University, Xi'an Jiaotong University, Huazhong University of Science & Technology, Wuhan University, Wuhan University of Technology, Hubei University, Hubei University of Technology, Zhengzhou University and Nanchang University.

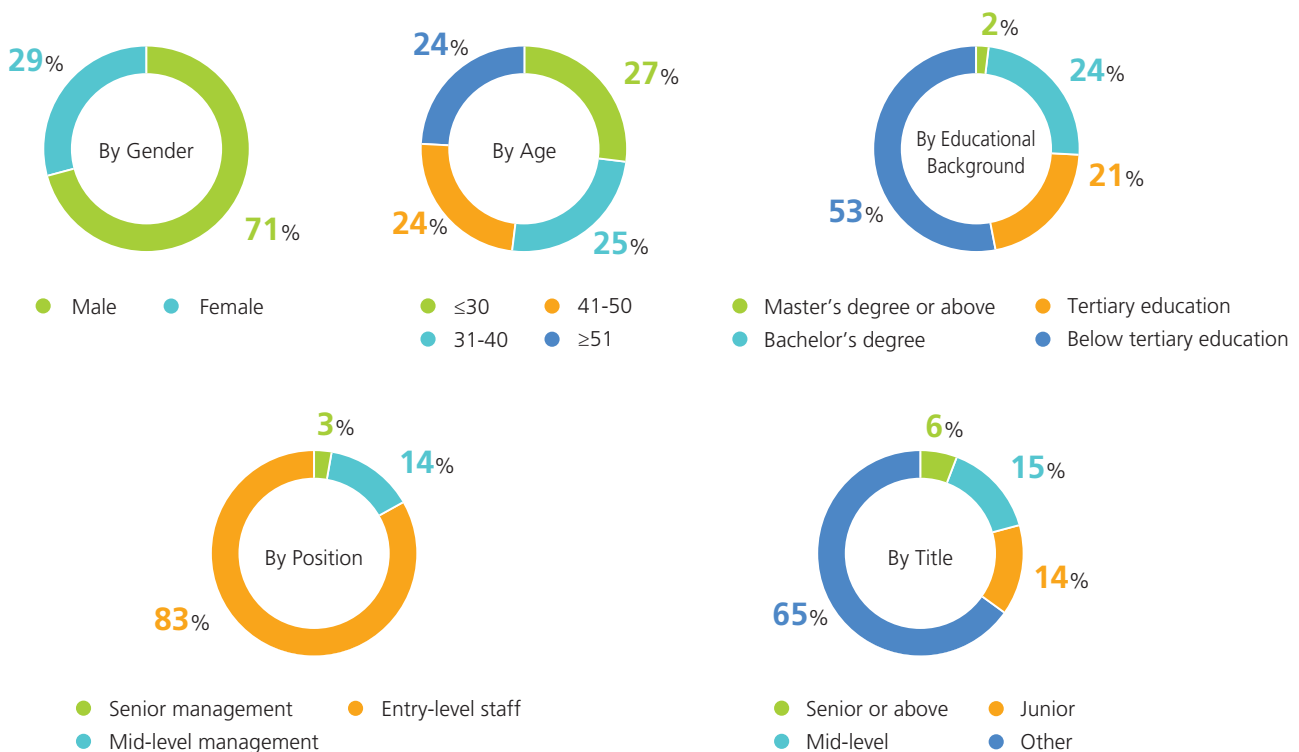
As required by the Human Resources Management Policy of Baoye Group (《寶業集團人力資源管理制度》), the salary of full-time employees shall be subject to the minimum wage requirements of the local government. The policy also requires the Group to provide paid leave for its employees, including marriage leave, maternity leave, funeral leave, sick leave and annual leave. The Group also maintains social insurance for its employees and provide them with favorable benefits. In addition, the Company implements comprehensive working hours, irregular working hours and other working hours. Every Sunday is the rest day and forced labor is prohibited. The management can properly adjust the work schedules according to the needs of production, operation and management.

The Group strictly complies with the Underage Workers Special Protection Provisions (《未成年工特殊保護規定》) and relevant laws and regulations. Employment of child labor and forced labor is prohibited. To prevent violation of the above laws and regulations, the Group will not hire applicants under 16 years of age and those who fail to meet the requirements of recruitment after being examined by qualified hospital. When recruiting new employees, the Group will check the applicants' documents such as identity cards, household register and academic certificates to ensure their qualifications. During probation, employees are allowed to terminate labor contracts by submitting a written notice of at least 3 days in advance. In the event that an employee fails to meet the recruitment conditions, violates the laws and regulations or breaks the rules or principles of the Group, the Company reserves the right to unilaterally terminate the labor contract.

During reporting period, the Group was not aware of any violations regarding employment of child labor and forced labor, remuneration, dismissal, recruitment and promotion, working hours, leaves, equal opportunities, anti-discrimination and other welfare and benefits as well as laws and regulations that are material to the Group. During the year, the Company was not subject to material penalty due to violation of any relevant labor laws.

### SUMMARY OF EMPLOYEES

As of December 31, 2018, the Group had a total of 5,465 employees. 1,408 were new employees, accounting for 26% of the total number of employees. The distribution of employees of the Group by gender, age, position, title and educational background is set out below.



## HEALTH AND SAFETY

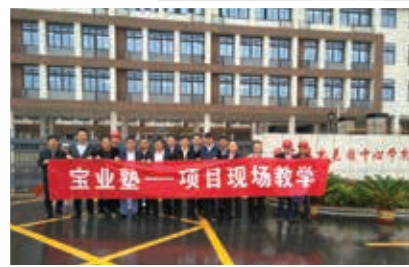
We attach great importance to construction quality and safety and occupational health and safety of staff. The Group strictly complies with relevant laws and regulations including the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Construction Law of the People's Republic of China (《中華人民共和國建築法》), the Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》), the Regulation on Work Safety Licenses (《安全生產許可證條例》), the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) and the Regulation on Work-related Injury Insurances (《工傷保險條例》). The Group also implements the Safety Production Management System (《安全生產管理制度》), the Civilized Construction and Environmental Protection System (《文明施工及環境保護制度》) and the Construction Safety Management Guidance (《施工安全管理指引》) at all levels.

To ensure a safe working environment and a proper work-life balance for its staff, the Group has adopted a safety management accountability mechanism, pursuant to which fines are imposed on the project departments if the rectification is not enforced or satisfactory. Meanwhile, the Group has designated its management team to conduct safety inspection, supervise project on-site quality and safety management. Project departments are required to improve and implement safety production management measures based on the project conditions. In particular, the safety production management of moveable scaffoldings and large-scale mechanic devices has been stringently regulated to ensure optimal quality and safety.

Various departments are required to carry out training and drills on safety production contingencies and formulate response measures in details to minimize the damage and loss in the

event of accidents. Preventive measures have also been formulated in line with the policy of the Group. New recruits have to undergo centralized medical examination by the Group or submit medical examination reports of the latest three months from qualified hospitals. In addition, candidates for positions prone to occupational diseases (e.g. welder or painter) in the long run are required to undergo medical examination before employment. Candidates with potential occupational diseases will not be employed. Employees who have worked under dusty and noisy environment for a long period of time are required to undergo medical examination before resignation and the relevant information will be kept by the Group.

The Group has held a series of training programs on occupational health and safety to promote safety culture. During the reporting period, 493 employees took part in the safety training with a total of 6,549 training hours. Hubei Industrial Equipment Installation Co., Ltd. organized a seminar on fire prevention under the theme of "Priceless Life and Safe Development" (「生命至上·安全發展」). The Group also provided its staff with knowledge of fire control and prevention, including initial-stage fire fighting at construction sites, fire escape, use of fire-fighting equipment and practical rescue advice, to further raise the awareness of employees on safety and responsibility and create a safe production environment for the Company. During the reporting period, the Group was not aware of any violations of the laws and regulations regarding work safety and occupational danger that are material to the Group. During the year, there was no incident of work-related death or occupational disease.

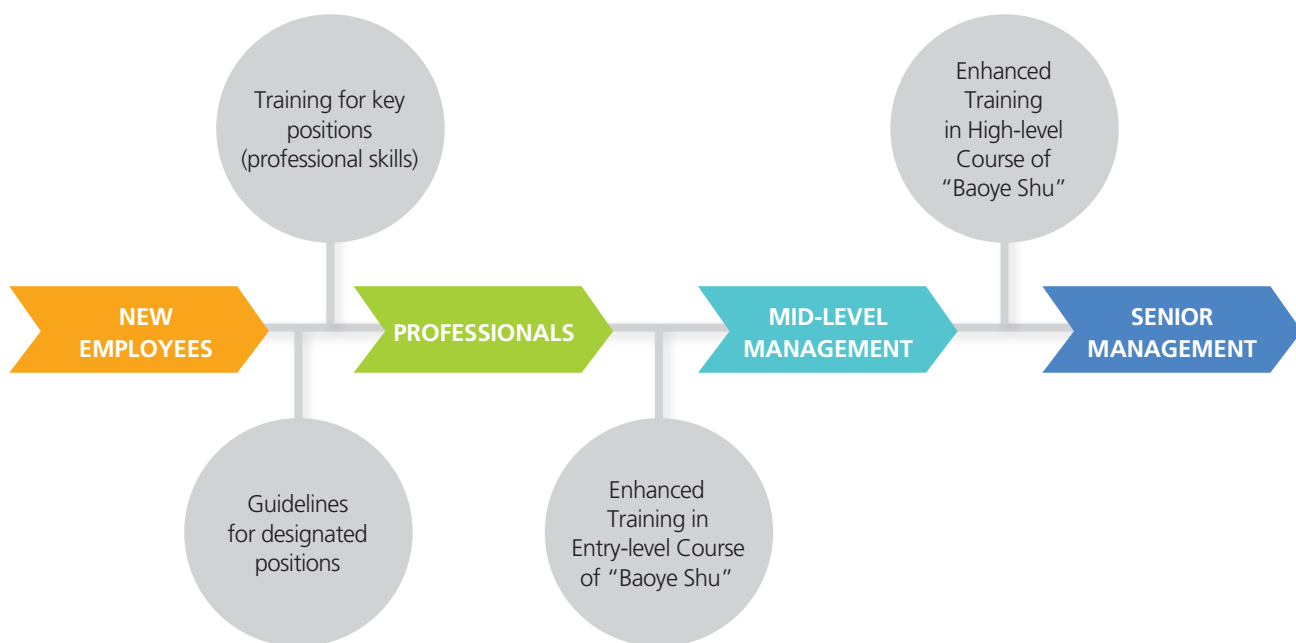




## TRAINING AND PROMOTION

The Group has been supporting its staff to develop their skills and strive for continuous improvement and better performance. To create better training environment and atmosphere, we have established a talent nurturing system under which qualified candidates recruited through centralized interviews are required to receive follow-up training programmes organized by the human resources department of the Group.

Upon enrolment, new recruits are required to study the guidelines for new recruits of designated positions formulated by the department head and the instructor and undergo a one-year performance assessment. New recruits passing the assessment will be further trained for key positions (or professional skills) for two to three years. The employees who have had excellent performance for three consecutive years will be promoted to the level of professionals and will be entitled to receive two-year enhanced training in Entry-level Course of “Baoye Shu” in advance. Upon successful completion of the two-year course with outstanding performance, the employees will be regarded as members of the talent pool for mid-level management and will be entitled to receive two-year enhanced training in High-level Course of “Baoye Shu” in advance. The employees who have passed all the performance assessments with satisfactory results will be regarded as members of the talent pool for senior management.



We carried out various training programs based on the development needs and training requirements of the Group. The Group has formulated corresponding incentive policies to encourage employees to take examinations for skills qualifications, special types of work qualifications, job-related certificates and certified qualifications and assessments for professional titles. The Group also encourages its employees to obtain relevant certificates required for corporate qualification and business operations, including certificates for senior and above skills (such as steel and other skilled workers) or practicing certificates of special types of work (such as welders) and job-related certificates (such as construction workers and quality management personnel). In addition, in order to improve the professional quality and work efficiency of our employees, we arranged a seminar on legal case analysis for legal personnel and provided training programs on the use of office software for office personnel in November.



Software (Word) training



To help new employees understand the management system, corporate culture and development strategy of the Company as well as construction safety knowledge, we launched admission training programs for them in July and November with 37 and over 20 participants respectively.

Special training session on legal risk prevention

Training for new employees in 2018



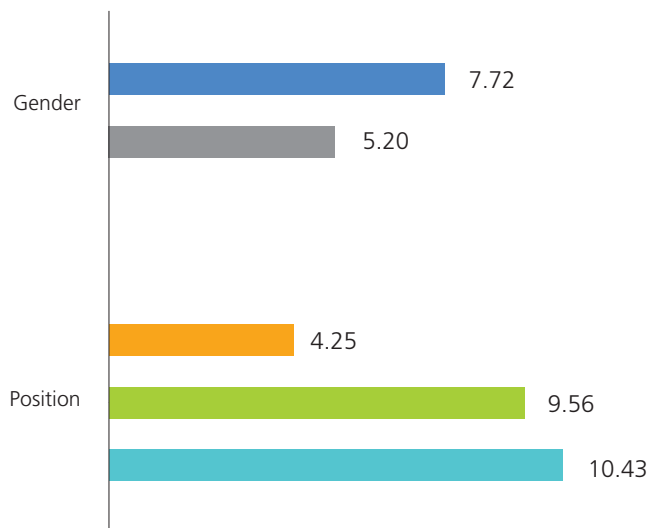
Training for new employees in 2018



The Group attaches great importance to the training of management. In April, the Group held a special training session on prevention of legal risks. More than 200 members of the management participated in the training through on-site and video conferences. We also held a seminar on risk management, discloseable transactions, connected transactions and internal information in June to provide training for the directors and management of the Group. During the year, the average training hours per employee of the Group and the percentage of employees getting trained were as follows:

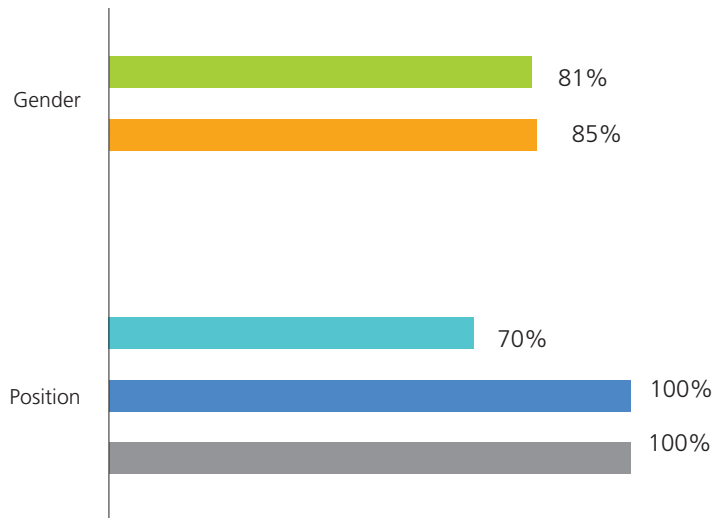
**Average training hours per employee by gender and position**

- Entry-level staff
- Mid-level management
- Senior management
- Female
- Male



**Percentage of employees getting trained by gender and position**

- Entry-level staff
- Mid-level management
- Senior management
- Female
- Male





## CULTURAL LIFE

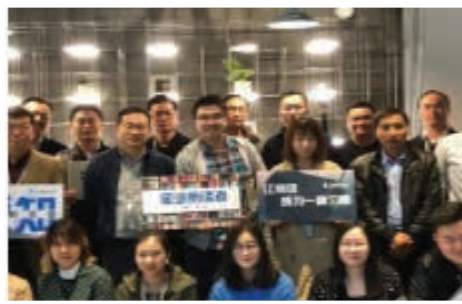
Corporate culture is essential to the sustainable development of the Group. In order to enrich the cultural life of employees, the Group organizes a variety of cultural, sports and social activities on a regular basis for employees to maintain a healthy work-life balance.



Baoye Shu – Trip to Gutian



Team-building activities of the Group



Book club with different themes

“Baoye: Wonderful Life” Series Salon





# OPERATION GOVERNANCE

## SUPPLIER MANAGEMENT

Baoye believes that a sustainable supply chain is essential to the long-term development of an enterprises. We have established a sound supplier management system to select, monitor and manage our suppliers in a prudent manner so as to maintain the quality of our products. We maintain regular communication with our suppliers by telephone and site visit and pay close attention to their sustainability and compliance so as to ensure their performance of the responsibilities towards the community and environment.

We have established a system in accordance with the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) to manage the tendering and bidding processes for construction projects and to safeguard the interests of the Company. Based on the principles of openness, fairness, justice and trustworthiness, a tender committee has been established to manage the tendering of all projects. Not less than three companies will be invited for tendering and no related companies will be accepted to ensure the fairness of the tendering. The system has specified the criteria for assessing our contractors, including the criteria regarding management, compliance, quality, safety, fraud and bribery.

In accordance with the Management System for Procurement of Project Material (Equipment) (《項目材料(設備)採購管理制度》), the Group has specified the procurement standards regarding safety, environmental impact, quality and sophistication of the equipment of our suppliers. The Group has also maintained a list of contractors to record the details of contractors. Contractors are classified into various categories for selection. We regularly evaluate the performance of contractors in respect of environmental protection, social responsibilities and economic contribution and contractors who fail the evaluation will be removed from the list.



## PRODUCT LIABILITY



The businesses of the Group can be broadly classified into construction, property development and building material businesses. Maintaining high project quality is one of the prime objectives of the Group. The Group is strictly in compliance with Construction Law of the People's Republic of China (《中華人民共和國建築法》), the Administrative Measures on Quality of Construction Projects (《建設工程質量管理辦法》), Administrative Standards of Governance of Construction Enterprises (《施工企業治理管理規範》) and other laws and regulations regarding product liability and strictly implements ISO9001 quality management system and specifies the responsibilities of all department heads, so as to maintain the quality of construction projects.

As our business does not involve any advertisement and logo of products, our operation has not been materially affected by such issues. In the year, we did not violate any laws and regulations regarding product liability.

Developing high-quality and environmental-friendly projects honestly and sincerely in compliance with laws and regulations, protecting occupational health and striving for mutual development are our objectives of quality management. We have set up a system for management of project quality. We have the procedures for incident investigation, after-sales services and customer satisfaction survey to regulate our quality management and enhance the quality of our projects.

### **Project quality management system**

The Group has established a construction department and deployed professional personnel to manage and monitor the quality of our construction projects. We have formulated the Evaluation of Project Quality Management and Performance Appraisal (《工程質量管理制度及責任考核辦法》) which set forth the duties and responsibilities of all departments and personnel in respect of quality management. All departments shall cooperate with the construction department and duly perform their duties to develop high-quality projects.

Under the target-based project quality management system, the Group has implemented project quality accountability system to determine annual targets of project quality for employees at different level and specifies the rewards and punishment for persons in charge. The Group aims to align the project quality with economic benefits of key management personnel through setting targets of projects to motivate the management to seriously monitor the quality of projects.

The Group conducts quarterly inspection of the quality of construction projects. The construction department is required to inspect projects under construction managed by the branches at least once a month in order to inspect the construction quality of all projects. In respect of completed projects, we inspect their quality regularly to guarantee that the quality of the projects can be maintained at the relevant standards after completion.

In respect of quality management of outsourced projects, we enter into contracts with the contractors for each of the projects outsourced to specified the quality standards and the respective responsibilities of the Group and the contractors regarding the training and management on quality management. Contractors are closed monitored to ensure that their techniques satisfy our requirements.

### **Incident Investigation and Remediation**

The Group is committed to ensuring all projects to be in compliance with regulations and does not tolerate any quality incident. All quality incident will be dealt with in accordance with Incident Investigation Procedure (《事故調查處理程序》). Persons-in-charge of projects shall truthfully report any incidents. Incident will be promptly investigated by special investigation team. The team shall suggest remedial measures and improvement to prevent the reoccurrence of similar incidents. In addition to project monitoring and management, we also prevent accidents by promoting the awareness of our employees and encouraging them to participate in project quality enhancement activities.

### **After-sales service**

In addition to project quality management, we also value the opinions of our customers and handle complaints seriously. Customers may lodge their complaints through the property management companies or to the Group directly. Our customer service department and technicians of the project department will conduct on-site inspections within two days upon receipt of complaint and discuss with our chief engineer for remedial actions subject to cost evaluation by the internal audit department. Remedial works will commence in seven days if agreed by customer. The entire process will be documented for records.

### **Customer Satisfaction Studies**

In order to have throughout understanding of customers' perception of our construction quality, The customer service department prepares the questionnaires and list of interviewees. Customer satisfaction studies are also conducted through corporate activities, customer interview and tea gathering whereby customers are required to score their satisfaction of various items. Each of the items with satisfaction lower than 80% will be carefully studied for improvement.

## **ANTI-CORRUPTION**

The Group attaches great importance on integrity and expects all staff and suppliers to follow suit. We strictly comply with the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited with a view to fight against corruption. An Internal Audit Committee has been formed to investigate suspected corruption and has in place a whistle-blowing policy to encourage staff to express their opinions and report irregularities. The Group also has a policy to protect the whistle blowers from retaliation and discrimination by covering up their identities.

### **Employees Reporting Policy**

According to "Internal Audit Committee — The policy on employees reporting" (《審核委員會員工舉報政策》), all staff are welcome to report anonymous complaints or opinions regarding internal accounting and auditing by mail and email to the Internal Audit Committee, such as corporate deception and violation of laws by the Company and its representatives. The Committee will keep the identity and the information provided confidential and handle all reports stringently pursuant to laws.



## Employees Reporting Protection Policy

We endeavor to protect our employees from retaliation and discrimination for reporting illegal reprisals. In case that any illegal reprisal, employees can file complaints under the aforementioned reporting policy. If complaint of retaliation or discrimination is valid, the staff involved will be strictly punished or dismissed immediately.

During the year, the Group was not aware of any of the violations on laws and regulations regarding bribery, blackmailing, fraud and money-laundering that are material to the Group. No corruption litigation relating to the Group was recorded.

## COMMUNITY INVOLVEMENT

With support of the community, Baoye has achieved long-term and steady corporate development. We actively participate in social and charity projects with the philosophy of "Reciprocal to the Community" and contribute to the society. During the year, the Group was dedicated to community poverty alleviation and student sponsorship through donating money to charities to assist the development of the community. We also encourage our employees to participate in voluntary works and contribute to the community.

Organisation Community	Amount	Project Name/Use of Donation
<b>Shaoxing Red Cross</b>	RMB1,000,000 RMB405,000	Donation for helping the elderly Purchase of rehabilitation equipment and anti-falling pack for home for the elderly
<b>Tibet Langkazi People's Government</b>	RMB980,000	Helping poverty areas in Tibet
<b>Hefei Yaohai District Charity Association</b>	RMB200,000	Helping poor people
<b>Hefei Xinzhan District Charity Association</b>	RMB200,000	Helping working poor
<b>Keqiao Charity Federation</b>	RMB500,000	Jiangshan and Zhangzhou poverty alleviation project
<b>Hongan Chenguan</b>	RMB1,000,000	Chenguan poverty alleviation project
<b>Student Sponsorship</b>		
<b>Lu Xun Cultural Foundation</b>	RMB50,000	Establishment of the foundation
<b>Tongji University</b>	RMB100,000	Tongji University Minority Growth Fund
<b>University students in poverty</b>	RMB30,000	Donation to student financial aid



The party committee of Anhui Baoye Construction Engineering Group joined blood donation activity in 2018



Baoye Junyue Green Garden Poverty Alleviation Campaign



Baoye Hubei Construction Group Limited invited the residents of Wuchang Xiao Liujiawan to have a reunion dinner and gave them daily necessities



“Love in Dragon Boat Festival, Care for the Elderly” voluntary works organized by the communist party committee

### Community Involvement Activities

# PERFORMANCE DATA SUMMARY

Distribution of labor	Unit	2018	2017
	Number of full-time employees	5,465	5,071
	By Age		
	≤30	1,474	1,531
	31–40	1,383	1,346
	41–50	1,277	1,182
	≥51	1,331	1,012
	By gender		
	Male	3,878	3,491
	Female	1,587	1,580
	By Position		
	Senior management	191	185
	Mid-level management	752	707
	Entry-level staff	4,522	4,179
	By educational background		
	Master's degree or above	93	85
	Bachelor's degree	1,321	1,202
	Tertiary education	1,131	1,139
	Below tertiary education	2,920	2,645
	By title		
	Senior or above	336	282
	Mid-level	808	842
	Junior	793	746
	Other	3,528	3,201
	Percentage of new recruits	26%	—
	Number of new recruits	1,408	—
	Training coverage for employees		
	By Gender		
	Male	85%	—
	Female	81%	—
	By Position		
	Senior management	100%	—
	Mid-level management	100%	—



Distribution of labor	Unit	2018	2017
Entry-level staff		70%	—
Average training hours received by employees			
By Gender			
Male		5.20	—
Female		7.72	—
By Position			
Senior management		10.43	—
Mid-level management		9.56	—
Entry-level staff		4.25	—
<b>Health and Safety</b>			
Education on occupational safety and health			
Total number of employees joined safety training		493	—
Total time for employees joined safety training		6,549	—
<b>Environmental</b>			
Energy consumption			
Electricity	Kilowatt hour	8,125,238	7,128,260
Electricity consumption intensity	Kilowatt hour/sq.m. (office area)	77	72
Gasoline	Liter	148,649	148,774
Gasoline consumption intensity	Liter/vehicle	3,097	3,036
Diesel	Liter	11,964	11,333
Diesel consumption intensity	Liter/vehicle	2,991	2,833
Water	Tonne	189,737	189,687
Water consumption intensity	Tonne/sq.m. (office area)	1.81	1.92
Emissions			
Greenhouse gas emissions			
Scope 1: Direct carbon emissions	tCO <sub>2</sub> e	428	373
Scope 2: Indirect Carbon Emissions	tCO <sub>2</sub> e	5,716	5,015
Total	tCO <sub>2</sub> e	6,144	5,388
Greenhouse gas emissions intensity	tCO <sub>2</sub> e/sq.m. (office area)	0.06	0.05

Distribution of labor	Unit	2018	2017
Waste gas emissions			
Nitrogen oxides	Kilogram	145	347
Sulfur oxides	Kilogram	2	2
Particulates	Kilogram	12	18
Non-hazardous wastes			
Paper	Box	442	416
Discharged paper intensity	Box/sq.m. (office area)	0.004	0.004
Hazardous wastes			
Fluorescent tube	Tube	1,355	1,298
Discharged fluorescent tube intensity	Tube/sq.m. (office area)	0.013	0.013
Battery	Unit	1,350	1,340
Discharged battery intensity	Unit/sq.m. (office area)	0,013	0.014
Ink cartridge	Unit	404	394
Discharged ink cartridge intensity	Unit/sq.m. (office area)	0.004	0.004

# CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEX	Chapter/Remarks
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>	<p><b>General Disclosure</b></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	Environmental Responsibility — Emissions Management
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	Environmental Responsibility — Emissions Management
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility — Use of Resources
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility — Emissions Management
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility — Emissions Management
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	Environmental Responsibility — Emissions Management
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and reduction initiatives and results achieved.	Environmental Responsibility — Emissions Management



KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEX	Chapter/Remarks
<b>Aspect A2: Use of Resources</b>	<b>General Disclosure</b> Policies of the efficient use of resources, including energy, water and other raw materials.	Environmental Responsibility
	<b>KPI A2.1</b> 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).	Environmental Responsibility — Use of Resources
	<b>KPI A2.2</b> Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility — Use of Resources
	<b>KPI A2.3</b> Description of energy use efficiency initiatives and results achieved.	Environmental Responsibility — Resources Saving
	<b>KPI A2.4</b> Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environment Responsibility — Resources Saving
	<b>KPI A2.5</b> Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The operation of the Group does not involve any use of physical packaging materials
<b>Aspect A3: The Environment and Natural Resources</b>	<b>General Disclosure</b> Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Responsibility — Green Architecture
	<b>KPI A3.1</b> Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Responsibility — Green Architecture

KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEX	Chapter/Remarks
<b>B. Social</b>		
<b>Aspect B1: Employment</b>	<p><b>General Disclosure</b></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance of relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Human Resources Management
	<p><b>KPI B1.1</b> Total workforce by gender, employment type, age group and geographic region.</p>	Human Resources Management
<b>Aspect B2: Health and Safety</b>	<p><b>General Disclosure</b></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance of relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Human Resources Management — Health and Safety
	<p><b>KPI B2.3</b> Description of occupational health and safety measures adopted, and how they are implemented and monitored.</p>	Human Resources Management — Health and Safety
<b>Aspect B3: Development and Training</b>	<p><b>General Disclosure</b></p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	Human Resources Management — Development and Training
	<p><b>KPI B3.1</b> The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</p>	Human Resources Management — Development and Training
	<p><b>KPI B3.2</b> The average training hours completed per employee by gender and employee category.</p>	Human Resources Management — Development and Training

KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEX	Chapter/Remarks
<b>Aspect B4: Labor Standards</b>	<b>General Disclosure</b> Information on: (a) the policies; and (b) compliance of relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Human Resources Management
	<b>KPI B4.1</b> Description of measures to review employment practices to avoid child and forced labor.	Human Resources Management
	<b>KPI B4.2</b> Description of steps taken to eliminate such practices when discovered.	No non-compliance identified during the year
<b>Aspect B5: Supply Chain Management</b>	<b>General Disclosure</b> Policies on managing environmental and social risks of the supply chain.	Operation Governance — Suppliers Management
	<b>KPI B5.2</b> Description of practices relating to engaging suppliers, number of suppliers subject where the practices are being implemented, how they are implemented and monitored.	Operation Governance — Suppliers Management
<b>Aspect B6: Product Responsibility</b>	<b>General Disclosure</b> Information on: (a) the policies; and (b) compliance of relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operation Governance — Product Responsibility
	<b>KPI B6.2</b> Number of products and services related complaints received and how they are dealt with.	Operation Governance — Product Responsibility
	<b>KPI B6.4</b> Description of quality assurance process and recall procedures.	Operation Governance — Product Responsibility



KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEX	Chapter/Remarks
<b>Aspect B7: Anti-corruption</b>	<b>General Disclosure</b> Information on: (a) the policies; and (b) compliance of relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operation Governance — Anti-corruption
	<b>KPI B7.1</b> 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.	No corruption legal cases involved during the year
	<b>KPI B7.2</b> Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operation Governance — Anti-corruption
<b>Aspect B8: Community Investment</b>	<b>General Disclosure</b> 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.	Operation Governance — Community Investment
	<b>KPI B8.1</b> Focus areas of contribution.	Operation Governance — Community Investment
	<b>KPI B8.2</b> Resources contributed to the focus area.	Operation Governance — Community Investment

