



中國核能科技集團有限公司

China Nuclear Energy Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 611



# China Nuclear Energy Technology Corporation Limited

Environmental, Social and Governance Report

# 2018

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## Message from the Chairman

In face of global energy resources shortage, rising energy consumption demand and climate change, the development of clean energy and technology is the key to achieve sustainability and enhance the living quality of mankind.

In order to fulfill our corporate responsibilities, protect the earth and facilitate social development, China Nuclear Energy Technology Corporation Limited (the “**Company**” or “**CNETCL**”, together with its principal subsidiaries, the “**Group**” or “**we**”) unceasingly strives to improve our performance in environment, social and governance in every business segment so as to provide the general public with cleaner and more reliable electricity supply. In 2018, CNETCL invested in the construction of solar photovoltaic power segment so as, mainly providing green and low-cost energy to the residents of Jiangsu Province, resulting in a cumulative installed capacity of 156 MW. The village-level photovoltaic poverty alleviation power station construction project invested by the Group in Yunnan Province has provided the poverty in impoverished mountain regions with access to clean and inexpensive energy and has greatly improved their life quality.

During the Reporting Period, an independent consultant has been engaged by the Group to conduct assessment for better pollution and emissions management. The Group is committed to reducing resource consumption by establishing regulations and systems in offices and work sites and by requiring all departments and work levels to conserve water and electricity and to properly manage emissions in our operations.

Apart from the Group’s internal operation, we also stringently control the potential exposure to local community and environment arising from our supply chain. To optimise our supply chain management, the Group has established a set of standards regulating supplier selection and assessment, taking environmental and social factors into account in the supply chain related business decisions.

The Group always takes responsibility for assuring the design, safety and quality of our construction projects. Also, we regularly inspect and monitor the engineering, procurement and construction procedures of each construction project and timely execute rectification and modification when defects arise. At the same time, we have established a comprehensive reporting and analysis mechanism, which enables the Group to flexibly resolve and prevent problems.

We believe environmental, social and governance policy is a key element in the development of the Group’s business. While the Group creates value for the society and the environment, it also benefits the Group and allows long-term sustainability. We continue to strengthen our communication with our employees, partners, shareholders, suppliers, the government and the community in order to develop business strategies with greater effectiveness in order to meet the needs and anticipations of our stakeholders on social and environmental performance.

Zhao Yixin  
Chairman

Hong Kong, 10 July 2019

## About this Report

This Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) is issued by CNETCL which covers the key activities and sustainability performance of the Group relating to environmental protection and social responsibility during the year ended 31 December 2018. In order to gain a more comprehensive view on the Group’s performance, this ESG Report is to be read in conjunction with the Company’s 2018 Annual Report, in particular the Corporate Governance Report contained therein.

### Reporting Scope

This ESG Report aims to provide our stakeholders with disclosures relating to the ESG performance of the Group during the period from 1 January 2018 to 31 December 2018 (the “**Reporting Period**”).

The reporting scope of this ESG Report (the “**Reporting Scope**”) mainly covers the Company and its principal subsidiaries in the business segments of EPC and consultancy, solar power generation and manufacturing and trading, which are CNI (Nanjing) Energy Development Company Limited, Nanjing CNI Energy Engineering Company Limited (collectively referred to as “**CNI (Nanjing)**”), Taizhou Herun New Energy Ltd. (“**Taizhou Herun**”) and Xuzhou Herun Light Energy Company Limited (“**Xuzhou Herun**”). This ESG Report includes the Group’s office operation, operation of module plant and construction and operation of solar power plants.

Compared to the ESG report in 2017, we expanded our reporting scope to cover the Group’s principal office in Hong Kong and a module plant<sup>1</sup> that commenced its operation in Xuzhou City, Jiangsu Province in 2018.

### Reporting Guideline

This ESG Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**SEHK**”). This ESG Report has complied with the “comply or explain” provisions of the ESG Reporting Guide and was prepared in adherence to the four reporting principles: Materiality, Quantitative, Balance and Consistency.

### Confirmation and Validation

This ESG Report focuses on introducing the philosophy, actions and achievements of the Group’s sustainability performance. All information disclosed in this ESG Report has been sourced from the Group’s documents and statistics. The board of directors of the Company (the “**Board**”) is responsible for the reliability, truthfulness, objectivity and completeness of the information disclosed in this ESG Report. This ESG Report is reviewed and approved by the Board on 10 July 2019.

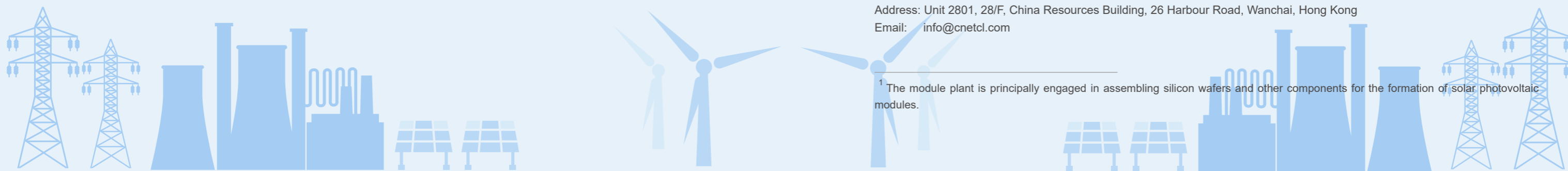
This ESG Report is published in both English and traditional Chinese versions. In case of any discrepancy between the two versions, the English version shall prevail.

### Comments and Feedback

We value and welcome all stakeholders to provide feedback and suggestions in relation to this ESG Report and on our sustainability performance by mail or email:

Address: Unit 2801, 28/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong  
Email: [info@cnetcl.com](mailto:info@cnetcl.com)

<sup>1</sup> The module plant is principally engaged in assembling silicon wafers and other components for the formation of solar photovoltaic modules.





# About the Group

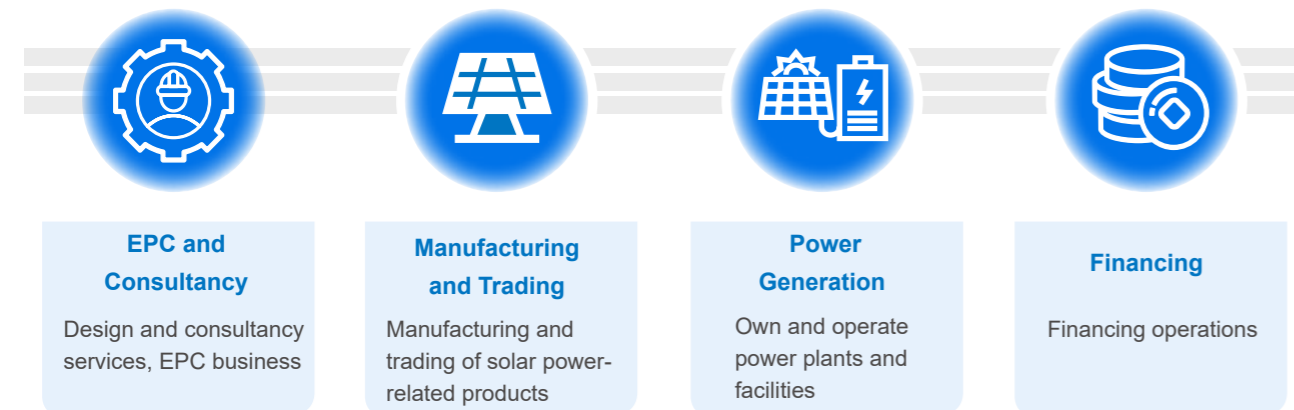
## Company Profile

CNETCL focuses on new energy businesses with an effort to develop our financial services on financial leasing for nuclear energy, clean energy, energy saving and environmental protection segments. By paying continuous endeavour to invest and operate clean power generation and photovoltaic projects, the Group has successfully become one of the top-tier contractors for photovoltaic engineering and construction, and has realised the objective of integrating new energy power station investment – engineering, procurement and construction (“EPC”) – operation.

Low carbon operation, energy saving and renewable energy are gaining public awareness in face of the climate change. Given strong growth in the renewable energy industry in China, the Group has put the focus on the design, installation and construction of solar photovoltaic power system and other renewable energy systems in recent years. With technology advancement and reduction of installation cost, it is anticipated that commercial and residential renewable energy will become more popular which help boosting the domestic demand in the Mainland China. In addition to cultivating the domestic renewable energy market in China, the Group will also seek opportunities in other countries for joint development of renewable energy under the Belt and Road Initiatives.

## Our Business Segments

The Group is principally engaged in the following activities:



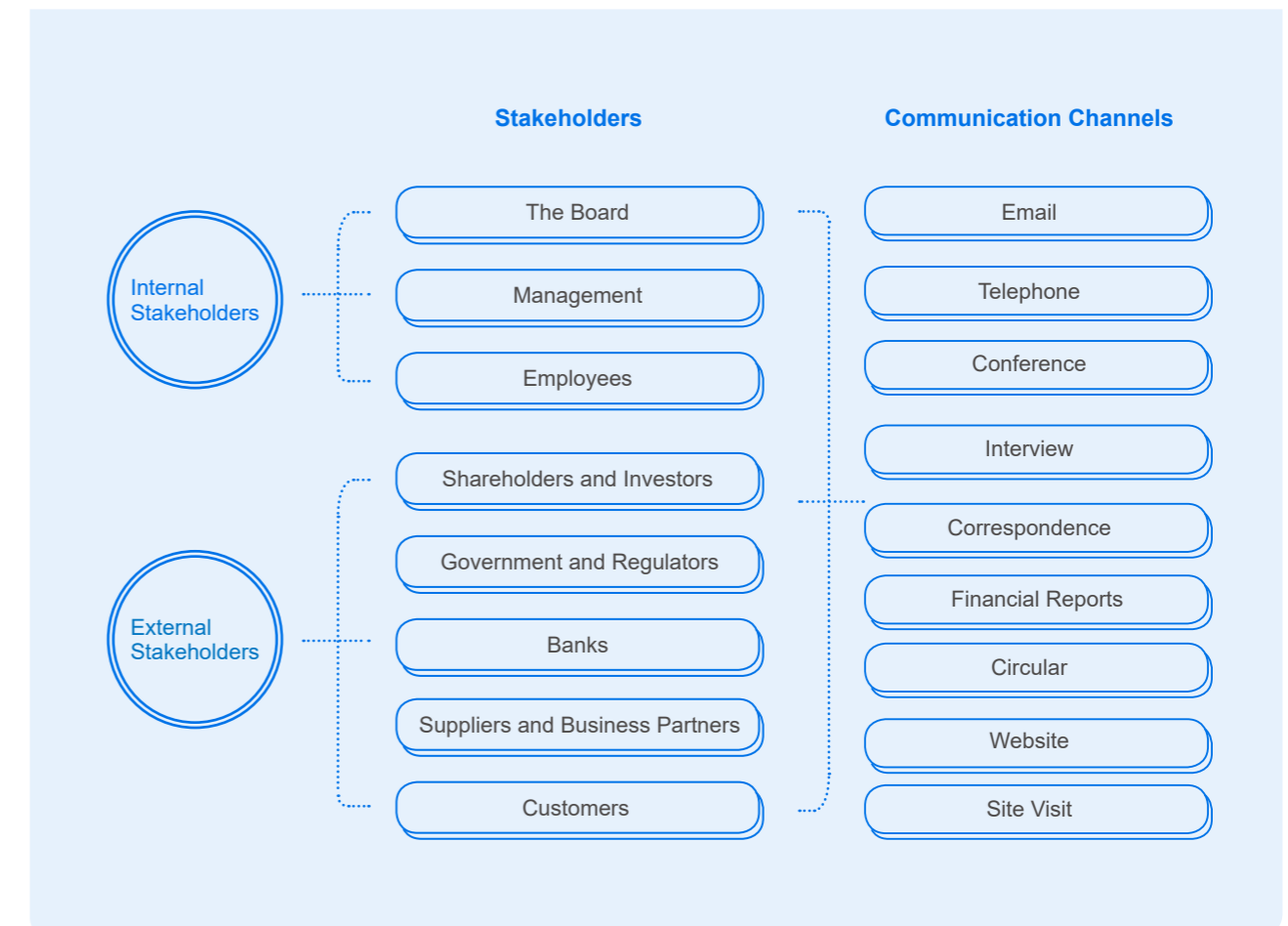
## Our Corporate Values



# Commitment to Sustainability

## Stakeholder Engagement

Parties that are impacted by or can impact upon our business operations are considered as stakeholders of the Group. We proactively engage with our stakeholders to ensure that we have considered their evolving expectations and have taken their feedback to our business plans. We also regularly review the effectiveness of communication channels and explore new avenues for stakeholders to express their concerns and opinions.



## Materiality Assessment

It is essential for the Group to engage with its stakeholders to understand their expectations, needs and concerns. To identify the relative material ESG issues of the Group, we engaged our directors, senior management and employees to conduct a materiality assessment in 2018. They were required to assess and prioritise the importance of relevant ESG issues by an online survey whereby a total of 174 valid responses were received. The results of the survey not only help to determine the most important material ESG issues of the Group, but also provide an important reference for the Group to determine and refine its sustainability strategy and shape the reporting framework.



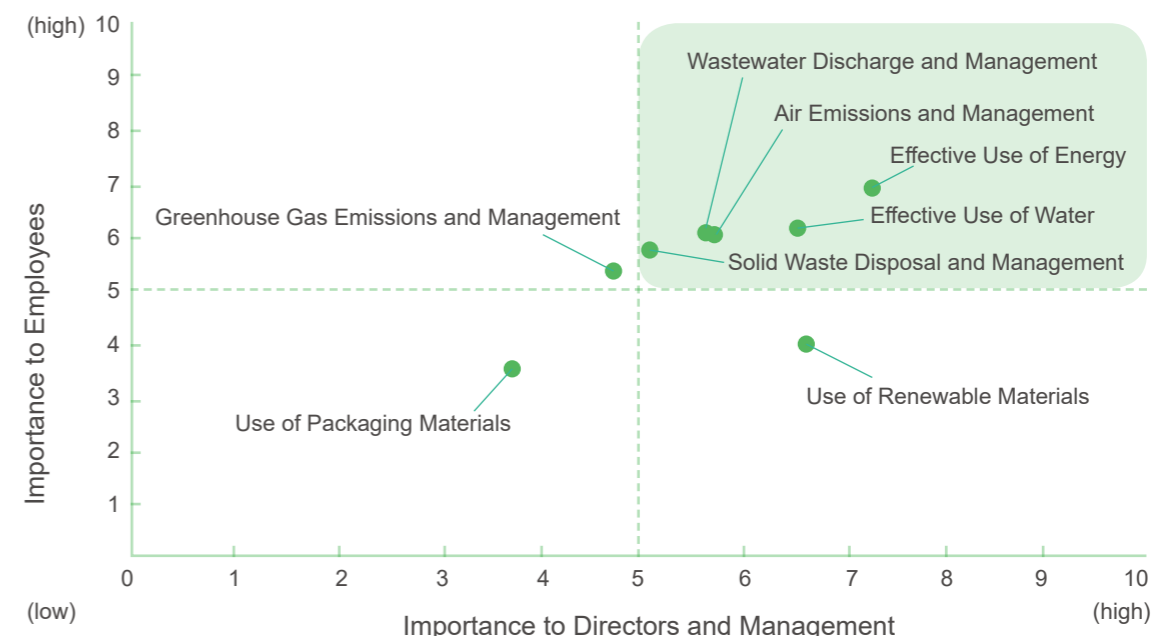
The Group identified its material ESG issues through a 3-step assessment process below:



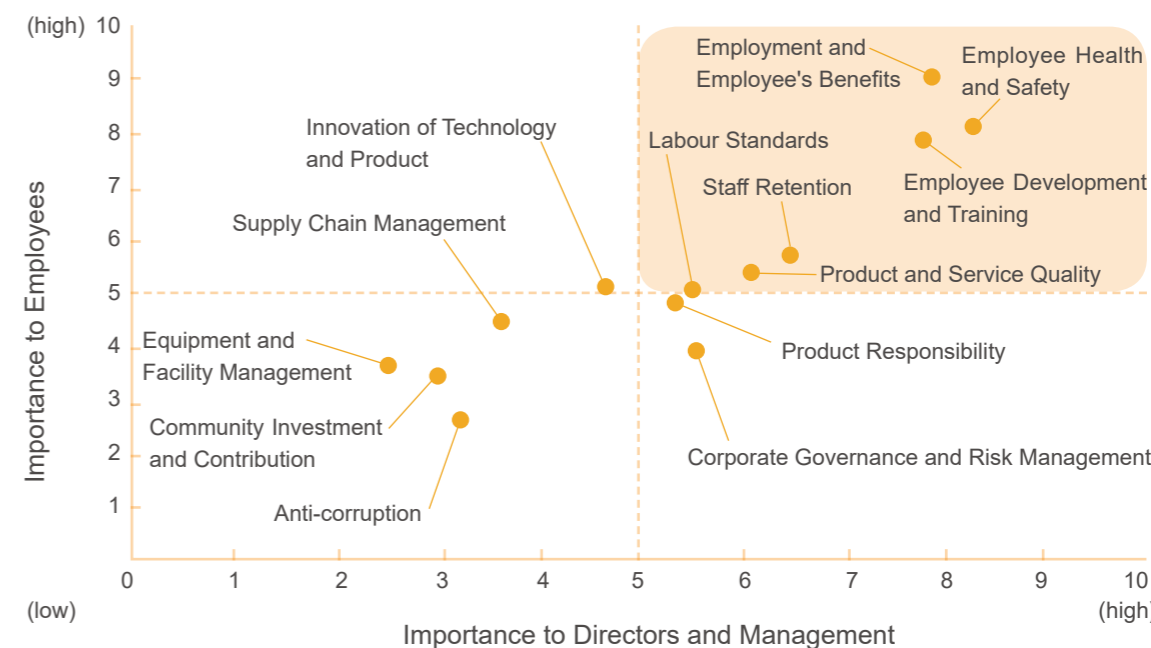
The two materiality matrices on environmental and social aspects help the Group to map the ESG issues by their relative importance to employees and to the directors and management. The ESG issues mapped on the top right corner of the materiality matrices (ranked above 5 out of 10), are identified as the material ESG issues of the Group. 5 environmental-related material ESG issues and 6 social-related material ESG issues were identified and validated which are the focus areas of disclosure in this ESG Report.

<sup>2</sup> The Group considers environmental and social components are equally important to achieve sustainable development. The ESG issues were categorised as environmental aspect and social aspect for assessment, facilitating survey participants to prioritise the ESG issues in both aspects.

### Materiality Matrix (Environmental Aspect)



### Materiality Matrix (Social Aspect)



Taking into account the cooperation with suppliers and sub-contractors contributes to a large part of our business operation, and supply chain management is essential for the Group to manage its environmental and social risks, the Group raised its materiality and considered it as one of the material ESG issues and has included it in the focus areas of disclosure in this ESG Report.

## Dedication to Green Development



As a company focusing on renewable energy development, environmental protection is always one of the Group's priorities. Mitigation of pollution and efficient use of resources are the main focuses of the Group. The Group maintains an environmental management system to track and manage the environmental performance on daily operations systematically.

The Group strictly complies with the laws and regulations relating to atmospheric and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impacts on the Group, including but not limited to, the *Environmental Protection Law of the People's Republic of China (the "PRC")*, the *Cleaner Production Promotion Law of the PRC*, the *Water Pollution Prevention and Control Law of the PRC*, the *Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *Energy Conservation Law of the PRC*, and the *Renewable Energy Law of the PRC*. During the Reporting Period, the Group did not violate any laws and regulations relating to atmospheric and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group.

### Managing Emissions

#### Atmospheric and GHG Emissions

The philosophy of tackling climate change in our businesses is deeply embedded in the Group. Not only do we devote our efforts in developing the renewable energy industry, but also explore every opportunity to reduce our GHG emissions.

Exhaust gas emissions and direct GHG emissions of the Group are mainly generated from the use of vehicles in all business segments. To reduce emissions from burning fossil fuel, all vehicles used by the Group are required to meet China IV and Euro IV emission standards or above. Moreover, machinery and facilities which consume electricity instead of fossil fuels are utilised in the module plant in order to minimise exhaust gas generation that impacts on the surrounding. The Group conducts regular inspections and maintenance to ensure air conditioning system is working in good condition to prevent leakage of refrigerant (a very potent GHG) and thus minimises fugitive emissions.

Xuzhou Herun understands that diesel-power machine will emit exhaust gases and generate noise that impact on the health of employees working in enclosed space and might cause nuisance. Hence, Xuzhou Herun uses electric forklifts in the module plant to reduce exhaust gas emissions so as to enhance the working environment for employees.



Electricity consumption accounts for a major portion of the Group's GHG emissions. The Group strives to reduce indirect GHG emissions by minimising electricity consumption. Corresponding measures are detailed in the section of "Energy and Water Conservation".

#### Wastewater Discharge

Water usage of the Group does not involve any industrial purpose. All discharge from office area is directed to municipal sewage plant through the drainage system. A sewage treatment facility is installed in the module plant for treatment of domestic sewage before it is discharged.

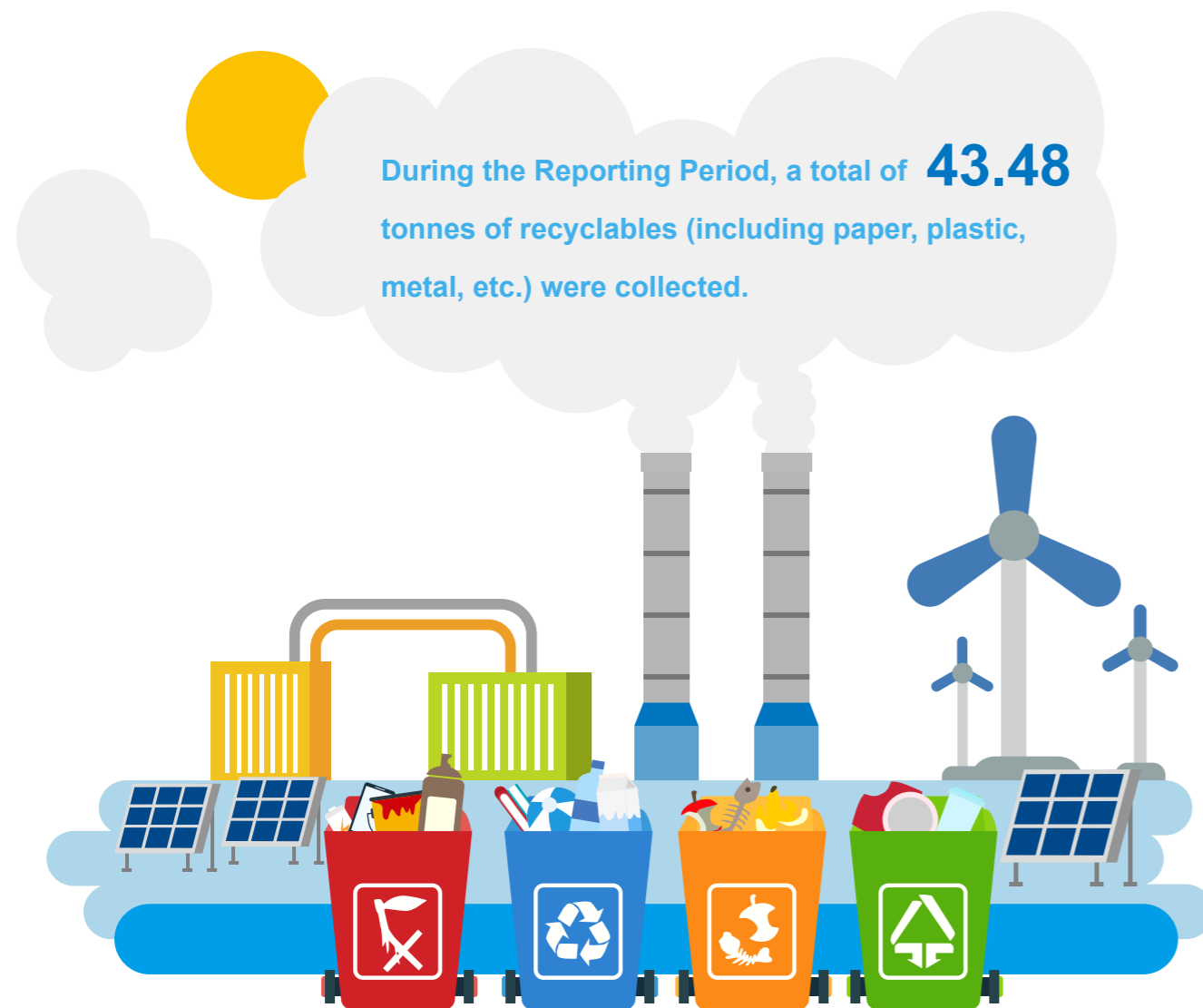


## Waste Reduction and Resources Utilisation

Waste generated during the operation of the Group is segregated by types and classified as non-hazardous waste or hazardous waste. To ensure effective waste management, the Group formulated the *Procedures on the Control of Solid-Waste* which outlined the waste collection, storage and disposal procedures in order to mitigate the environmental impacts associated with improper waste handling.

Designated waste storage areas with clear indications are provided in each operating location of the Group to collect different types of waste. Wastes of the Group are mostly non-hazardous which include domestic waste, food waste and recyclables. Non-hazardous waste generated from office is collected and transferred by the property management for disposal. Hazardous waste generated in the module plant consists of waste oil and oily cotton wipe. To comply with relevant regulatory requirements, the Group appointed qualified independent companies to transfer hazardous waste in an orderly manner.

The Group sets up a designated recyclables collection area in each operating location aiming to reduce wastes being sent to landfills and incineration plants. To reduce paper usage and disposal, the Group formulated the *Code on Office Supplies Management* to regulate the procurement criteria of office supplies and to implement practices such as using double-sided printing and recycled paper in order to reduce paper consumption in offices.



## Energy and Water Conservation

The Group endeavours to conserve precious resources and strives to avoid depletion of valuable resources by proper management of energy and water consumption within the Group.

The Group established resources management standards and policies such as the *Environment, Safety, Operation Control Procedures* and the *Energy and Resources Management Control Procedures*, to outline the responsibilities of personnel for resources management and to govern the operation procedures for waste elimination. The Group also formulated the *EHS Monitoring and Measuring Control Procedures* and records the energy and water usage in its operating locations on monthly basis in order to identify areas for improvement as well as developing actions to save energy and water.



In general, water is sourced from municipal water pipe and the Group did not encounter any issue in sourcing water that is fit for purpose. Water consumption of the Group is mainly for domestic use and there is no significant impacts on water consumption. To reduce water usage, the Group utilises water-saving sanitary fixtures and carries out rectification work when seepage and malfunction of water appliances are spotted.

The main energy consumption of the Group is the use of electricity. The Group enhances energy efficiency in order to minimise energy consumption while maintaining product performance and service quality. To minimise energy consumption, the Group incorporates energy efficiency as a consideration element in machinery and equipment procurement process and principally selects those with low energy consumption. In addition, the Group implemented energy conservation practices to regulate electricity usage in its operating locations. Regular inspection and maintenance are conducted to ensure proper functioning of equipment in order to prolong the equipment life cycle.



The Group strives to reduce resource consumption during its business operation. Recognising the operation of module plant shares a significant portion of the Group's energy and water consumption, the Group actively integrates energy and water conservation measures and practices in the module plant.

### Energy and Water Conservation Measures at the Module Plant

Xuzhou Herun installed a high-efficiency variable-speed water-cooled screw chiller with a built-in shell and tube heat exchanger for air conditioning of the module plant, reducing around 30% electricity use as compared to the conventional fixed-speed air-cooled chiller.

The operation of laminating press machine in the production unit radiates heat to the surrounding that requires cooling; while the curing room requires an elevated temperature to facilitate the product curing process. During the Reporting Period, Xuzhou Herun installed draught fans to direct the excessive heat from the production unit to the curing room and has effectively conserved energy use.



Xuzhou Herun strives to reduce water consumption in order to lower the loading of wastewater treatment system. Xuzhou Herun installed a closed-loop water cooling and recirculating system to reduce the use of replenishing water for air conditioning system.



## Environmental Protection at Construction Site

Apart from managing the environmental impacts that arise in our business operations, the Group ensures all its sub-contractors strictly following the Group's environmental policies at all project sites to further control and mitigate the potential environmental impacts. CNI (Nanjing) established the *Rules on Environmental Protection Management* and stipulated the requirements and controls in major environmental aspects.

For each construction project, CNI (Nanjing) requires sub-contractors to draw up a register of environmental aspects and potential impacts and to formulate corresponding mitigation measures. Types of environmental pollution are categorised into 4 aspects:



In addition, CNI (Nanjing) requires sub-contractors to identify possible environmental risks and prepare contingency plans to cope with unexpected situations systematically. CNI (Nanjing) ensures that all employees and sub-contractors are well prepared for the environmental incidents by developing contingency plan and organising regular drills. The Project Management Department of CNI (Nanjing) conducts regular site inspections with sub-contractors to ensure that the environmental impact mitigation measures are properly implemented on every construction site.

Apart from managing the environmental impacts, CNI (Nanjing) fosters a culture of resources conservation on construction site by implementing the *Rules on Environmental Protection Management* and encourages employees and construction workers to adopt electricity and water conservation.





# Environmental Performance

The Group gradually expands the reporting scope to enhance the coverage of our environmental performance and to better reflect the Group's business development. The Group's reporting scope of environmental performance in 2017 was limited to the EPC project in Changxing of Huzhou Province and the operation of solar plant in Taizhou. In 2018, the Group expanded the reporting scope to the office operation in Hong Kong and Nanjing, the operation of module plant in Peixian of Xuzhou Province, the EPC project in Lincang City, Yunnan Province and the operation of solar plant in Taizhou City. The significant change in reported data are largely attributed to the expansion of reporting scope.

The environmental performance of the Group in 2018 is summarised as follows:

## Emissions

Types of Emissions	Unit	2018 <sup>3</sup>	2017
<b>Air emissions<sup>4</sup></b>			
Sulphur oxides	Kg	11.06	0.13
Nitrogen oxides	Kg	112.62	0.46
<b>GHG emissions</b>			
Total GHG emissions <sup>5</sup>	Tonnes CO <sub>2</sub> e	2,628.22	269.3
	Tonnes CO <sub>2</sub> e per no. of employees	7.30	22.44
Scope 1: direct emissions <sup>6</sup>	Tonnes CO <sub>2</sub> e	87.68	6.20
Scope 2: indirect emissions <sup>7</sup>	Tonnes CO <sub>2</sub> e	2,523.04	263.10
Scope 3: other indirect emissions <sup>8</sup>	Tonnes CO <sub>2</sub> e	17.50	-
<b>Wastewater Discharge</b>			
Wastewater <sup>9</sup>	Tonnes	102.00	-
	Tonnes per no. of employees	0.28	-

## Wastes

Types of Waste	Unit	2018 <sup>3</sup>	2017
<b>Non-hazardous waste</b>			
Total non-hazardous waste	Tonnes	40.90	19.20
	Tonnes per no. of employees	0.11	1.60
Domestic waste	Tonnes	23.40	19.20
Food waste	Tonnes	17.50	-
<b>Hazardous waste</b>			
Waste oil	Tonnes	2.00	-
	Tonnes per no. of employees	5.56 x 10 <sup>-3</sup>	-

## Use of Resources

Types of Resources	Unit	2018 <sup>3</sup>	2017
<b>Energy Use</b>			
Electricity	MWh	3,588.46	373.90
	MWh per no. of employees	9.97	31.16
Gasoline	Litres	20,442.38	1,822.30
	Litres per no. of employees	56.78	151.86
Diesel	Litres	6,067.00	-
	Litres per no. of employees	16.85	-
<b>Water Use</b>			
Water	Tonnes	27,264.09	2,400.00
	Tonnes per no. of employees	75.73	200.00
<b>Use of Packaging Materials</b>			
Total packaging materials	Tonnes	994.99	23.00
	Tonnes per no. of employees	2.76	1.92
Paper	Tonnes	325.00	-
Plastic	Tonnes	48.23	-
Metal	Tonnes	442.80	-
Wood	Tonnes	178.95	-

<sup>3</sup> As compared with the reporting scope in 2017 which consisted of a solar power station and a EPC project, the Reporting Scope for 2018 has been extended to include a solar power station, a EPC project, a module plant and office operations in Hong Kong and Nanjing, and therefore the Group recorded a significant increase in energy and resources consumption in 2018.

<sup>4</sup> Air emissions came primary from the operation of mobile sources. The emissions from mobile sources were calculated using the *Non-road Mobile Source Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* and the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* issued by the Ministry of Ecology and Environment of the PRC and the *EMEP/EEA Air Pollutant Emission Inventory Guidebook 2016* issued by the European Environment Agency.

<sup>5</sup> The total GHG emissions include scope 1, scope 2 and scope 3 GHG emissions of the Group.

<sup>6</sup> Scope 1 GHG emissions came primarily from the operation of mobile sources and fugitive emissions during the use of refrigerants. Scope 1 GHG emissions were calculated using the *Guidelines for Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for On-road Transportation Enterprises (Trial)*, the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions by Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the PRC and the *Fifth Assessment Report* issued by the Intergovernmental Panel on Climate Change (IPCC).

<sup>7</sup> Scope 2 GHG emissions came primarily from the purchased electricity. Scope 2 GHG emissions were calculated using the *2011-2012 Regional Power Grid Average CO<sub>2</sub> Emission Factors in China* issued by the National Development and Reform Commission of the PRC and the *Sustainability Report 2018* issued by the HK Electric Investments Limited.

<sup>8</sup> Scope 3 GHG emissions includes business air travel by employees. Scope 3 GHG emissions were calculated using the carbon emissions calculator developed by the International Civil Aviation Organization, a United Nations agency.

<sup>9</sup> The reporting scope of wastewater discharge include the operation of module plant in Peixian of Xuzhou Province and the construction project in Lincang City.

## Caring for Employees



## Employment and Labour Standards

The Group strictly complies with the laws and regulations relating to employment and labour standards including but not limited to the *Labour Law of the PRC*, the *Labour Contract Law of the PRC*, the *Trade Union Law of the PRC*, the *Law of the PRC on the Protection of Minors* and the *Employment Ordinance* (Chapter 57 of the Laws of Hong Kong).

### Employee's Rights

Adhering to the principles of fair competition, comprehensive assessment and merit-based recruitment, the Group formulated the *Recruitment and Employment Management Standard*, which outlines the recruitment procedures and selection criteria and to provide a fair recruitment process for all suitable candidates. Guidance on the responsibility of employers and interviewers, recruitments channels, interview process, management of the recruitment process, evaluation procedures and methods of record keeping are detailed in the *Recruitment and Employment Management Standard*. The Group encourages diversified employee portfolio which brings a variety of expertise to the Group. The Group also prohibits discrimination of any kind during recruitment and promotion. The dismissal and contract termination arrangement of the Group are stipulated in the *Labour Contract Management Standard* and the *Employee Handbook*.

In order to protect employees' physical and mental health, the Group advocates efficiency work within normal working hours. The Group states the official working hours in the *Employee Handbook* and the *Employee Attendance Management Standard*, which stipulates that the accumulated overtime work hours should be less than 36 hours per month for each employee. Employees are entitled to public holidays and annual leaves according to the *Regulation on Public Holidays for National Annual Festivals and Memorial Days* and the *Regulation on Paid Annual Leave for Employees*.

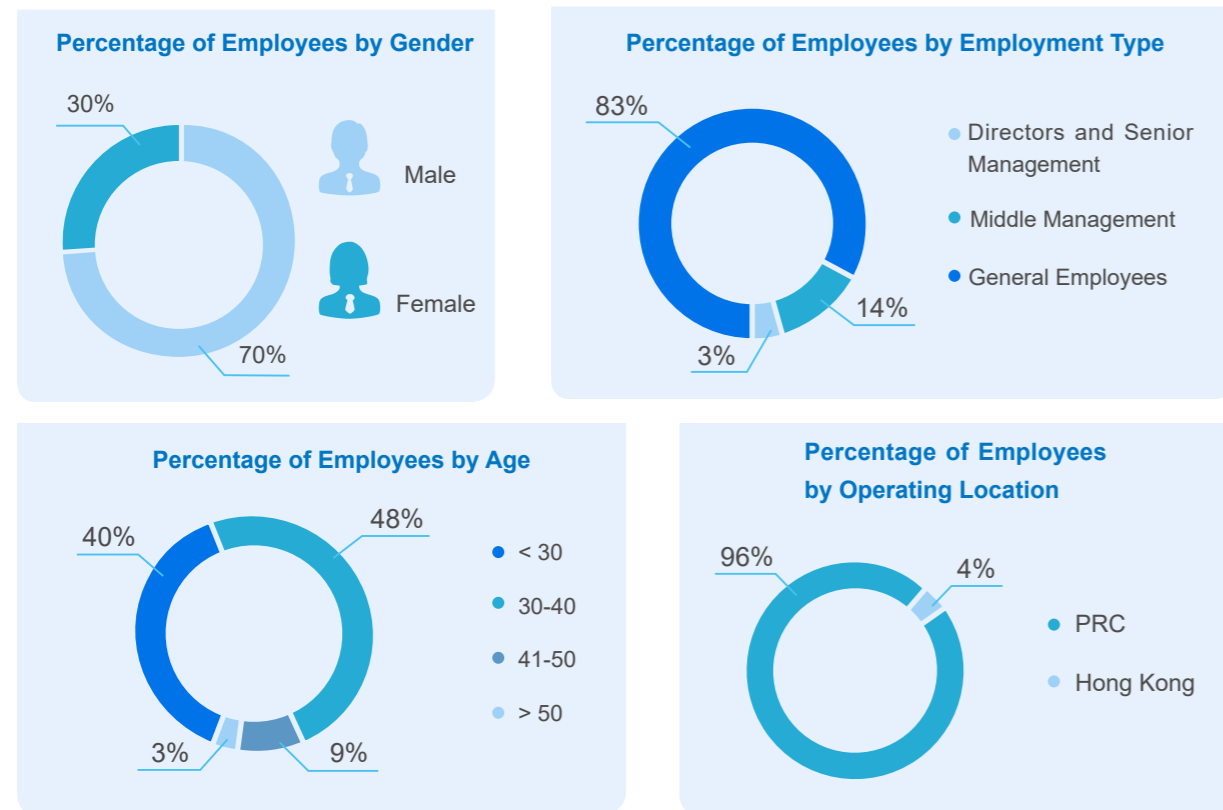




### Prohibit Child Labour and Forced Labour

The Group complies with the *Provisions on the Prohibition of Child Labour* and prohibits the employment of minors aged under 16. In order to comply with the legal and regulatory requirements on child labour prohibition, the Administrative and Human Resources Department of the Group validates the candidates' identity by checking their identity proofs during the recruitment process. The Group also prohibits all forms of forced labour. During the Reporting Period, no child labour and forced labour were reported in the Group.

As at 31 December 2018, the Group has a total of 406 employees, amongst which 360 employees were from CNI (Nanjing), Taizhou Herun, Xuzhou Herun and the Group's principle office in Hong Kong under the Reporting Scope. The employees' profile of the Group which is prepared based on the number of employees within the Reporting Scope is as follows.



During the Reporting Period, the Group did not violate any laws and regulations relating to employment and labour standards.

## Employee Engagement and Retention

The Group offers competitive remuneration package and benefits to attract and retain employees.

### Remuneration

To foster engaged workforce, the Group formed an incentive mechanism to attract, motivate and retain employees. The Group formulated the *Remuneration Management Standard* to lay down the criteria in determining employees' remuneration.

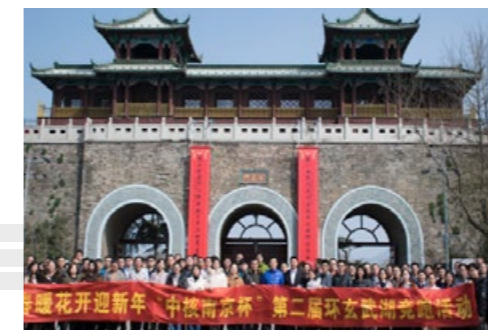
The Group adopts 5 remuneration determinants to ensure fair treatment of promotion and remuneration package for employees.



### Benefits and Welfare

The Group offers benefits that go beyond basic legal requirements. Apart from providing social insurance and housing provident fund, the Group also provides employees with different kind of gifts, subsidies and allowances, such as rental subsidy and phone expenses allowance. Details of the benefits, subsidised amount and distribution frequency are outlined in the *Welfare Management Standard* to ensure equal treatment of all employees.

The Group organises a variety of cultural and sports activities to encourage communication between employees, improve teamwork and foster a strong sense of belonging among our employees.



At the beginning of 2018, CNI (Nanjing) organised the second round-the-lake running event. While celebrating the Spring Festival, CNI (Nanjing) conveyed the concept of happy and healthy life to the employees.

Xuzhou Herun organised Tug of War competition in 2018 to enjoy a fun and relaxing day with employees.



## Recognition and Rewards

The Group offers recognition, awards and encouragement to employees who have,

- achieved outstanding performance and made great contributions to management, technical improvement and business development for the Group.

- contributed to build good reputation and create economic benefits of the Group.

- safeguarded the interests of the Group and assisted in eliminating accidents and losses.

During the Reporting Period, Xuzhou Herun organised Annual Summing-up and Employees Recognition Conference to acknowledge the outstanding performance of employees in 2018.

## Communication and Feedback

The Group aims to improve workplace communication so that employees can make suggestions and express their concerns freely. The Group encourages employees to make suggestions on improving the operation practice and strengthening the business strategy through established employee feedback channels. Suggestions from the employees are reviewed and considered by the Group so that we can better understand employees' needs and to enhance working relationships at all levels.

During the Reporting Period, the Group engaged employees for a survey in order to understand their opinions on the Group's sustainability and business development. Employees expressed their concerns about the Group's future prospect, its investment and services provided in relation to renewable energy. In response to the concerns of employees, the Group explained to the employees that the Group actively diversifies its EPC and consultancy segment to expand its renewable portfolio so as to leverage the business and strategic risk associated with the changing global and local government regulations and policies.

## Development and Training

In view of the Group's successful development, the Group values the growth of employees and invests in employees' development. The Group supports employees to enhance work performance and advance career development with training programmes designed to improve employees' knowledge and skills in performing work duties.

The Group formulated the *Employee Training Management Standard* to set out the responsibilities, management methods, types of training and so on. The Group formulates annual employees' training programmes, which are divided into induction training and on-the-job training. Induction training includes but not limited to the introduction of the Company's background, code of conducts, established management systems and policies. On-the-job training focuses on enhancing the management skills, comprehensive knowledge and professional skills of employees.

The Group developed the Training Evaluation Form to measure the effectiveness of training programmes in terms of training content, ability of trainers, satisfactory levels and knowledge acquisition. The Group strives to improve training programmes to encourage employees' career advancement.

During the Reporting Period, different training programmes were implemented for different business segments.

### EPC and Consultancy

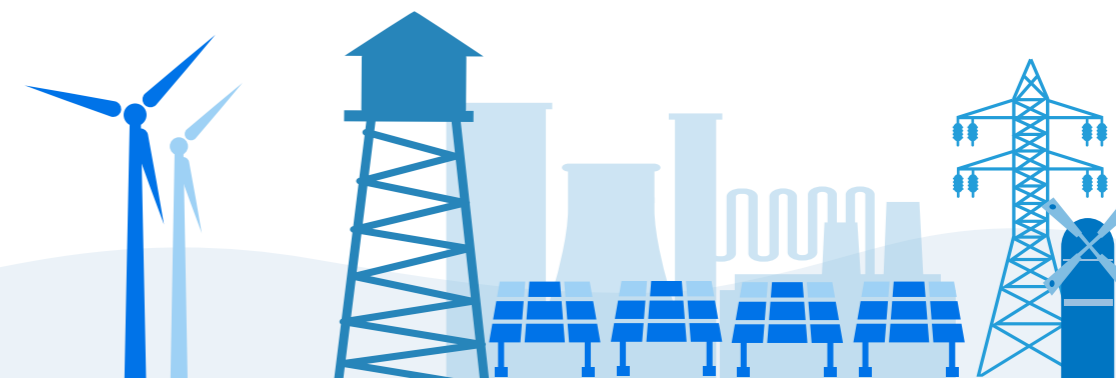
CNI (Nanjing) provided trainings which focused on business skills and management, publication and implementation of internal policies, and accredited professional training.

### Manufacturing and Trading

Xuzhou Herun provided trainings on prescribed standards explaining requirement of the job and management approach and measures in ensuring product quality and personal health and safety.

### Operation of Solar Power Plant

Taizhou Herun provided trainings on general knowledge of electric works, facilities operation and maintenance, and contingency procedures.



## Workplace Safety and Health

Employees are the most valuable assets of the Group and the protection of employees' health and safety is our prime duty and responsibility. Aiming at providing employees with a safe working environment and protect them from occupational hazards, the Group strictly complies with the laws and regulations which include but not limited to *Work Safety Law of the PRC*, the *Construction Law of the PRC*, the *Fire Protection Law of the PRC*, the *Administrative Regulations on the Work Safety of Construction Projects*, the *Law of the PRC on the Prevention and Control of Occupational Diseases* and the *Provisions on the Supervision and Administration of Occupational Health at Work Sites*.

### Health Management of Employees

The Group promotes positive health culture among employees. Personal protection equipment is distributed regularly and annual medical examination is arranged for employees.

### Safety during Operation

The Group formulated the *Control Procedures of Safe Operation* to set out the precautions in daily business operation and to provide details on safety management for working environment, operation process, employees' health and safety, equipment and fire safety. In addition, clear warning signs are put up in the module plant to provide warning of safety hazards and to remind employees to be aware of their surroundings and to attend to their personal safety. The Group adopts 6S Management Regulations in order to provide a safe working environment to employees. The Group promotes good housekeeping and maintains a neat and tidy working environment to minimise risk of workplace accidents and injuries.

Training to enhance safety awareness of employees are crucial for the Group to safeguard health and safety of employees. Safety trainings are provided to new employees during orientation and on-going trainings are also provided to promote occupational health and safety culture in the workplace.



During the Reporting Period, CNI (Nanjing) organised training to strengthen employees' knowledge on construction safety and quality management, which enabled them to be well aware of the possible safety hazards and to enhance their understanding on best practices.

To enable us to cope with accidents and emergency situations swiftly, the Group established the *Control Procedures of Emergency Preparedness and Response* and developed emergency procedures for various emergency situations such as fire and equipment malfunction.

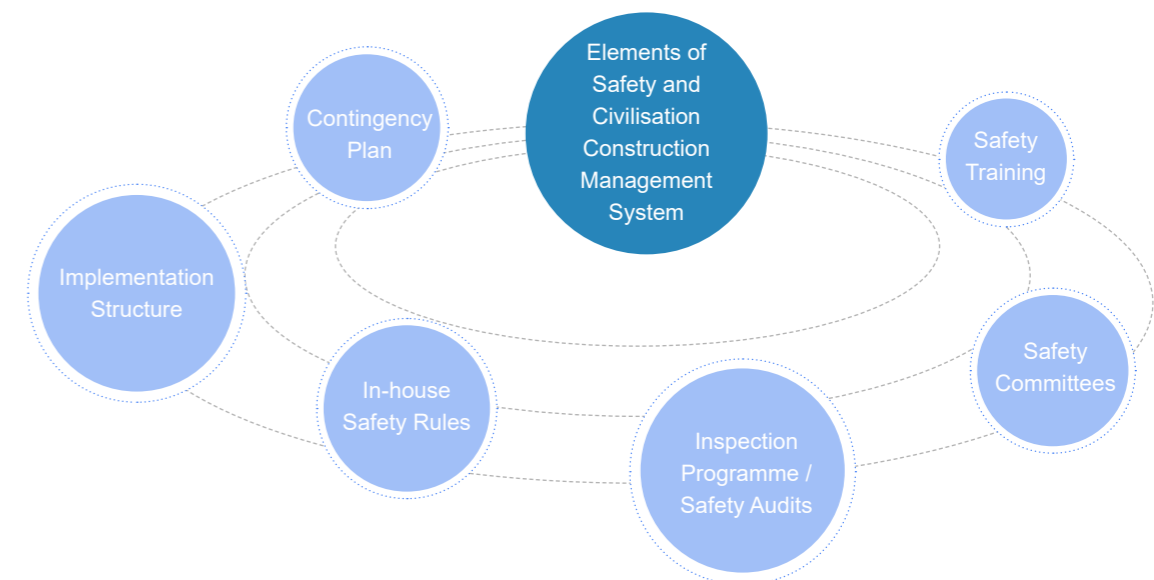
In order to improve the emergency response of employees and prevent the occurrence of accidents, Xuzhou Herun formulated a Fire Emergency Plan and organised a fire drill during the Reporting Period.



### Safety at Construction Site

Sub-contractors and on-site workers are essential to our operations. The Group concerns about the health and safety of both our employees and sub-contractors working at construction sites. CNI (Nanjing) requires all employees and sub-contractors to work under our safety policies, programme and procedures. CNI (Nanjing) established the Safety and Civilisation Construction Management System and formulated the *Safety and Civilisation Construction Management Manual* to regulate on-site safety construction measures.

CNI (Nanjing) adopts a preventive approach to ensure work safety and creates a culture of precaution on construction site. With a well-established Safety and Civilisation Construction Management System, the Group is able to mitigate and contain risk at construction work.





CNI (Nanjing) provides comprehensive safety training programme for site employees and sub-contractors. All personnel must complete a safety training prior to working at the construction site. Training programme is formulated based on work progress and is delivered in forms of lecture, practical exercise, case study, discussion and activities. In-house safety rules are implemented to provide clear safety guidelines and instructions to sub-contractors at each construction process. To ensure full compliance with the requirements of the Group, CNI (Nanjing) demands sub-contractors to exercise vigilant in supervising their workers.

Weekly meetings are scheduled with sub-contractors to update safety problems, safety inspections results, and any other safety matters. Daily site meetings are also scheduled prior to commencement of works to remind workers about safety and precaution. Additionally, CNI (Nanjing) performs regular safety audits to strengthen sense of safety management and ensure compliance with safety guidelines and regulations by sub-contractors.

CNI (Nanjing) established the *Rules for Project Site Safety and Protection Management* to standardise safety equipment management at construction site. Project Management Department of CNI (Nanjing) is responsible for the supervision of procurement, management and use of safety protection equipment of sub-contractors.

During the Reporting Period, the Group did not violate any laws and regulations relating to the provision of a safe working environment and the protection of employees from occupational hazards. The safety performance of the Group in 2018 is as follows:



## Supply Chain Management

The Group is committed to sustainability and accordingly, our EPC and consultancy segment and manufacturing and trading segment cooperate closely with suppliers to uplift work safety, improve products and services quality and reduce negative environmental impacts.



### Suppliers Selection

The Group's major suppliers include materials suppliers and construction sub-contractors. To identify the right suppliers, the Group follows the *Supplier Management Measures* to shortlist potential suppliers who can meet the Group's technical, quality and commercial needs in the supplier screening process. In addition, unannounced on-site inspections are carried out by the Group to ensure the capability and qualification of suppliers in various aspects such as production capacity, quality assurance systems, business scale, testing equipment and their financials.



### Suppliers Management

Management and control procedures of suppliers are formulated in the EPC and consultancy segment and the manufacturing and trading segment to regulate the product quality of suppliers and the work procedures of sub-contractors. Through regular monitoring and inspections, the Group ensures the performance of suppliers and sub-contractors meeting the required standards.

The *Control Procedures of Material Procurement* is formulated to regulate the quality of raw materials and equipment from the materials suppliers for solar module and construction equipment. The Group focuses on managing work safety, quality and environmental performance of construction sub-contractors. During the construction process, the Group manages and validates sub-contractors' performance through regular audits and site meetings. The Group adopts an inspection framework which encompasses topics such as environmental management, safety management, and quality control in order to monitor the effectiveness and the safety measures being implemented.



### Suppliers Performance Evaluation

The Group implements a supplier performance verification process to ensure suppliers are in conformance with our requirements. We focus on environmental and social performance of critical suppliers and performs regular evaluation on a range of aspects using a Supplier Assessment Checklist. Evaluation is performed based on a number of metrics such as construction performance, management performance, and coordination and responsiveness of sub-contractors.

## Business Ethics and Integrity

The Group puts effort on corruption prevention and strictly complies with the laws and regulations relating to bribery, extortion, fraud and money laundering. Laws and regulations include but not limited to the *Criminal Law of the PRC*, the *Anti-unfair Competition Law of the PRC*, the *Anti-money Laundering Law of the PRC* and the *Regulations of the PRC for Suppression of Corruption*.

The Group adopts a zero-tolerance approach to bribery and corruption. We act professionally, fairly and with integrity in all our business dealings and relationships. The Group has relevant mechanisms in place and our *Anti-bribery Policy* demonstrates the Group's commitment to the highest ethical standards and guides the Group's business conduct.

To promote responsible behaviour among our employees, the Group established a Code of Conduct in the *Employee Handbook* to define employees' behaviour. It provides a set of moral principles and guidelines to develop a culture of strong work ethic within the Group. To safeguard a corruption-free business environment, the Group adopted the *Whistleblowing Policy* and established reporting channels for our employees and business partners to report on any suspicious or improper activities. All reports received are reviewed and investigated appropriately.

During the Reporting Period, the Group did not infringe any laws and regulations relating to bribery, extortion, fraud and money laundering and there were no confirmed incidents or public legal cases of corruption in relation to the Group or its employees.



# Exceptional Service and Excellent Quality



As a new energy engineering expert in China, the Group is committed to creating value for customers with excellent technical and engineering capabilities and providing cost-effective and clean energy to the society. The Group strictly abides by laws and regulations relating to product responsibility. Laws and regulations include but not limited to the *Product Quality Law of the PRC*, the *Regulations on Quality Responsibilities for Industrial Products*, the *Trademark Law of the PRC* and the *Regulation on the Implementation of the Trademark Law of the PRC*. During the Reporting Period, the Group did not violate any laws and regulations relating to product responsibility.

## Quality Control

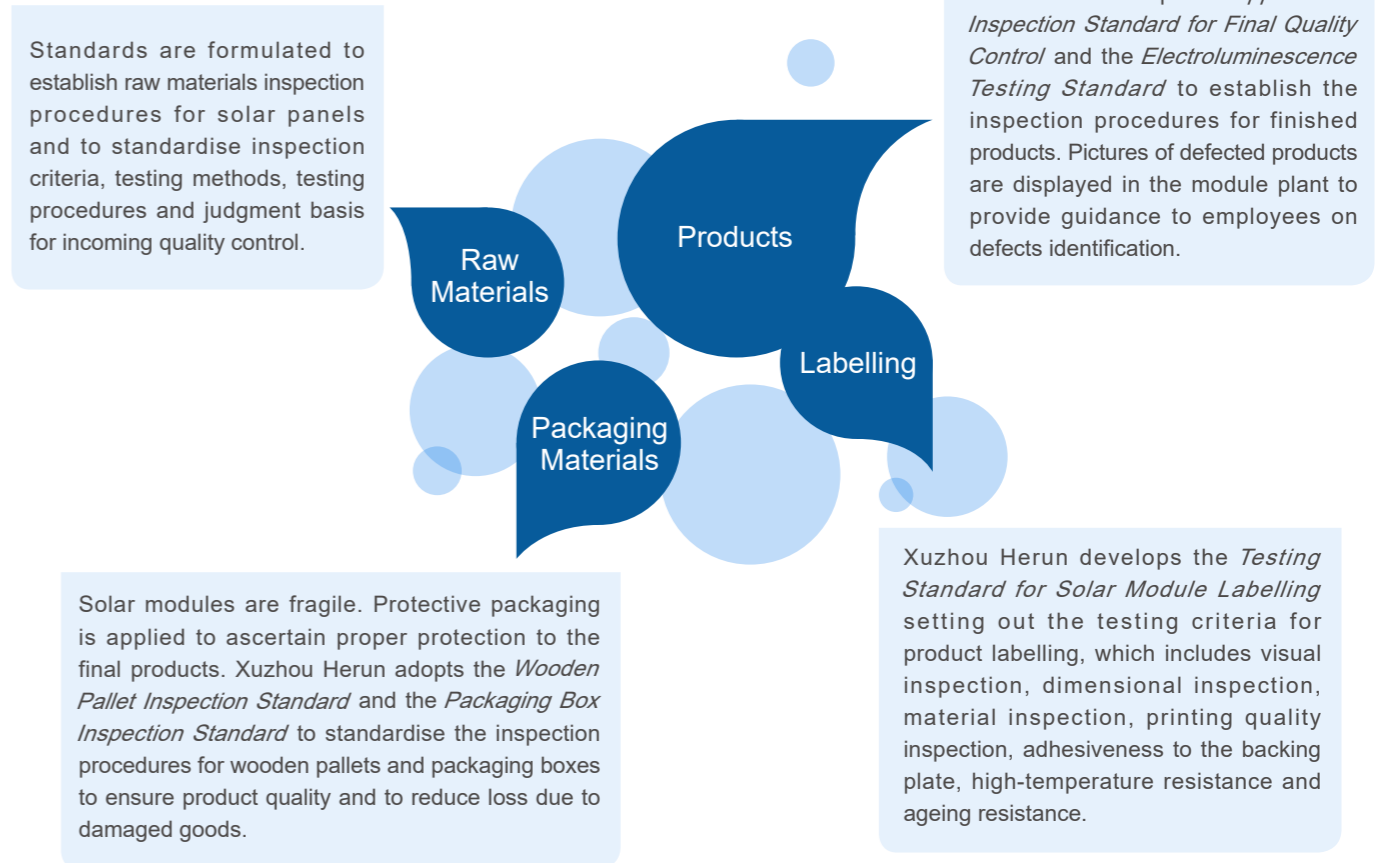
The Group regards products and services quality as one of our core values. The Group continuously optimises the design, engineering and manufacturing processes to improve products and services quality.

For the EPC and consultancy segment, CNI (Nanjing) developed a robust quality management system based on an international standard, ISO 9001:2015 Quality Management System, and constantly enhances the performance to improve the quality level. CNI (Nanjing) established the *Monitoring and Measurement Control Procedures for Process, Products and Performance*, the *Control Procedures for Engineering Construction and Service*, and the *Control Procedures for Design and Consultancy* to specify the work procedures and quality control measures during the entire EPC and consultancy process.



CNI (Nanjing) also organises liaison meetings with customers throughout the EPC and consultancy process to enhance transparency on project progress and to verify specific customers requirements on design and equipment selection.

For manufacturing and trading segment, Xuzhou Herun focuses on supplying solar modules of high-efficient and high-quality. To ensure product quality, Xuzhou Herun developed comprehensive inspection standards for raw materials, products, packaging materials and labelling. Products and raw materials shall go through stringent testing procedures to ascertain quality standard.





For solar power plant operation, Taizhou Herun formulated the *Operation and Maintenance Manual* to define the requirements and procedures for effective operation and maintenance of solar power plants. Adopting the *Operation Analysis Management System*, Taizhou Herun conducts monthly analysis on the performance of power plants in order to evaluate the operating condition and identify areas for improvement.

To be well-prepared for any situations concerning products and service quality, the Group established procedures for handling incompatible products and service. Xuzhou Herun adopted the *Control Procedures for Unqualified Products* and the *Control Procedures for Corrective and Preventive Measures* to outline the control and processing procedures for unqualified products. During the Reporting Period, no incident involving product recall due to safety and health concern were recorded in Xuzhou Herun.

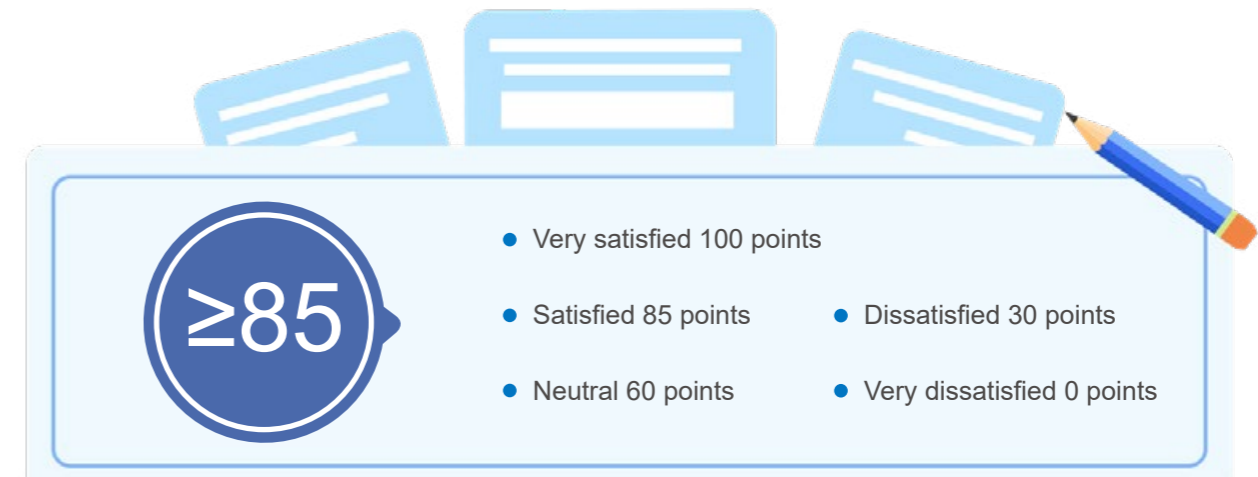
### Exceptional Service to the Customers

We strive for continuous improvement in products and service quality as customer satisfaction is our key value. The Group established and implemented the *Procedures for Customers' Satisfaction Assessment* as a protocol for the EPC and consultancy segment, setting out the procedures to collect customers' satisfactory level on our products and service. We evaluate our performance by different perspective through actively seeking customers feedback in five main areas:

#### Customers Satisfaction Evaluation Survey

- Engineering Design Quality
- Project Construction Quality
- Delivery Capability
- Cost Performance Ratio
- Customers Opinions and Suggestions Handling

During the Reporting Period, customer satisfaction level of CNI (Nanjing) is as follow:



To build mutual trust with customers, the Group implemented policies and procedures on customers' properties management. Customers' properties, including their personal information, patent, trademarks, technology, and materials, are properly identified, indicated and controlled by designated personnel of the Group. The Group has complied with the legal and regulatory requirements concerning privacy protection and has also entered into confidentiality agreements with employees, suppliers and sub-contractors who are required to safeguard customers' information and to protect the rights and commercial achievements of the Group.



# Contribution to Community



The Group is principally engaged in new energy EPC, consultancy and operation businesses and always seeks opportunities in enabling the Group to uplift its commitment to social responsibility by contributing to the poverty communities in the mainland China.

## Development of poverty alleviation photovoltaic power station

Adhering to the philosophy of "Let green energy enters thousands of households", the Group invests and participates in the development of poverty alleviation photovoltaic power station and provides funding support to the local government for poverty alleviation. In addition, the development of the poverty alleviation photovoltaic power stations provides the Group with an opportunity to extend its solar power station footprints to other geographical reach in the mainland China.

In 2018, CNI (Nanjing) focuses on the EPC and consultancy works for the village-level photovoltaic poverty alleviation power stations construction project in Yunnan Province.



## Social Performance

The Group's reporting scope of social performance in 2017 was limited to EPC construction project in Changxing of Huzhou Province and the operation of solar plant in Taizhou. In 2018, the Group expanded the reporting scope to the office operation in Hong Kong and Nanjing, the operation of module plant in Peixian of Xuzhou Province, the EPC project in Lincang City, Yunnan Province and the operation of solar plant in Taizhou City. The significant change in reported data are largely attributed to the expansion of reporting scope.

The social performance of the Group in 2018 is summarised as follows:

Employees	
<b>No. of Employees</b>	
Total no. of employees	2018 360
<b>By gender</b>	
Male	252
Female	108
<b>By Employment Type</b>	
Directors and Senior Management	12
Middle Management	48
General Employees	300
<b>By age group</b>	
< 30	144
30 - 40	172
41 - 50	34
> 50	10
<b>By operating location</b>	
Mainland China	346
Hong Kong	14
<b>Employee Turnover Rate</b>	
Employee Turnover Rate	2018 24.69%
<b>By gender</b>	
Male	25.22%
Female	23.40%
<b>By age group</b>	
< 30	24.61%
30 - 40	28.33%
41 - 50	5.56%
> 50	9.09%

By operating location		
Mainland China		25.76%
Hong Kong		0%

Training		
<b>Percentage of Employees Trained</b>		
	2018	2017
<b>By gender</b>		
Male	69.14%	100%
Female	65.96%	100%
<b>Average Training Hours Completed per Employee</b>		
	2018	2017
<b>By gender</b>		
Male	13.06	13.3
Female	8.26	
<b>By employment type</b>		
Directors and Senior Management	6.00	
Middle Management	10.70	10.5
General Employees	12.15	

Safety		
<b>Safety Performance</b>		
	2018	2017
Number of work-related fatalities	0	0
Work-related fatalities rate	0%	0%
Lost days due to work injury	0	0

Products		
<b>Product Recall Rate</b>		
	2018	2017
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0	-



# Appendix Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Section or Remarks
<b>Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Dedication in Green Development, Managing Emissions
KPI A1.1	The types of emissions and respective emissions data.	Environmental Performance
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Managing Emissions, Waste Reduction and Resources Utilisation, Energy and Water Conservation
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Reduction and Resources Utilisation

<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Waste Reduction and Resources Utilisation, Energy and Water Conservation
KPI A2.1	Direct and /or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Energy and Water Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Energy and Water Conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Performance
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environmental Protection on Construction Site
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection on Construction Site
<b>Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Standards, Employee Engagement and Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Engagement and Retention, Social Performance
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Section or Remarks
<b>Aspect B2: Health and Safety</b>		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Workplace Safety and Health
KPI B2.1	Number and rate of work-related fatalities.	Workplace Safety and Health, Social Performance
KPI B2.2	Lost days due to work injury.	Workplace Safety and Health, Social Performance
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Workplace Safety and Health
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Performance
<b>Aspect B4: Labour Standards</b>		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	-

<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	-
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	(a) Policies; and (b) compliance with 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.	Exceptional Service and Excellent Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Social Performance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	-
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	-
KPI B6.4	Description of quality assurance process and recall procedures.	-
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Exceptional Service and Excellent Quality
<b>Aspect B7: Anti-Corruption</b>		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics and Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business Ethics and Integrity
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics and Integrity

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Section or Remarks
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contribution to Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contribution to Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	-



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