



Capital Environment Holdings Limited
首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

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2016

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT
環境、社會及管治報告



● TABLE OF CONTENTS

About CEHL	2
About this report	3
Reporting principles and communication with stakeholders.	5
Words from the CEO.	9
Emissions management.	11
Use of resources	17
Environment and natural resources	18
Health and safety	20
Employment system.	21
Labour standards.	22
Development and training	22
Operations management.	23
Supply chain management.	23
Product responsibility.	23
Anti-corruption	23
Community investment	24
Environmental, Social and Governance Reporting Guide Index.	25

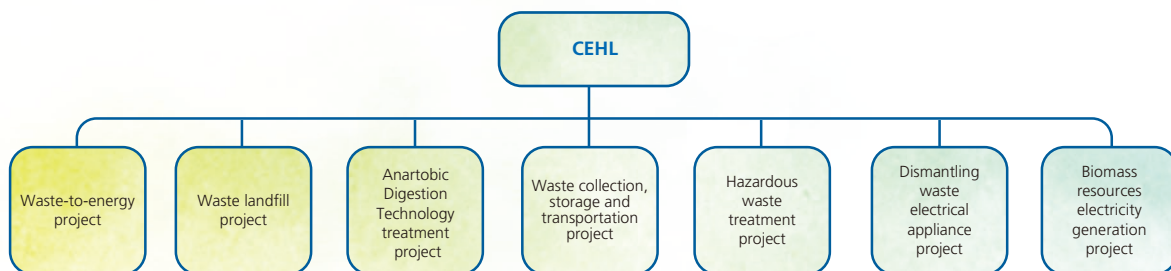
● ABOUT CEHL

Capital Environment Holdings Limited (“CEHL” or “the Group”) is principally engaged in the provision of waste treatment technologies and services, focusing on technology development, design, system integration, project investment, consultancy, operation and maintenance of waste disposal facilities, especially projects converting waste to energy. We have established a market presence spanning across many cities in China, including Shenzhen, Guangzhou, Shanghai, Beijing, Nanchang and so on. The Group, as a provider for integrated waste disposal solutions and environmental infrastructure services, is committed to expanding the handling capacity of municipal solid waste to tackle the waste disposal problem that has become increasingly urgent in China.

The revenue from CEHL comes from waste treatment and waste-to-energy business. As at 31 December 2016, a total of 32 projects have been operated by the Group, including 12 waste-to-energy projects, 4 waste landfill projects, 5 Anaerobic Digestion Technology treatment projects, 3 waste collection, storage and transportation projects, 3 hazardous waste treatment projects, 2 dismantling waste electrical appliance projects, and 3 biomass resources electricity generation projects. The facilities are designed with an aggregate annual waste treatment capacity of approximately 6.97 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units.

According to China’s 13th Five-Year Plan, the Chinese government will further strengthen the policy support and capital investment in environmental governance, together with the increasing demand for environmental protection and energy all over the country, the Group will continue to promote the construction of new projects, grasp market opportunities, and make good use of advanced waste treatment technologies to launch new investment projects and create new investment models, as a result, create maximum value for the Group, the environment and society.

Types of the Group’s projects



● ABOUT THIS REPORT

This report is the first “Environmental, Social and Governance Report” released by CEHL. It discloses the Group’s actions and performance over the past year on different sustainable development issues in a transparent and open manner, it also demonstrates the Group’s strategies and commitment on the road of sustainable development. The report is designed to increase the confidence and understanding of the Group’s stakeholders.

For CEHL, this report is not only a review of corporate performance, but also a tool to promote changes in the management. To this end, the Group has appointed an independent professional consultant firm, Carbon Care Asia (CCA), to prepare the report. In the preparation of this report, CCA has helped the Group measure the performance of environmental management and social responsibility and identify the important issues that the Group should focus on, and use them as a basis for continuous improvement and performance boost.

CEHL hopes to enhance communication with stakeholders through this report and use it as a platform for communication. The stakeholders in here refer to groups or individuals that have significant impact on the Group’s business or affected by the Group’s business. The Group’s stakeholders include not only internal staff, management, directors, but also external customers, business partners, investors, regulators and various types of community groups. The report presents the Group’s current states and future objectives, and reveals the Group’s nonfinancial performance and overall development strategies to its stakeholders. The Group expects that stakeholders will be able to provide feedback based on the Group’s information disclosure and the Group will respond promptly to the feedback of stakeholders and use this report as an efficient channel for information exchange.

Reporting year

All of the information in this report reflects the performance of CEHL in environmental management and social responsibility from January to December 2016. In the future, the Group will regularly release the “Environmental, Social and Governance Report” for public inspection and continuously improve transparency of information disclosure.

Scope of this report

This report focuses on the Group’s operation¹ of five main projects in the Mainland, including: Guizhou Duyun MSW Landfill, Guizhou Weng’an MSW Landfill, Jiangxi Nanchang Quanling Household Waste Incineration Power Plant, Anhui Maonshan Waste Household Appliances Dismantling Recycling Project, and Jiangsu Huai’an Waste Vehicles and Household Appliances Dismantling Recycling Plant, the operation of other projects are not included. The Group will expand the scope of information disclosure when the Group’s data collection system has become more perfect and the work of the environment, society and governance deepened, at then, the report will fully cover all the operations of the Group. In addition, the Group has displayed key performance indicators in this report as much as possible, supplemented by instructions so as to establish assessment basis and facilitate future comparison.

¹ The report covers the Group’s subsidiaries: Duyun Kelin Environmental Co., Ltd., Weng’an Kelin Environment Co., Ltd., Nanchang Capital Environment Technology Co., Ltd., Anhui Capital Environment Technology Co., Ltd., and Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd..

● ABOUT THIS REPORT

Reporting standards

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The report provides a brief overview of the environmental, social and governance performance of CEHL. The information in the report is derived from the Group’s official documents and statistical data, and based on the monitoring, management and operational information gathered by the companies under the Group according to related systems. The last chapter of the report has a complete content index for quick inquiry. The report has been compiled in both Chinese and English languages and has been uploaded onto the Group’s website at www.cehl.com.hk. If there are any contradictions or inconsistencies in the Chinese and English versions, the Chinese version shall prevail.

In the future, CEHL will consider to prepare the ESG report with reference to the norm established by Global Reporting Initiative (“GRI”), within the range of feasibility. The norm is the most widely used framework for sustainable development reporting all over the world. Through this measure, the Group hopes to cover the substantive issues in a more comprehensive manner and demonstrates the Group’s determination to follow the best international examples.

Feedback

Our continued progress depends on your valuable comments on the contents and forms of this report. If you have any questions or suggestions, please send your email to enquiries@cehl.hk to help us continue to improve our environmental, social and governance performance.



REPORTING PRINCIPLES AND COMMUNICATION WITH STAKEHOLDERS

Reporting principles

The SEHK has proposed four reporting principles in the Guide, including: Materiality, Quantity, Balance, and Consistency, which consist of a basis for the preparation of the Environmental, Social and Governance Report. In the preparation of the report, these reporting principles were applied by CEHL. The following table presents the Group's understanding and response to these reporting principles.

Reporting principles	Meaning	Response from CEHL
Materiality	Materiality is the threshold at which ESG issues become sufficiently important to stakeholders that they should be reported.	For issues that most relevant to core business and stakeholders, the report has already covered.
Quantity	KPIs need to be measurable.	As far as circumstances permit, the Group will try to disclose Quantity information and instructions.
Balance	The ESG report should provide an unbiased picture of the issuer's performance.	The report identifies and describes the achievements of the Group and the challenges it faces.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	It is the first time ever the Group releases ESG report and there is no data to compare at present. However, the Group will adopt the existing statistics and disclosure methods in the future so that stakeholders will be able to compare the performance of the Group year by year.

REPORTING PRINCIPLES AND COMMUNICATION WITH STAKEHOLDERS

Communication with stakeholders

Stakeholders' participation is the most effective way to assess the importance, therefore, through a variety of channels, CEHL hopes to communicate with important stakeholders and better understand their expectations, as a result, identify opportunities for business development and meet the operational challenges. In the past year, the Group communicated with key stakeholders in different ways.

Stakeholders' communication modes during the reporting period

Internal stakeholders	External stakeholders
<ul style="list-style-type: none">• Board of Directors• Management• Administration staff• Common employees	<ul style="list-style-type: none">• Shareholders• Investors• Customers• Contractors• Suppliers• Academic institutions• Government/regulatory authorities• Trade/industry associations• Banks• Partners• NGOs• Local community groups• Media

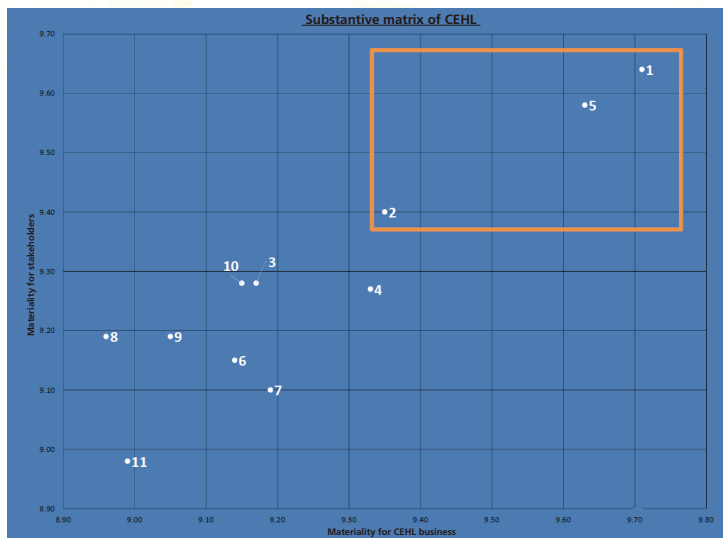
Communication modes:

Mail, telephone, interview, conference, plant visit, large event, exhibition, internship, lecture, advice box

REPORTING PRINCIPLES AND COMMUNICATION WITH STAKEHOLDERS

During the preparation of this report, CEHL specifically commissioned an independent adviser, Carbon Care Asia, to collect views from stakeholders and to help the Group identify the substantive issues in a just and unbiased manner. CCA first conducted in-depth interviews with the Group's senior management to understand the Group's vision and policy direction for sustainable development; and then conducted a questionnaire survey of the Group's employees, involving the staff at different levels, including management, administrative staff and general staff, so that every employee has a fair opportunity to express their views. CCA distributed 85 questionnaires to the group's internal stakeholders and withdrew 84 valid questionnaires. Combined with expert opinion and substantive analysis, CEHL identified the key issues of reporting in the substantive matrix and used them as a basis for the Group's approach to sustainable development.

Substantive matrix of CEHL in 2016



REPORTING PRINCIPLES AND COMMUNICATION WITH STAKEHOLDERS

Key issues of CEHL in 2006 (sorted by importance from high to low)

No.	Issues
1	Managing and monitoring emissions
5	Occupational health and safety
2	Effective use of resources
4	Appropriate employment environment
3	Impact of administrative and business activities on the environment and natural resources
10	Anti-corruption
6	Employee development and training
7	Preventing child labour or forced labour
9	Being responsible for products or services
8	Supply chain management
11	To understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests

The business of CEHL affects different stakeholders, and stakeholders have different expectations for the Group. The Group hopes to improve the breadth and depth of communication with stakeholders in the future. The Group will not only invite more internal stakeholders to participate in this process, it will also extend the scope of communication to external stakeholders, so that stakeholders of different categories, including: customers, business partners, investors, regulators and various types of community groups, etc., will have the opportunity to participate in. The Group will also take different forms of communication, such as focus groups and workshops, to conduct in-depth exchanges with stakeholders and make substantive analysis more complete.

● WORDS FROM THE CEO



“ CEHL is committed to solving China’s increasingly serious environmental challenges and finding innovative and viable solutions. ”

With the economic development and living conditions improvement, urban solid waste continues to increase, if it is not handled correctly, the waste will not only pollute the environment, but also constrain urban development, hence, it is the problem faced by the developing countries all over the world, and China is, of course, no exception. According to the analysis of China’s waste disposal industry in 2011, among more than 100 million tons of China’s annual MSW, 70 percent of which is buried, 10 percent is incinerated and used for fertilizing, the remaining 20 percent is difficult to recycle. At the same time, China’s per capita household waste has increased rapidly, if it is not buried or incinerated by using of advanced technologies, it will take up more and more land resources, hence the quality of citizens’ life will be difficult to improve.

As a provider of integrated waste treatment and environmental infrastructure services, CEHL is committed to solving China’s increasingly serious environmental challenges and finding innovative and viable solutions. Our mission is to use advanced and innovative waste treatment technologies, make good use of resources, improve the environment, create green jobs, cooperate with the government to promote low-carbon economy strategy, and promote sustainable urban development.

In view of the fact that many cities have just started establishing solid waste disposal facilities, the technical standards are not demanding and the operations of some facilities are not standardized. As a result, many communities have doubts about the solid waste disposal facilities, resulting in Not-In-My-Back-Yard effects. It takes longer to settle the residents’ doubts. CEHL has exclusive possession of a number of advanced waste treatment technologies in China. Through our partnership programs and license agreements, we use the latest and top-of-the-line waste treatment technologies in the world to provide waste solutions in Chinese cities, achieve optimal resource recycling results, and while doing so, minimize the impact on the environment.

CEHL regards environmental protection as our responsibility. We are convinced that if local communities understand the dedication and persistence of CEHL for projects’ environmental standards, it will help future business expansion, at the same time, it will help the management of CEHL better grasp the expectations of stakeholders, and continue to improve our competence.

Mr. Cao Guoxian
CEO
Capital Environment Holdings Limited

● WORDS FROM THE CEO

In 2016, the Chinese government issued the 13th Five-Year Construction Program of Harmless Treatment Facilities for Urban Domestic Waste, emphasizing the importance of harmless treatment of municipal solid waste. Combined with the national policies and the urgent demands for waste disposal in provinces and cities, CEHL has actively promoted our waste treatment and waste-to-energy business to help provinces and cities solve the serious environmental pollution problems caused by improper waste disposal.

With its leading environmental technology, the Group is committed to building projects with high environmental standards and providing a wide range of waste treatment solutions to improve resource utilization. The Group has formulated the CEHL Environmental Management Measures, established internal management and monitoring mechanisms, and promoted waste reduction, recycle and harmless disposal in conjunction with the 13th Five-Year Plan.

The United Nations believe that the definition of Sustainable Development is a development model that satisfies our current needs without compromising the needs of future generations. With the United Nations' official launch of the 17 Sustainable Development Goals (SDGs) in 2015, the society's expectations for enterprises are clearer and higher, it hopes that enterprises achieve equilibrium in three aspects: economic development, environmental protection and social progress.

● EMISSIONS MANAGEMENT

CEHL has set out the Group's requirements for pollution prevention and the duties of our subsidiaries. The Group requires our subordinate companies to properly manage waste through four procedures: prevention, recycling, handling and disposal. The subordinates are required to establish pollutant control and emission regulations for the operation procedures, and formulate post responsibility system to make clear who is responsible for each pollutant discharge point meeting the required standards. The Group also encourages our subsidiaries to undertake ISO 14001 environmental management system certification, so that the internal management procedures would meet international standards.

CEHL has set up the Environmental, Health and Safety Committee, which consists of heads from relevant departments of the Group and the subordinates, responsible for the co-ordination of the Group's environmental management. The duties of the Committee include:

- Lead and coordinate the environmental protection of various departments and subordinates, and implement environmental policies and regulations;
- Analyse and study environmental management, and make demands on improvement of the existing problems and major risks;
- Formulate long-term plans for energy conservation, environmental protection and cleaning, organize, review and promulgate environmental management systems, and supervise and inspect the implementation of such systems;
- Take charge of the investigation, analysis, handling and formulating precautionary measures for major environmental accidents.

CEHL disposes of solid waste in accordance with Chinese government's related laws and regulations and the Group's technical requirements. During the reporting period, emissions from the five major projects all meet related standards, and the Group did not find any irregularities in respect of the emissions.

EMISSIONS MANAGEMENT

Case Study: Waste-to-energy, reducing air pollution

The Nanchang project is the first household waste incineration power generation project in Jiangxi Province. The project is designed to handle one-third of Nanchang's waste disposal capacity, about 1,200 tons of waste per day, the annual handling capacity is about 400,000 tons. In the reporting year, the total generating capacity of the project exceeded 120 million kWh, of which 97 million kWh was supplied to the municipal grid and the remaining 24 million kWh was supplied to the waste power plant for its own use, accounting for 99.8 percent of its total annual electricity consumption.

The Nanchang project introduces incineration technology that meets the stringent environmental standards of the European Union, including mechanical reciprocating grate incinerators, semi-dry spraying deacidification, activated carbon sparging and adsorption, and bag-type dust collector to reduce the amount of harmful air pollutants generated by incineration, such as suspended particulates, sulfur dioxide, nitrogen oxides, heavy metals and dioxins. During the construction of this project, the Group reserved a place to install nitrogen oxide removal equipment to further reduce air pollutants in the future.

After stabilizing the fly ash produced in the incineration, the ash will be transported to a special landfill for burial, and the slag will be recycled and made into a building material, thereby reducing secondary pollution. The project has also become an environmental demonstration base approved by the National Development and Reform Commission.

Air Pollutant Emissions in 2016

Project	Type of Pollutant	Quantity	Unit
Anhui Maonshan Waste Household Appliances Dismantling Recycling Project	Dust	2.2	Tons
Jiangxi Nanchang Qianling Household Waste Incineration Power Plant	Sulfur dioxide	1.6	Tons
	Nitrogen oxide	256	Tons
	Dust	12	Tons

EMISSIONS MANAGEMENT

Hazardous Waste Yield in 2016

Project	Type of waste	Quantity	Unit	Treatment Methods
Guizhou Duyun MSW Landfill	Waste acid	8	Liters	Putting together, acid-base neutralization
Guizhou Weng'an MSW Landfill	Waste acid	2	Tons	Putting together, acid-base neutralization
Jiangxi Nanchang Qianling Household Waste Incineration Power Plant	Fly ash	12,154	Tons	Curing and chelating
Anhui Maonshan Waste Household Appliances Dismantling Recycling Project	Flint glass	2,922	Tons	Transferring to qualified institutions to dispose
	Circuit board	1,514	Tons	
	Fluorescent powder	7.1	Tons	
	Waste oil	10.2	Tons	
Jiangsu Huai'an Waste Vehicles and Household Appliances Dismantling Recycling Plant	Cathode ray tube flint glass	4,365	Tons	Transferring to qualified institutions to dispose
	Waste circuit board	1,178	Tons	
	Fluorescent powder	3.7	Tons	
	Waste mineral oil	5.4	Tons	
	Mercury-containing backlight tube	0.03	Tons	
	Waste activated carbon	0.5	Tons	

EMISSIONS MANAGEMENT

Non-hazardous waste yield in 2016

Project	Type of waste	Quantity	Unit	Treatment Methods
Jiangxi Nanchang Quanling Household Waste Incineration Power Plant	Slag	106,262	Tons	Recycling
Anhui Maonshan Waste Household Appliances Dismantling Recycling Project	Copper and its alloys	679	Tons	Selling
	Iron and its alloys	3,498	Tons	
	Aluminium and its alloys	64	Tons	
	Plastic	4,660	Tons	
	Glass	168	Tons	
	Compressor	168	Tons	
	Motor	589	Tons	
	Evaporator	12	Tons	
	Condenser	252	Tons	
	Waste electric wire	110	Tons	
	Insulation materials	531	Tons	
	Rubber	50	Tons	
	Waste sundries	195	Tons	
Jiangsu Huai'an Waste Vehicles and Household Appliances Dismantling Recycling Plant	Others	343	Tons	Recycling
	Scrap metals	14,583	Tons	
	Scrap plastic	6,208	Tons	
	Scrap glass	19,835	Tons	
	Scrap electronic components	1,834	Tons	
	Scrap foam	787	Tons	Incineration / landfill

EMISSIONS MANAGEMENT

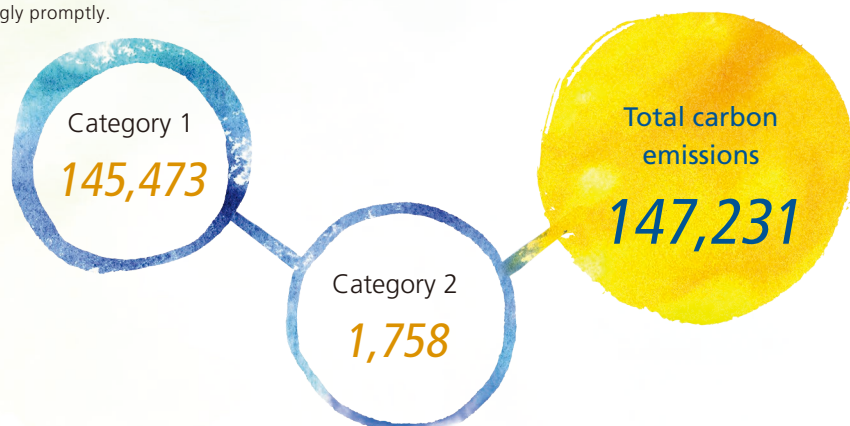
Emission of greenhouse gases

CEHL is concerned about the Group's carbon footprint and committed to reducing the impact of our operations on the environment by energy saving and carbon reduction. This year, the Group for the first time commissioned a professional consultant, Carbon Care Asia, to assess the carbon emissions in Group's five main projects. The carbon assessment is based on the guidelines² prepared by the Environmental Protection Department and the Electrical and Mechanical Services Department of Hong Kong and with reference to a local standard at Beijing, the Greenhouse Gas Emissions Accounting Guidelines for Domestic Waste Incineration Facilities (Trial), and international standards such as ISO 14064-1. The assessment process allowed the Group to better understand the use of resources and helped the Group develop specific action plans to enhance efficiency and develop the Group's carbon reduction targets. The carbon emissions of the Group's five major projects in 2016 are as follows:

Category	Emissions in 2016 (Tons of carbon dioxide equivalent)
Category 1: Direct GHG emissions	145,473
Category 2: Indirect GHG emissions from energy	1,758
Total	147,231

² The guidelines include:

- I. For the landfill projects – the US Environmental Protection Agency Landfill Methane Extension Program – China Landfill Gas Estimation Model Version 1.1;
- II. For the waste incineration power generation projects – the Provincial GHG Inventory Compilation Guideline (Trial), Shenzhen Standardization Instructive Technical Document SZDB / Z 167-Specification with Guidance for Quantification and Reporting of GHG Emissions for Waste Incineration Power Plants in 2016;
- III. the Intergovernmental Panel on Climate Change Fourth Assessment Report – Working Group I Report “Climate Change 2007: Science Foundation” 2.10.2 Direct global warming potential;
- IV. Since the parameters of greenhouse gas emissions from landfills and incineration power generation projects are plenty and complex (for example: weather, waste composition), when the industry put forward targeted guidelines or standards in the future, the Group will review and update them accordingly promptly.

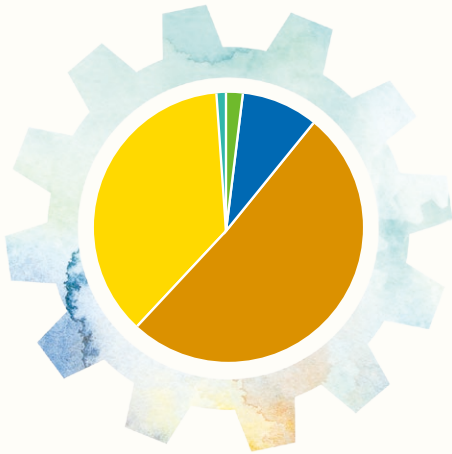


Category 1: Direct GHG emissions derive from the fuel and refrigerants consumed by the equipments and vehicles owned or controlled by the Group, as well as from sewage treatment, incinerators and landfills.

Category 2: Indirect GHG emissions come from purchased electricity.

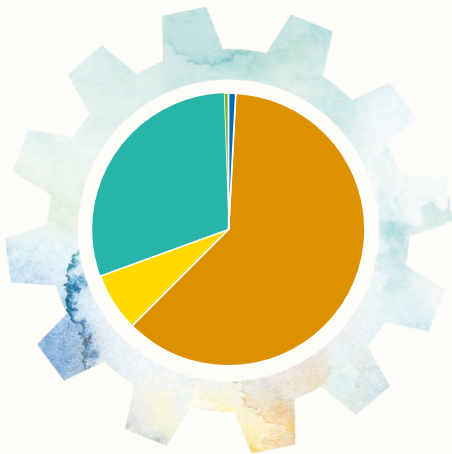
EMISSIONS MANAGEMENT

Greenhouse gases emissions (sorted by source of emissions)



- 1% ● Purchased electricity
- 2% ● Fossil fuel combustion-production equipment
- 9% ● Sewage treatment
- 51% ● Incinerator
- 37% ● Landfill

Greenhouse gases emissions (sorted by project)



- 0% ● Anhui Maonshan Waste Electrical Apparatus Dismantling and Recycling Project
- 1% ● Jiangsu Huai'an Waste Automobile and Electrical Apparatus Dismantling and Recycling Plant
- 62% ● Jiangxi Nanchang Quanling Domestic Waste Incineration Power Plant
- 7% ● Guizhou Weng'an MSW Landfill
- 30% ● Guizhou Duyun MSW Landfill

In the future, CEHL will adopt more advanced carbon reduction technologies and encourage low-carbon business development models, so as to reduce the Group's carbon emissions.

EMISSIONS MANAGEMENT

Use of resources

CEHL has proposed energy-saving and emission-reduction management system and cleaner production system, included the environmental protection objectives and indicators into the production and management responsibilities, and implemented environmental responsibility management by rank throughout the production. The Group requires our subordinate companies to implement the target responsibility system, and sets up energy-saving and emission-reduction targets for every departments. Each year, the Group will supervise and evaluate the implementation of energy conservation and emission-reduction programs of its subsidiaries. The subordinate companies are required to provide employees with environmental education and training on a regular basis, infuse the relevant environmental laws and regulations, the Group's environmental policy and environmental protection and energy conservation knowledge, so as to improve employees' awareness of energy conservation.

CEHL strictly enforces the technical standards of cleaner production, and sifts out equipments with high consumption, high emissions, and low efficiency to enhance the efficiency of resource use in the production process. Our subsidiaries need to carry out cleaner production audits when major equipment is renewed or retrofitted. The Group prohibits the subordinate companies from purchasing equipment that does not conform to the national and corporate environmental policies.

Electricity is a resources frequently used by CEHL in the day-to-day operations. The resources consumed by the five major projects that the Group focuses on in their day-to-day operations include electricity consumed by the equipments and water consumed in the operations. The Nanchang project is a relatively larger project, it consumes more resources than other projects. However, more than 99 percent of the power consumption of the Nanchang project in 2016 comes from the waste-to-energy generation, which reflects the success of waste-to-resource.

Resources consumed in the five major projects in 2016

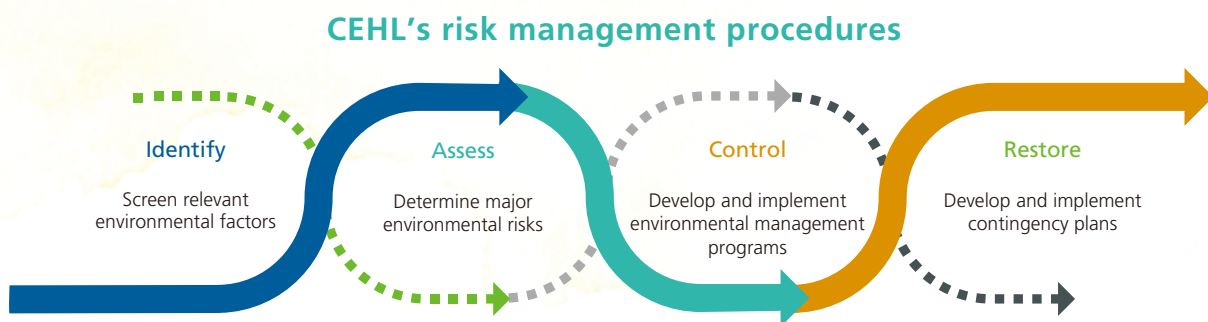
Type	Quantity	Unit
Diesel	879	Tons
Gasoline	35	Tons
Liquefied petroleum gas	1	Tons
Water	565,050	Tons
Recycled wastewater	80,146	Tons
Purchased electricity ³	2,637,450	kWh

³ In the total electricity consumption of the Nanchang project, 99.8 percent (or about 24 million kWh) comes from the project itself (waste-to-energy generation); here only shows the amount of electricity purchased.

EMISSIONS MANAGEMENT

Environment and natural resources

The business nature of CEHL makes the Group's daily operations closely related to environmental protection. During the construction of waste treatment facilities, the Group would conduct environmental impact assessment in accordance with the laws and implement construction and operation management in accordance with the requirements of the Environmental Assessment Report. The Group has developed risk management procedures to control and manage environmental risks and installed automated on-line monitoring systems for real-time monitoring of key sources of pollution.



CEHL regularly allocates energy-saving environmental protection funds for major energy-saving and technological transformation projects, energy-saving demonstration projects, emission reduction projects, as well as the development and promotion of energy-saving and emission-reduction new processes, new technologies, new equipment, new products, and new materials.

EMISSIONS MANAGEMENT

Expenditure for environmental protection in 2016

	Item	Total expenditure (RMB)
Guizhou Duyun MSW Landfill	Waste treatment	5,311,900
	Emissions treatment	296,400
Guizhou Weng'an MSW Landfill	Waste treatment	337,000
	Emissions treatment	370,000
	Efficiency promotion	1,200,000
	Prevention and environmental management	220,000
Anhui Maonshan Waste Household Appliances Dismantling Recycling Project	Waste treatment	1,000,000
	Prevention and environmental management	20,000
Jiangsu Huai'an Waste Vehicles and Household Appliances Dismantling Recycling Plant	Waste treatment	2,231,189
Jiangxi Nanchang Quanling Household Waste Incineration Power Plant	Waste treatment	2,054,596
	Emissions treatment	3,834,471

HEALTH AND SAFETY

CEHL regards occupational health and safety as one of the most important aspects of enterprise risk management. In order to create a working environment that allows employees to feel at ease, the Group not only strictly enforces the relevant laws and regulations, but also has formulated internal policies and norms related to specific business departments.

Combined with the actual situation of the operations, CEHL has formulated the CEHL Occupational Health Management Measures, focusing on the prevention and control of occupational disease. When the Group signing employment contract with employees, we will inform them of the occupational hazards and consequences that may be caused during the course of work, and the prevention measures for occupational hazards to protect employees' right to know. For high-risk workplaces with occupational hazards, such as dust-generating workshops, welding stations and high-noise workshops, our subordinate companies are required to develop and implement ventilation system maintenance plans and programs. Workers on duty are required to record the operating condition of the facilities every day, the departments which run these facilities need to conduct a weekly inspection, and the occupational health management department needs to conduct a monthly inspection.

The Group has developed the CEHL Safety Management Measures, clearly specifying the responsibility system for safety management. The president of the Group is the first person in charge of safe production, while the Environmental, Health and Safety Committee is responsible for coordinating the Group's safety work. The Management Measures also set out guidelines for accident management and emergency rescue, requiring subordinate companies to conduct no less than one contingency plan exercise each year.

CEHL's occupational health and safety goals in 2016

Serious injuries and death rates are zero.	All goals are achieved. During the reporting period, the Group did not find any violations related to health and safety.
Significant equipment accident rate is zero.	
Major fire, explosion accident rate is zero.	

Accident rate per 1,000 workers of 5 major projects in 2016

	Number of work injuries	Accident rate per 1,000 employees
Male	1	4.6
Female	0	

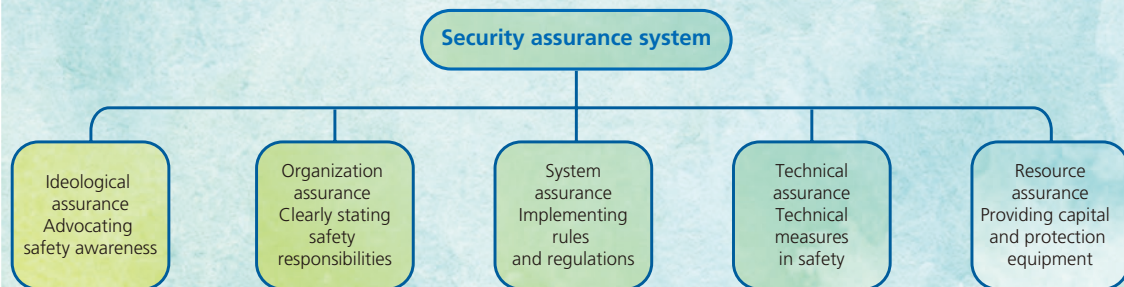
HEALTH AND SAFETY

Case Study: Safety Production Management System

The Maonshan Project has established the safety production committee, which is responsible for the health and safety work of the project, including implementation of the Group's safety policy, construction of a safety management system, review of the safety work plan and introduction of safety equipment. The committee sets up the safety production responsibilities and targets for every department and post, and holds meetings regularly to review the safety performance and proposes improvement measures.

The committee identifies the dangerous procedures and requires employees to apply to the relevant departments in advance, conduct on-site risk assessment, take preventive and rescue measures, and get approved from the management before carrying out hazardous operations. Operating personnel at dangerous worksites must have practical experience and technical expertise. Clear signs are required in dangerous worksites as a warning, specially-assigned personnel should be present to monitor the operation.

The Maonshan Project has developed the Contingency Plan to standardize the report, investigation and post-processing of safety incidents. The project shall, according to different types of accidents, such as mechanical injury, fire, electric shock, etc., respectively, establish appropriate preventive measures and treatment programs to effectively and quickly handle the situation when accident occurs.



Employment system

When recruiting an employee, CEHL would, according to the Staff Recruitment Management System developed by the Group, select them based on their skills, competencies and work experience. The Group formulates the recruitment scheme between September to October each year, through different channels to recruit and attract talents. The remuneration and benefits provided by the Group are in compliance with the laws and regulations in China and shall not be less than the statutory minimum wage. The Group provides competitive overall remuneration to attract and retain outstanding talents, who, in turn, become a driving force for sustainable development of the Group. During the reporting period, the Group has conducted performance evaluation of all employees in order to know employees' performance. During the reporting period, the Group did not find any irregularities related to employment and labour practices.

● HEALTH AND SAFETY

Labour standards

CEHL fully recognizes that child labour and forced labour violate fundamental human rights, international labour conventions and pose a threat to sustainable social and economic development. Therefore, the Group strictly abides by China's Labour Law and Labour Contract Law. The group prohibits child labour and carries out examination of applicants' actual age during recruitment process, including checking the identity documents and making records. The Group only implements the requirements of standard labour contract and will not unfairly limit the employment relationship between employees and the Group in any way, such as detaining a deposit or proof of identity. Employees have the right to terminate labour contract as long as it is in compliance with laws and regulations. During the reporting period, the Group did not find cases of child labour or forced labour.

The International Labour Organization is a specialized agency of the United Nations, which enacts labour standards in the form of international labour conventions and recommendations, and thereby, improves the standard of work and living standards around the world. China is a founding member of the ILO and a permanent member of the organization. In Hong Kong, there are currently 41 international labour conventions applicable to working conditions and employment policies.

Development and training

CEHL is convinced that nurturing and retaining talents is essential to ensure enterprises' development and strengthen the competitiveness of enterprises. To this end, the Group headquarters has invested 1.5% to 2.5% of the gross payroll for education and training annually. The Group regards our employees as a strategic partner and has developed the Administrative Measures for Education and Training to plan the training and development of our employees in a systematic way. From the basic training of new recruits to the management skills training of senior management, the Group provides various types of targeted trainings in response to the actual needs of different departments and functions. It is committed to achieving the goal of 10 training hours per employee per year and continuously improving our employees' Job skills and professional competence.

OPERATIONS MANAGEMENT

Supply chain management

In a globalized economy, business outsourcing is a routine. However, outsourcing does not mean that companies can evade responsibility or risk due to poor environmental, social and governance performance. CEHL understands the Group should play a role throughout the life cycle of our services, and the proper management of supply chain is a key for the Group to maintain brand reputation, ensure business continuity, and manage operating costs.

CEHL has established the Bidding and Procurement Administrative Measures and the Management System for Procurement of Equipments, Facilities, and Bulk Materials in Subsidiaries. In the Group's supply chain management system, the president's office is the top decision-making body of the group's bidding and procurement, and the Bidding and Procurement Committee is an important management body, which is responsible for guiding, supervising and inspecting the entire bidding and purchasing process. The Group has established a supplier management mechanism that requires new suppliers to pass the qualification before they can participate in biddings, and the existing suppliers are subject to annual inspection and evaluation. The Group's supplier dynamic management mechanism can regularly review supplier's product and service quality so that the qualified suppliers' catalogs can be updated in a timely manner.

Product responsibility

CEHL is well aware that only the continuous improvement of the management measures of waste disposal services will be able to meet the increasingly stringent environmental laws in China. Through the establishment of efficient quality management system, the Group continues to enhance our competitiveness. The Group has introduced the ISO 9001 international quality management system for every solid waste treatment project, the system not only meets the national environmental laws and regulations, but also achieves the higher international standards. During the reporting period, the Group did not find any cases related to product responsibility.

Anti-corruption

CEHL is convinced that integrity management is the basis of corporate social responsibility, competitive advantage and sustainable operations. Each year, the Group would sign the Annual Integrity Agreement with project companies to standardize the behavior of the two parties in the operations and management to ensure the integrity, fairness and equity in both parties. The Group has formulated the Administrative Measures on Discipline Inspection and Supervision, Complaint Letters and Whistle-blowing, and followed national laws and regulations and relevant rules and regulations of the Group through the reporting mechanism. During the reporting period, the Group did not find any cases of corruption and litigation involving the Group and our employees.

● COMMUNITY INVESTMENT

With the market's focus on corporate behaviors and "social operation license", the pursuit of short-term maximum financial performance to give back to shareholders is no longer the only goal of business management. CEHL deeply understands the importance of meeting the expectations of different stakeholders and their communities where we operate. From the perspective of long-term development, the Group emphasizes balancing the interests of shareholders and other stakeholders, so that we can enjoy long-term, stable and healthy development.

As an enterprise who embraces social responsibility, CEHL is committed to understanding the needs of the community. The Group has formulated the Administrative Measures for External Donations and Sponsorship to regulate the Group's investment in communities. In the Administrative Measures, the Group gives instructions on the responsible departments, the type of donations, the amount and approval procedures. The Group's sponsorship scope mainly includes disaster-affected areas, targeted poverty alleviation areas, targeted assistance areas, and social vulnerable groups.

Case Study: Alxa SEE Ecological Association

CEHL became a member of the Alxa SEE Ecological Association in 2016. The association is the first environmental protection institution in China that assumes social responsibility, consists of entrepreneurs, and sets goals to protect the ecology.

Every year, CEHL donates RMB 100,000 to support the Association's cause to promote China's environmental protection. The money is used to improve and restore China's natural environment, especially in Inner Mongolia to combat desertification. The Group hopes that by taking practical actions, it will inspire more Chinese enterprises to take on environmental and social responsibility and participate in environmental protection public welfare undertakings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas	Contents	Page
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	11
A1.1	The types of emissions and respective emissions data.	12
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	15
A1.3	Total hazardous waste produced and, where appropriate, intensity.	13
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	14
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	17

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas	Contents	Page
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	18
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	21
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	20
B2.1	Number and rate of work-related fatalities.	20
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	20

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas	Contents	Page
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	22
B4: Labour Standards		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	22
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	23
B6: Product Responsibility		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	23

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas	Contents	Page
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	23
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.	24
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	24
B8.2	Resources contributed (e.g. money or time) to the focus area.	24



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