



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)



2022

Environmental, Social and  
Governance Report



## 2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



### ABOUT THIS REPORT

This environmental, social and governance report focuses on the disclosure of the performance of Shanghai Industrial Holdings Limited (“**SIHL**” or “**we**” or “**our**”) and its subsidiaries (the “**Group**”) on environmental, social and governance aspects for the period commencing 1 January 2022 to 31 December 2022 (“**the Year**”).

The Group’s environmental, social and governance performance as stated in this report covers its principal businesses, including infrastructure facilities (water-related businesses), real estate and consumer products (tobacco business), which are conducted in mainland China and Hong Kong.

This report, which is prepared in accordance with the mandatory disclosure requirements and “comply or explain” provisions contained in the Environmental, Social and Governance Reporting Guide set out in the latest Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx**”) (the “**Listing Rules**”), is based on industry background and highlights the characteristics of the enterprise. This environmental, social and governance report shall be read in conjunction with the Corporate Governance Report set out in the 2022 Annual Report of the Company for a comprehensive understanding of SIHL’s environmental, social and governance performance.

### The Environmental, Social and Governance Management Philosophy of SIHL

The Group well acknowledges that, as a responsible enterprise for sustainable development and social development, SIHL has always maintained a balance between business development and social responsibility by integrating the concept of sustainable development into its day-to-day business operations and major commercial decisions. As a listed company in Hong Kong, we not only assume responsibility for the social and economic development of the community, but also strives to improve the community’s environmental sustainability and prosperity. The Board of Directors of the Group (the “**Board**”) has always attached great importance to sustainable development and is committed to creating long-term values and a sustainable future for the society by taking into account and balancing the interests of major stakeholders.

### Board Statement

The Board is committed to participating in the formulation and implementation of the Group’s sustainable development management policies and strategies, monitoring the Group’s environmental, social and governance performance, and ensuring that environmental, social and governance principles and values are effectively integrated into the Group’s decision-making process. The Board delegates a social environmental and corporate governance steering committee to direct and promote environmental, social and governance strategies to each operating unit for effective implementation. In order to ensure the effective implementation of the environmental, social and governance management system and measures, the Board and the management pay regular attention to environmental, social and governance-related matters to formulate appropriate management approaches and risk management mechanisms. The Board annually reviews and approves all environmental, social and governance related disclosures and internal policies, and reviews and approves the sustainability reports, including progress towards environmental, social and governance related targets, to ensure that the business can manage corresponding risks and opportunities.

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## Regulatory Structure for Environmental, Social and Governance Issues

The Board leads the development of strategies and systems for SIHL’s environmental, social and governance issues as well as managing their performance and reporting. The social, environmental and corporate governance steering committee comprising members of the Board and the Group’s senior management directs the sustainable development of the above issues, and is responsible for formulating strategies and policies for sustainable development and identifying effectively and managing properly risk management matters that are related to sustainable development in a timely manner. In addition, a social, environmental and corporate governance planning and information disclosure working team comprising the heads of various business units facilitates and monitors and reports the progress of sustainable development issues regularly to the management of the Group. We believe our regulatory structure has incorporated the expertise and experience of our business units, enabling them to facilitate the coordinated development of the Group’s environmental, social and governance issues and its business growth strategies.

## Stakeholder Engagement and Materiality Assessment

SIHL has always emphasized on the importance of regular communication with various stakeholders, including employees, customers, shareholders, business partners, suppliers, media and the community, and has all the way expressed our determination in listening to the needs and expectations of different stakeholders with an open mind, formulating counter measures in response to the concerns of stakeholders and adhering to information disclosure. A number of communication channels, such as regular meetings, interviews and surveys, have been established to gather stakeholders’ ideas, opinions and suggestions on how we can create long-term value for the society and attain sustainable future development.

Our communication channels with respective stakeholders are as follows:

Major Stakeholders	Our Communication Channels
Employees	<ul style="list-style-type: none"> <li>regular meetings and gatherings</li> <li>training, seminars and workshops</li> <li>performance and development discussions</li> <li>volunteer activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>daily operations and interaction</li> <li>customers’ satisfaction surveys</li> <li>company website</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>annual general meetings and other meetings</li> <li>corporate communications, including circulars, notices, results announcements, annual reports and interim reports</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>meetings and seminars</li> <li>on-site inspections</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>assessment and performance reviews</li> <li>on-site inspections and meetings</li> </ul>
Media	<ul style="list-style-type: none"> <li>management interviews and meetings</li> <li>results reports</li> </ul>
Community	<ul style="list-style-type: none"> <li>volunteer activities</li> <li>sponsor and donation</li> <li>community outreach</li> </ul>

To meet the principles of consistency, materiality and balance for this report, we have solicited the opinions of our stakeholders to further understand their expectation and recommendations in respect of the Group’s performance on environmental, social and governance areas, and have identified the latest environmental, social and governance tasks that should be prioritised. After reviewing the opinions of the stakeholders of our various businesses and the results of materiality assessment, we noted that the stakeholders have expressed greater concerns in the areas of the Group’s performance in employee management, product and service quality, staff development and training, occupational safety and health as well as green construction, which has been disclosed in the corresponding sections in this report in details.

We discussed the feedback with the members of the social, environmental and corporate governance steering committee and the social, environmental and corporate governance planning and information disclosure working team internally, which are then formed as the basis of our key environmental, social and governance agenda for incorporation into this report. Therefore, this report has focused on the concerns and expectations of our stakeholders, highlighted issues that are representative of them, and reported on important matters that are in line with the development strategies of the Company.

## ENVIRONMENTAL PROTECTION

The Group gives high priority to environmental protection, and continuously explores opportunities and applies advanced technologies to minimise consumption of energy and natural resources, reduce emission and contribute to the society green development. The Group strictly complies with the laws and regulations related to the generation of air and greenhouse gas emissions, discharges into water and soil, and hazardous and non-hazardous wastes, namely the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Soil Pollution Prevention and Control Law of the People's Republic of China, the Solid Waste Pollution Prevention and Control Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and the Law on Prevention and Control of Environmental Noise Pollution of the People's Republic of China, which have a significant impact on the Group. During the reporting period, the Group did not violate the above-mentioned laws and regulations that had a significant impact on the Group.

The Group will also actively align with Hong Kong in achieving “carbon neutrality” and “capping carbon emissions, achieving carbon neutrality” in Mainland China, and seize the market opportunities brought by China's promotion of energy conservation and emission reduction. We will continue to expand our business development, and continuously improve environmental protection technology, strengthen technology research and development and improve project efficiency.

## Emissions


### Air emissions and greenhouse gas emissions

We highly regard green development as an integral part of our operation concept, and the real estate business of the Group adopts the green construction management concept of environmental protection and energy saving as our primary goal. Green construction involves not only construction of temporary drainage systems, temporary roads, and temporary construction facilities on site, but also construction of building structures and the production, processing and installation of building structural raw materials, components and parts. It covers different stages including construction planning, material procurement, on-site construction, and project inspection and completion. We aim to reduce air pollutants and greenhouse gas emissions by improving operational efficiency and reducing wastage. The real estate business of the Group requests all construction units participating in the construction projects to formulate various management systems and related guarantee measures for environmental protection and energy conservation.

Air pollution caused by the real estate business mainly originates from the foundation construction, structural construction and decoration construction stages. By identifying the sources of pollution, such as emissions from vehicle transportation, emissions from civil engineering machinery operations, dust from roads connecting the construction sites and dust from earthworks, the Group has actively formulated corresponding prevention and control measures. We have installed sprinklers to control dust from civil engineering operations and used water mist cannons and mobile water sprayers to clean the roads regularly during the construction stage to control dust pollution from construction areas and access roads. We arrange for cement and other fugitive, fine particulate



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bulk materials to be stored in storage or tightly covered to avoid spillage and fly-away during transportation, and for yarding measures to be taken during unloading to reduce pollution. All access roads and stackyard onsite are paved with concrete to reduce pollution and mud and sand used in construction will be covered. To prevent spillage from transport vehicles, all transport vehicles are requested to install movable baffle at unloading chute to prevent spillage as well as clear the concrete before leaving the site. Meanwhile, we have set up a vehicle washing machine at the exit where vehicles can leave the site only after being washed. Vehicles are not allowed to carry mud and sand out of the site and cause environmental pollution.

In respect of reducing the emission of air pollutants and greenhouse gas, the Group has adopted cleaner ultralow sulphur diesel fuel for the three boilers used for tobacco business, which has reduced emission of smoke and respirable suspended particles, sulphur dioxide and other air pollutants. In addition, the air emissions generated by processing equipment and workshops pass through dust collectors first, enabling them to remove dust before removing odour through eight deodorising machines. The deodorising machines are subject to regular cleaning and potion refill to ensure their effective operation. Closed-circuit televisions are installed in exhaust chimneys to monitor the systems round-the-clock to ensure that gas discharged meets the required standards and avoid generating black smoke due to poor combustion. Furthermore, piped gas has been used as fuel at incinerator installed in recent years, helping to clear the odour and dust generated during production process under high temperature so as to reduce environmental pollution.

The major emissions from the operation of the Group's water-related businesses are sulphur oxides, nitrogen oxides, dioxins, carbon monoxide and flue gas from the solid waste incineration business, as well as hydrogen sulphide, ammonia and other odours from the sewage and sludge treatment business. In respect of the various types of emissions from solid waste incineration, the Group strictly complies with the relevant national emission standards and adopts treatment processes such as semi-dry desulphurisation, activated carbon adsorption for the removal of heavy metals and organic matter, bag filtering and selective non-catalytic reduction for nitrogen removal, etc. to ensure that the emissions meet the standards. For emissions and odours from our wastewater and sludge treatment operations, we use negative pressure collection and closed covers for specific treatment facilities to prevent the release of odorous gases, while using various biological, chemical and physical methods to treat the odours, including biological filtration, plasma deodorisation and activated carbon adsorption technologies. In addition, we have grown air-purifying plants around the plant area to further reduce the impact of odour on the surrounding environment and community.

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The Group has always been committed to reducing air pollution and greenhouse gas emissions from its operations. In order to fulfill our commitment, we aim to gradually reduce air pollution and greenhouse gas emissions every year by using diesel fuel with lower sulfur content, purchasing models with less environmental impact when replacing production facilities and conducting regular training on environmental protection for employees. We will continue to monitor Scope 1 and Scope 2 greenhouse gas emissions to further set quantitative targets in order to achieve “carbon neutrality” in Hong Kong and China’s goals of “capping carbon emissions and achieving carbon neutrality”.

The air emission and greenhouse gas emission data from the principal businesses of the Group under the scope of reporting in 2021 and 2022 are as follows:

Environmental KPIs <sup>1</sup>	Unit	2022	2021
Nitrogen oxides emissions	tonne	205	216
Sulphur oxides emissions	tonne	30	31
Particulate matter emissions	tonne	0.064	0.148
Total greenhouse gas emissions <sup>2</sup>	tonne CO <sub>2</sub> e	627,804	650,019
Total greenhouse gas emission intensity	tonne CO <sub>2</sub> e/ HK\$'000 of revenue	0.020	0.017
Scope 1 – Greenhouse gas emissions and removal <sup>3</sup>	tonne CO <sub>2</sub> e	116,556	106,612
Scope 2 – Energy indirect greenhouse gas emissions <sup>4</sup>	tonne CO <sub>2</sub> e	511,248	543,407

### Discharges into water and soil

The Group advocates recycling of water resources to avoid or minimise sewage discharge and treats sewage in a cost-effective manner to ensure protection of the environment and communities. The drainage facilities of the Group’s real estate business must meet relevant regulatory requirements and apply for discharge permits in accordance with the requirements of relevant local authorities. For sewage treatment in the construction area, we have set up catchment ditches onsite and sewage will pass through the sedimentation tank before flowing into the municipal rainwater pipeline. We have set up grease traps in the onsite canteen and sewage is filtered by the grille and then connected to the sewage pipeline. We impose stringent measures in segregating rainwater and sewage and strictly prohibit the discharge of other types of liquid into the municipal rainwater pipe network. Sedimentation tanks are installed at onsite toilets such that sewage and toilet water will be discharged into the municipal sewage pipeline after sedimentation. Construction sewage is strictly prohibited from being directly discharged into municipal sewage pipeline or out of the construction site to pollute the environment. The Group’s tobacco business discharges sewage after being treated by the sewage treatment system, with the aim to minimise the pollution to water resources. The water-related business of the Group has adopted relevant measures to ensure the stable and efficient operation of the sewage treatment process and the discharge of wastewater complies with national standards. We conduct routine laboratory tests to collect and test pollutants in wastewater on a regular basis, and some business segments have developed pollutant discharge monitoring system to improve the accuracy and efficiency of monitoring. Meanwhile, in response to the national policy on river ecological protection, the Group aims to gradually reduce the rate of sewage discharge every year, and inspect our sewage treatment system as when appropriate to identify effective improvement proposals.

### Waste management

The Group adheres to waste management policies that are based on the 3Rs (reduce, reuse, recycle) and encourages the reduction of consumption and reusing and recycling of resources. Being a large-scale producer, we actively implement waste reduction strategies and avoid waste from the source. The Group actively and strictly implements classifications and separate storage of waste. We have set up waste recycling bins in the office for collecting wastepaper, aluminum cans, metal scraps, plastics and food waste and employees are encouraged to actively participate in recycling, and then entrusted qualified recycled operators approved by the government for proper recovery and treatment. The aim is to reduce the amount of waste generated in the production process and to meet the relevant government standards.

1 The Environmental KPIs for 2021 have been restated to incorporate more accurate data.

2 The Group’s greenhouse gases include carbon dioxide, methane and nitrous oxide, and greenhouse gas emissions are presented in carbon dioxide equivalent.

3 Scope 1-greenhouse gas emissions and removal refer to greenhouse gas emissions from vehicle fuel combustion, refrigerant consumption in air-conditioning systems, and reductions related to tree planting. This data is calculated in accordance with “Appendix II: Reporting Guidance on Environmental KPIs” issued by HKEx. Scope 1-greenhouse gas emissions increased as comparison to 2021 due to the addition of equipment at some of the Group’s projects during the reporting period.

4 Scope 2-Energy indirect greenhouse gas emissions refer to greenhouse gas emissions from the purchased electricity. This data is calculated in accordance with “Appendix II: Reporting Guidance on Environmental KPIs” issued by HKEx.

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Many property projects of the Group adopt the U.S. Leadership in Energy and Environmental Design (LEED) standards for designs. Architectural design takes into account environmental impact at various stages of the life-cycle of a project including site selection, design, construction, operation, maintenance, renovation and demolition, as well as automation and standardisation factors to minimise wastage of building materials by effectively control waste generated. To reduce hazardous and non-hazardous waste generated from the real estate business, we ensure the proper collection of domestic waste, construction waste and hazardous waste generated through construction and transfer them to qualified organizations for disposal. Construction waste is cleaned and transferred from the building structures by setting up temporary enclosed waste hauling lanes, container lifting or bagging, and no disposal of waste is allowed. At the same time, we set up different collection points for different types of waste to separate them at source. The sites are equipped with sufficient garbage ponds and bins, and construction waste is centrally stacked and cleaned and transferred in a timely manner to maintain environmental hygiene and clearance after work. We have set up sanitary rooms at construction sites, equipped with water sources for flushing, and septic tanks for discharge, which are covered and sprayed regularly, and are cleaned by dedicated personnel on a daily basis. All electronic waste generated by the real estate business do not mix with daily office waste, and all electronic waste are transferred to professional recycling organization for disposal after its collection in order to improve the recycling rate of electronic waste.

The operations of the tobacco business do not generate large quantities of hazardous waste which eventually requires treatment. Used oil and kerosene generated in the production process are recycled and disposed of by qualified contractors recognized by the government. At the same time, soot and other wastes are compressed in garbage compactor before being sent to landfills for burial. Hazardous waste generated from the operation of water-related business of the Group mainly includes fly ash and activated carbon generated from waste incineration business and a small amount of hazardous sludge, liquid waste from laboratories and waste motor oil generated from other businesses. We strictly implement relevant national regulations and properly dispose of all hazardous wastes generated. Fly ash generated from domestic waste incineration is solidified with cement and sequestrant and is sent to landfills for burial and disposal. Activated carbon generated from flue gas treatment is collected and disposed of by the compliant waste disposal unit or sent to the waste incinerator for incineration according to local environmental regulations. Hazardous sludge, liquid waste from laboratories and waste mineral oil are separately collected and stored in designated areas and sent to professional organizations for centralized disposal. In addition, non-hazardous waste from water-related business includes non-hazardous sludge from sewage treatment, water supply and sludge treatment business, as well as slag from solid waste incineration. The sludge generated from business operation is treated in strict compliance with the requirements of relevant policies, some of the harmless sludge is transferred to local landfills for centralized treatment, while some are recycled for greening of project sites or collected by qualified third-party organizations for use in the production of fertilizers and construction materials.

The Group aims to continuously improve the waste management system to gradually reduce the amount of waste generated every year. Meanwhile, in response to the national “Waste-Free City” plan to increase the treatment capacity of municipal solid waste, the Group also aims to gradually improve the treatment capacity of municipal solid waste incineration every year. Office domestic waste is sent to the building property management companies for centralised disposal. In addition, we are actively researching on the recycling of hazardous waste, such as recycling of used motor oil. In addition, recycled building materials are used as much as possible to minimise wastage. Water-related business has also used multiple means to reduce hazardous waste at source, such as improving process efficiency through strict adherence to standard laboratory procedures and the adoption of advanced technologies. We will also review waste generation and treatment to further set quantitative targets for reducing hazardous and non-hazardous waste.

The waste discharge data in the principal businesses of the Group under the scope of reporting in 2021 and 2022:

Environmental KPIs <sup>1</sup>	Unit	2022	2021
Total hazardous waste produced <sup>5</sup>	tonne	12,354	11,049
Total hazardous waste produced intensity	kg/revenue in HK\$'000	0.394	0.285
Total non-hazardous waste produced	tonne	2,057,399	2,043,255
Total non-hazardous waste produced intensity	kg/revenue in HK\$'000	66	53

<sup>5</sup> Hazardous waste produced increased as comparison to 2021 due to the replacement of equipment at some of the Group's projects during the reporting period.

### Use of resources

We have adopted national codes for energy conservation of public buildings and local energy conservation rules in the design of our property projects. Some large complex projects and certain residential projects of the Group are designed in accordance with national green building rating standards, the U.S. WELL health and well-being building standard or LEED green building standards in order to reduce environmental pollution and the loss of resources in the whole life-cycle of the building through a series of design and measures to save land, energy, water and materials. Our long-term goal is to create high-standard green buildings and provide customers with healthy, practical and efficient use of space. Meanwhile, we will continue to monitor the Group's resource utilisation to gradually reduce energy and water consumption every year.

The Group attaches great importance to green operation and management and strives for ensuring the rational use of energy. Through scientific management and rational use of energy consumption, the utilization rate of energy is improved, and the operation and use needs are matched with the least energy consumption. In terms of energy saving, the Group's real estate business implements a series of measures in its daily operations, including setting up energy-saving office electrical equipment, LED lights and presetting energy-saving modes for printers and computers. The employees of all departments are required to turn off lights and computers during non-office hours. We advocate and publicize reducing usage of air conditioners and avoiding large temperature difference between air conditioners and outdoor temperatures. We encourage employees to work paperless to reduce paper usage and ink cartridges as well as generation of wastepaper. The Group will give priority to new energy vehicles and commercial vehicles when purchasing new vehicles to reduce energy consumption and air pollutant emissions. For the use of company vehicles, a car dispatch system is implemented, and employees need to apply to the administrative human resources center and fill in the car application forms. Regarding property operation, we gradually upgrade existing commercial projects, improve the energy efficiency of the properties by improving the energy efficiency of the electromechanical system, improving the thermal insulation performance of the original building maintenance structure, and upgrading the environmental protection treatment facilities. The Group also monitors the energy consumption of commercial properties and regularly records the readings of the energy consumption meter, summarizes and analyzes the energy consumption, and makes appropriate adjustments to the energy consumption budget. In order to enhance employees' awareness of environmental protection and conservation, we continue to implement green office, and carry out environmental protection training and publicity education for employees through various channels. We have added relevant links such as environmental protection training to the induction training, and plan to hold more energy-saving and environmental protection-themed activities in the future. The tobacco business under the Group has used T5 fluorescent lamps, LED lamps, air compressors and deodorizing fans with higher energy efficiency on a large scale in its production plants. We have upgraded the dust tanks to eliminate the old dust tank with high energy consumption, further improve the efficiency of resource usage and reduce energy consumption. As a result of the reduced production demand due to the impact of the epidemic, Towngas company gas usage and the amount of packaging materials used for finished products of the tobacco business decreased as compared to 2021.

In terms of water conservation, the Group's real estate business has strictly complied with water consumption standard, whereby water conservation equipment and water conservation measures are deployed in the construction sites to improve water consumption efficiency as well as save water resources. We have set up reclaimed water reuse facilities, and system improvements were made to enhance the reuse rate during the year. We collect rainwater and after treatment use it for green watering and road cleaning. The business also uses other water conservation equipment, such as sanitary appliances with high water consumption efficiency, water metering devices and sensor faucets. We have installed water consumption meter to regularly measure the water consumption volume of the construction site of each project to control the use of water resources. The Group renovated faucets in public areas, adopted water-saving measures such as sensor faucets and centralized water supply in offices, and prepared and set budgets for water consumption in commercial properties and offices to improve water consumption efficiency. The Tianjin Hedong University of Technology project incorporated the design of the sponge city during the project design process by constructing water seepage pavements to improve the efficiency of water resource utilization, and to further enhance the buildings' ability to adapt to climate change. The tobacco business of the Group collects rainwater for cooling air-conditioners in plants and the air-conditioning water towers of other air-conditioners have regular cleaning systems and water quality checks to reduce water consumption. The Group aims to gradually reduce water consumption every year through the above water conservation measures. We will also continue to monitor water consumption of our business to further set quantitative targets. As a result of the completion of some of the Group's projects during the reporting period and the impact of the epidemic in some areas, the Group's water consumption decreased as compared to 2021.



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The resources usage data in the principal businesses of the Group under the scope of reporting in 2021 and 2022 are as follows:

Environmental KPIs <sup>1</sup>	Unit	2022	2021
Total energy consumption	kWh	967,405,716	1,029,493,417
Direct energy consumption <sup>6</sup>	kWh		
Diesel	kWh	13,697,053	17,212,037
Gasoline	kWh	2,503,095	3,669,824
Liquefied petroleum gas	kWh	67,613	65,805
Natural gas <sup>7</sup>	kWh	30,117,075	27,571,306
Ethanol gasoline	kWh	15,930	32,354
Renewable energy (biogas)	kWh	12,722,274	12,121,598
Renewable energy (solar energy)	kWh	1,755,280	1,640,837
Total direct energy consumption and intensity	kWh/HK\$'000 of revenue	1,942	1.608
Total indirect energy consumption	kWh		
Electricity purchased	kWh	900,231,330	941,139,353
Towngas company gas	kWh	6,296,066	26,040,303
Total indirect energy consumption intensity	kWh/HK\$'000 of revenue	29	25
Total water consumption	m <sup>3</sup>	461,908,582	442,874,293
Water consumption intensity	m <sup>3</sup> /HK\$'000 of revenue	15	11
Total packaging materials used for finished products	tonne	2,938	5,181
Packaging materials used for finished products per unit	kg/unit of finished product	6.700	3.760

#### Environment and natural resources

In terms of green building, the real estate business is actively engaged in research and application of green building technologies. The Group's development projects across Mainland China have all complied with relevant national and local design standards to meet the specification requirements. All new development projects were designed based on national and local green construction assessment standards and regulations in meeting the specifications on building thermal performance, energy efficiency of building facilities, water conserving performance of appliances and renewable energy utilization. On this basis, we strive to attain higher standard in energy saving and environmental protection design, adopt a series of design measures to conserve land resources, energy, water resources and building materials, encourage employees to engage in activities like technological transformation, process optimization, energy saving, consumption reduction, management innovation and waste recycling as well as focus on the use of recyclable materials and prefabricated construction methods to alleviate the impact on the environment throughout the full life cycle of the building.

The Group's new development project located at Originally Lot A3 (A3-4 and A3-7) in Xi'an have incorporated a solar hot water system in their design to provide approximately 15% domestic hot water. In addition, we have used water-saving sanitary ware and set up domestic refuse collection points to separate hazardous waste, food waste, recyclable waste and other waste, and recycle recyclable waste to create a safe, healthy and efficient green building. In addition, we use objective criteria to evaluate the environmental protection performance of the development projects. All new development projects will meet the requirements of national and local green building evaluation standards, and adopt green environmental protection measures according to local conditions. During the reporting period, the Group's development projects, namely the Qiyuan 1st Road Project and the Originally Lot A3 (A3-4 and A3-7) consortium project in Xi'an have all successfully obtained the Two-star Green Building Design Label Certificates.

6 Fuel consumption of vehicles is calculated with reference to the conversion factors in "Appendix II: Reporting Guidance on Environmental KPIs" issued by HKEx.

7 The Group's natural gas consumption increased as compared to 2021 due to the addition of equipment at some of the Group's projects during the reporting period.

We also promote the application of Building Information Modeling (BIM) technology to accurately manage factors such as schedule, cost and quality, and to reduce waste of resources. During the year, BIM technology was applied to the design, construction, operation and maintenance of the land parcel No. 89, North Bund, Phase III of Qingdao Beer City, and the land parcels Gucun No. 0421-01 and Gucun No. 0423-01, and a BIM collaborative management platform was established. In order to improve the functions of the BIM collaborative management platform, we have communicated and discussed with professional consultants to propose improvements in the functions of the platform, its expansion and usage management, to ensure that the platform effectively manages relevant construction information.

The Group continues to promote the application of renewable energy. The Shanghai Baoshan Renewable Energy Development Center, a key project in the water-related business for waste-to-energy, is under construction, with an estimated capacity of 3,800 tonnes per day. The project is expected to generate 800 million kilowatt-hours of green electricity per year with the adoption of the world's leading processing technology and facilities. The project is designed to be "neighbour-friendly" and eco-friendly, with planned environmental education and cultural and sports activities and will open to the public in the future.

In an effort to reduce environmental noise and pollution, the Group's real estate enterprises carefully plan for the facilities used in the construction sites during the project construction process. Noisy equipment is kept away from residential areas wherever possible, sound insulation measures are adopted, and low noise construction equipment and technology are used to reduce the impact of noise in construction sites to residents in the neighbourhood. Moreover, the Group's tobacco business emits odourous gases during the production process will impact the nearby environment. Therefore, we filter the gas emitted during the manufacturing process through the deodorizing system before it is discharged, with the aim to minimize the impact of odour and harmful substances on the environment.

#### Climate change

In recent years, active response to climate change has become a global consensus. The Group has identified the climate change related risk exposure, including extreme weather caused by climate change, such as strong typhoons, floodings, snowstorms and other physical risks. The changes in policies, laws, technologies and markets due to the transformation to a low-carbon economy also pose risks to the Group. We will regularly review and identify risk exposure related to climate change, and plan to formulate relevant management measures in the future to mitigate and adapt to climate change. To minimize the potential impact of these climate-related risk exposure on our day-to-day operations, the Group has adopted the following corresponding precautionary measures:

- formulated crisis management plans and corresponding environmental emergency plans, such as the "Emergency Response Plan for Winter Ice and Snow Weather" formulated by the Group's Xi'an Jinjiang International Hotel and the "Emergency Response Plan for Flooding Prevention" formulated by our water supply project companies;
- engaged third-party experts to review the environmental emergency plans and make suggestions for improvement;
- regular maintenance and inspection of essential equipment such as backup generators, battery packs, basic lighting and backup switchboards;
- incorporated green elements in the process of designing and developing projects, and adhered to enhancing green construction awareness;
- periodic testing of electrical systems, telecommunication systems and access systems; and
- carried out relevant safety training, such as emergency drills and other activities, standardized relevant response measures and actions, allocated resources to deal with emergencies, and prepared to tackle severe weather.

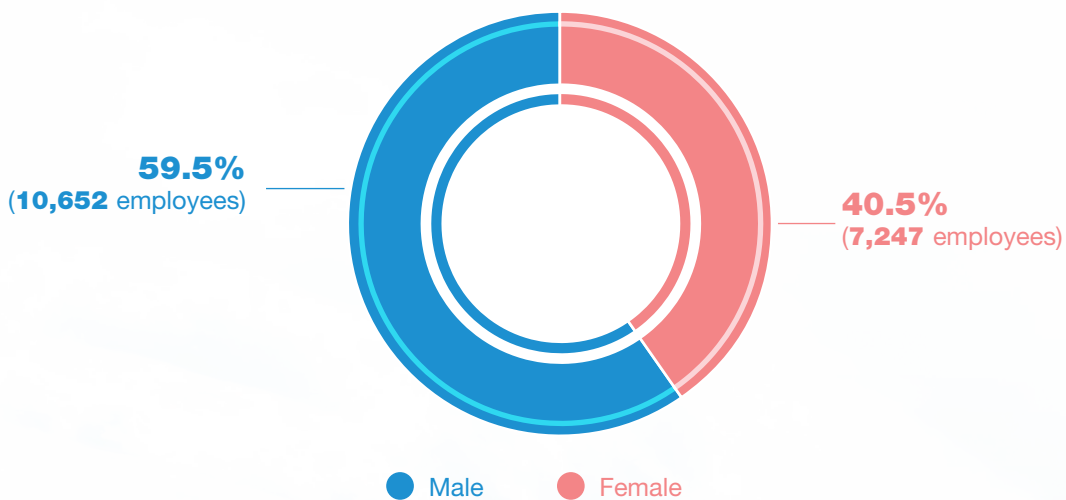
The Group will continue to improve the climate risk identification, assessment and management system and continue to explore the opportunities brought about by climate change, actively respond to climate change-related initiatives, and speed up low-carbon transition in response to the policies and measures proposed by China.

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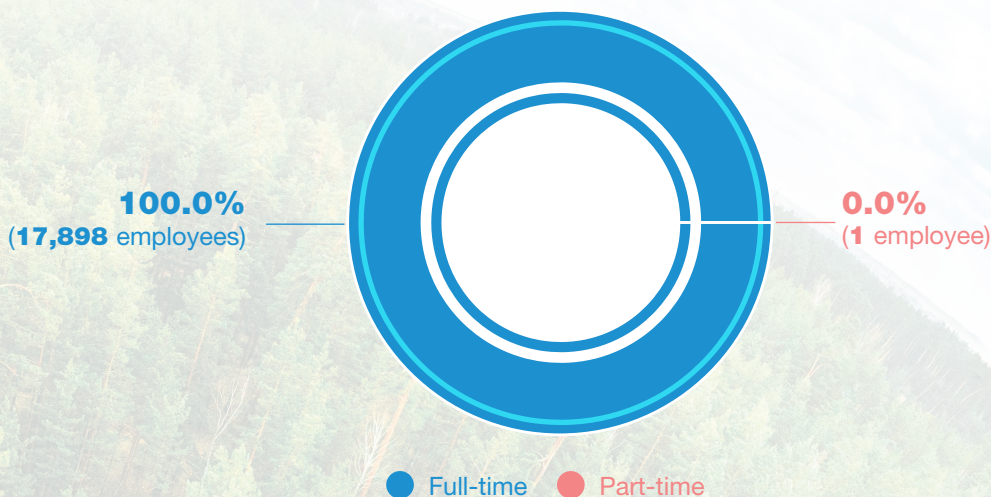
**EMPLOYMENT AND LABOUR PRACTICES**

Employees are essential for the sustainable development of the Group and we regard them as our most valuable assets. The total number of employees of the Group was 17,899 as of the end of 2022, representing a decrease of 528 as compared to 2021, due to a reduction in the Group’s production demand which was affected by the epidemic. The Group strives to improve its talent recruitment, retention and development training, developing a regulated, open, robust and efficient management style to ensure employees realize that their values are properly recognized. The Employment and Labour Practices, Operating Practices and Social Responsibility sections cover the Group’s infrastructure (toll roads and water related businesses), real estate and consumer goods (tobacco business and printing business) segments.

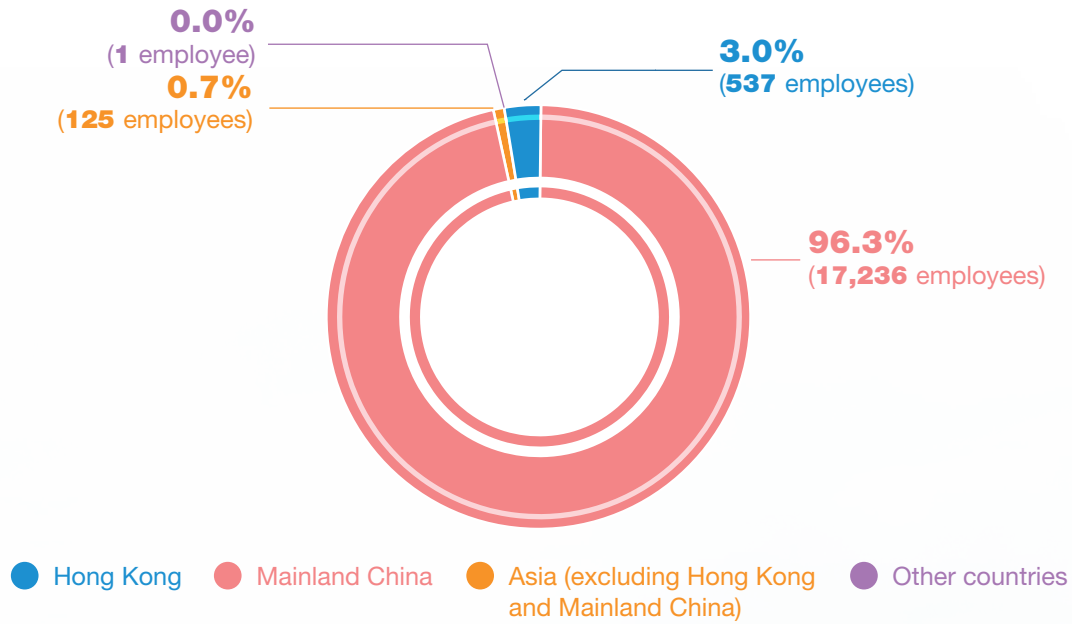
**Number and percentage of workforce by gender**



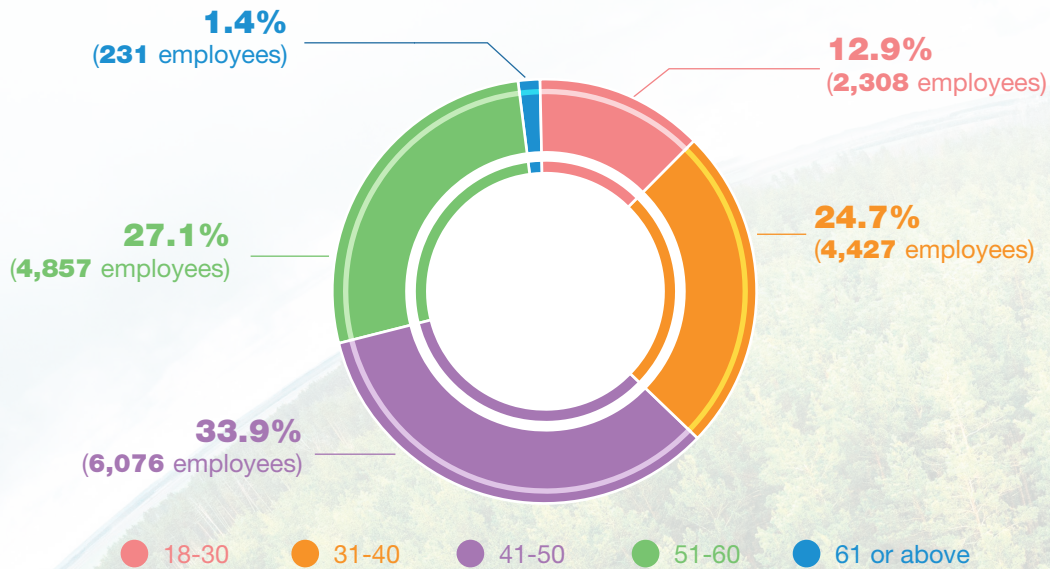
**Number and percentage of workforce by employment type**



**Number and percentage of workforce by geographical region**



**Number and percentage of workforce by age group**



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 13

### Employment

The Group is committed to talent management and adheres to a “people-oriented” spirit. We have adopted a fair and equal recruitment strategy to attract talented people. By establishing a performance appraisal mechanism through assessing individual contributions, corporate results and market trends, we further optimized our human resources policy. Enterprises within the Group have produced staff manuals in accordance with the nature of their business and needs, setting out policies including office procedures, reporting duty, employment termination, attendance, abnormality management, performance appraisals, rewards and penalties, compensations and benefits as well as training and employee rights, with modification as required for strict implementation and review and optimization at appropriate time.

By adopting the principle of “remuneration based on position”, our enterprises provide employees with competitive remunerations in accordance with economic growth and business operations, integrating a remuneration that is based both on a fixed salary and performance appraisal and taking into account job responsibility and individual capability as well as our operating results. The Group pays salaries and bonuses in accordance with relevant national and local regulations and makes contribution for employees to various social insurance funds and provident funds. Employees are entitled to statutory holidays, marriage and bereavement leave, annual leave, compensatory leave, sick leave, maternity leave and personal leave. In addition to statutory benefits and holidays, the Group also provides employees with various benefits and allowances, such as lunch allowance, birthday benefits and holiday allowance. During the reporting period, the Group strictly complied with relevant national and local laws and regulations and there was no cases of violating employment laws and regulations.

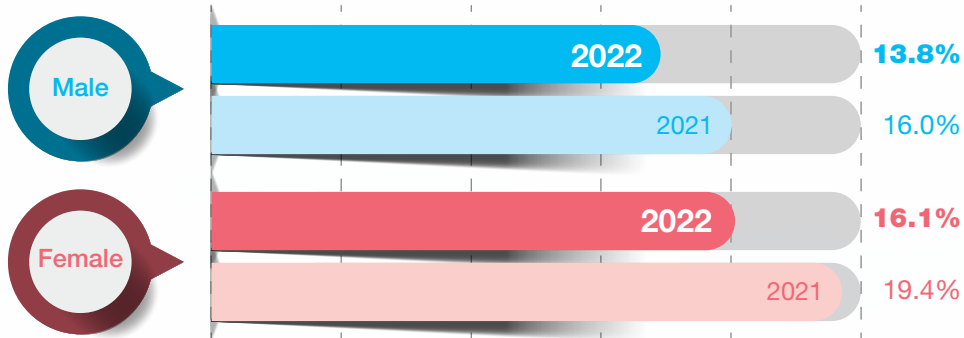
Moreover, the Group is committed to building a diversified team. As such, a series of internal human resources policies such as employee handbooks, employee welfare standards and implementation rules have been formulated, which specify the Group’s recruitment and dismissal, remuneration and promotion, working hours, leave application, equal opportunities, diversity, anti-discrimination as well as any other treatments and benefits to protect the rights and interests of both employees and employers. The Group demonstrated its care for its female staff by offering festive greetings and gifts on Women’s Day in March. In addition, the Group’s printing business issued the “Measures for Expatriate Staff to Spend Chinese New Year in Hong Kong” in 2022 to facilitate non-local staff to spend the festive season while staying in factories during the Chinese New Year, which also facilitated the return to work after the holiday.

By adhering to the principle of fairness and equality in the recruitment process, the Group focuses on the professional ethics, expertise, experience and development potential of the candidates to ensure that they enjoy equal opportunities and will not be discriminated by their nationality, ethnicity, race, gender, age, marital status, social status or religious beliefs. The Group implements a probation system for newly hired employees. During the probation period, the head of the department where the employee works for will make assessment of the employee. Upon passing the assessment, the employee will be formally hired as permanent staff. Furthermore, the Group regards standardized performance management as the basis of decision-making for talent recruitment and remuneration management. In order to streamline the assessment process while ensuring consistency in the overall assessment, our enterprises follow an objective, fair, standardized and transparent performance management system to assess, promote and reward outstanding talents.

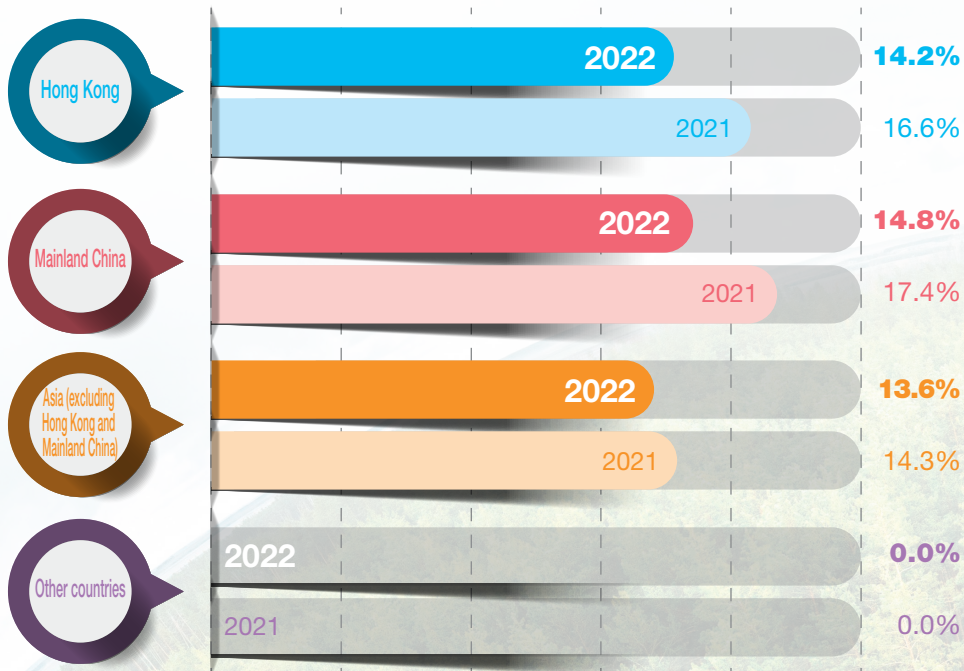
The Group also stipulates the conditions and arrangements for cancelling and terminating employment contracts in the employee handbook pursuant to relevant laws and regulations to protect the rights and interests of both parties. The conditions applicable to cancellation of employment contract include failure of employees to observe the attendance system repeatedly during their tenure, provision of false personal information, gross negligence of duties, malpractice, fraud or material violation of any laws and regulations. The Group will arrange employees to properly handover their work and implement departure procedures before the date they leave the job.

The principal activities of member companies of the Group are located in China and Hong Kong. In accordance with respective local regulations and corporate cultures, we have formulated relevant codes of conduct for employment and we adhere to the policy of diversification and anti-discrimination to provide employees with equal opportunities. The relevant codes of conduct are included in the staff manual for implementation.

**Employee turnover rate by gender**

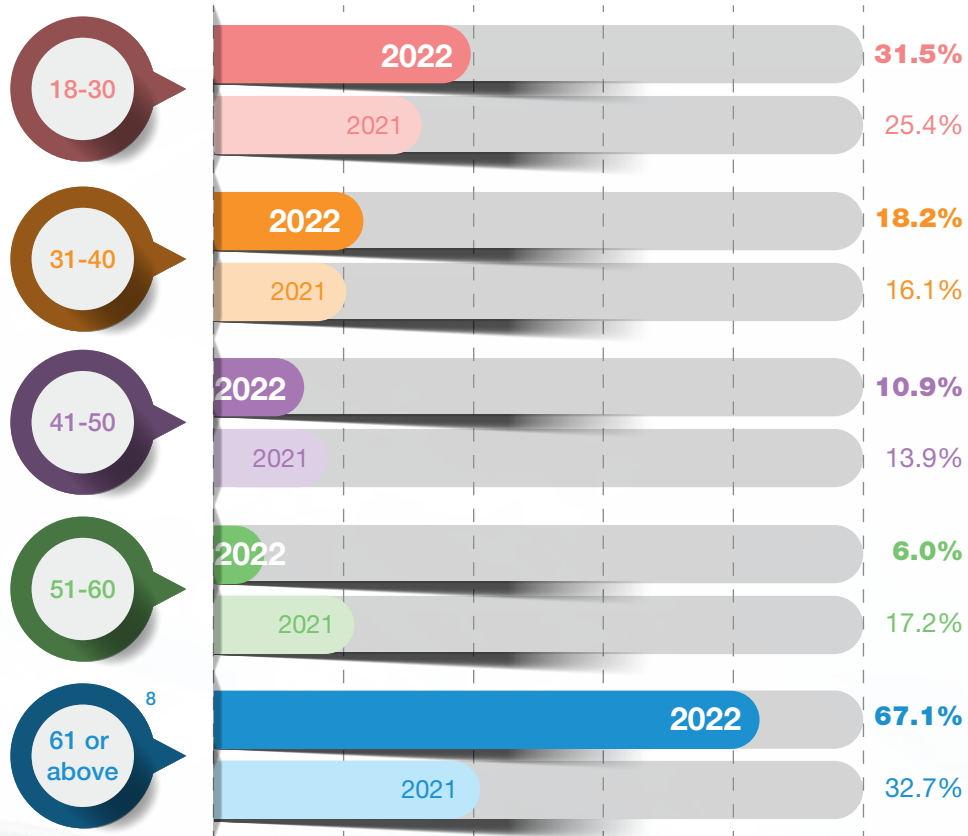


**Employee turnover rate by geographical region**



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 15

Employee turnover rate by age group



Health and safety

Ensuring the health and safety of our employees is crucial to the Group’s long-term development and compliance with its commitment to sustainable development. We are committed to providing a safe and comfortable working environment for our staff. The Group adheres to the corporate philosophy of “healthy lifestyle, joyous working” and constantly improves and enhances production safety mechanisms of all units, refines and implements rules and regulations required for production safety as well as identifying and controlling workplace hazards. Striving to establish a corporate safety culture, ensure occupational health and safety of its employees and establish a working environment with zero accident, the Group has made considerable efforts in the following three areas: strengthening the development, supervision and control of its safety systems, providing employees with safety education and training, and enhancing their awareness of safety and emergency response capabilities.

8 Affected by the pandemic, more employees aged 61 or above across the Group have voluntarily resigned during the year.

To mitigate the risk of occupational health and safety, the Group strictly adheres to relevant health and safety laws and regulations such as the Production Safety Law of the People's Republic of China, the Fire Prevention Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Social Insurance Law of the People's Republic of China, the Regulations on Work-Related Injury Insurance and the Measures for the Determination of Work-Related Injuries that have a significant impact on the Group. Pursuant to which the Group has formulated all kinds of policies and guidelines for better identification, evaluation and management of substantial hazards in different businesses so as to reduce safety risk. For example, the real estate business of the Group actively works with construction units for the implementation of safety standard guidelines during the construction process to ensure proper management of construction safety. The real estate enterprise has also established an occupational safety and hygiene committee which shoulders the important responsibility of leading and supervising the occupational health and safety work of the Group and is committed to enhancing safety production and continuously improving the level of safety management. The occupational safety and hygiene committee formulated annual safe production plan and goals and performed daily supervision and regular identification of potential hazards, the status of achievement of the targets and the investigation and management of potential hazards. The committee has conveyed the safe production work requirements to all internal responsible units and reviewed the implementation of work safety. For example, the printing business of the Group organised a production safety month in June and completed a production safety audit to raise internal awareness of production safety. During the reporting period, the Group did not violate any laws and regulations relating to health and safety which have a significant impact on the Group.

The Group provides employees with various health and safety trainings. Based on actual situations, we proactively organized trainings and drills such as flood control and typhoon control, equipment repair, firefighting, evacuation, drowning rescue, first aid dressing and cardiopulmonary resuscitation to ensure emergency situations can be dealt with by all employees in time and reduce the extent of accidental injuries. To further enhance the overall standard of safety management, the Group organizes safety workshop, trainings and drills from time to time for promoting occupational health and safety information and actively creating a safety culture atmosphere to ensure operational safety. We also invite relevant staff from construction units, leasing units and tenants to participate in related activities, so as to strengthen their safety awareness and emergency response capabilities, thereby reducing the risk of safety incidents.

The impact of the COVID-19 pandemic continues to pose challenges to the Group's operations, the Group has always kept abreast of the development of the pandemic and the health conditions of employees, and actively provides employees with multiple health protections. The Group actively follows the government's infection control guidelines and requirements to formulate pandemic prevention and control contingency plans and implement various infection control measures, such as introducing a special allowance for staff suffering from COVID-19 and offering paid leave for them during the isolation period, providing employees with face masks and hand sanitizers, recording employees' body temperature on a daily basis, implementing staggered working hours, encouraging employees to hold meetings via video conferencing and arranging employees to report duty on alternate days or work from home, etc. At the same time, the Group also attaches great importance to the health of other personnel in its operating premises by enhancing the cleaning and disinfection work on public facilities, organizing annual physical examinations for employees, and signing production safety undertakings to fulfil the requirements of relevant occupational safety and health regulations. As a result of the COVID-19 pandemic, which reduced actual work and the enterprise adherence to safety practices, the Group had 1,174 days of paid leave for work-related injuries during the reporting period, a reduction of 1,140 days as compared to 2021, and our work-related fatalities and fatality rate in the past three years are as follows:

Health and Safety Indicators	2022	2021	2020
Work-related fatalities	0	1	2
Work-related fatality rate (%)	0.00	0.01	0.01



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 17

**Development and training**

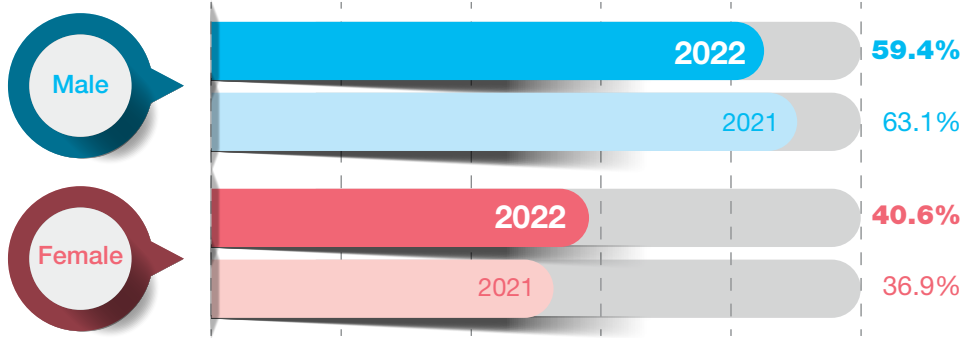
The Group attaches great importance to talent nurturing and professional development and training for its employees. We are devoted to broadening their horizon for growth and helping them to unleash their talent and potential to realize their own value. We also provide employees with a wide range of training and development opportunities and have established a good learning mechanism for them to keep abreast of the latest trends and technical knowledge in the industry and improve their business competence and skills.

To improve the job-related capabilities of its staff, the Group organizes a wide spectrum of internal and external training programmes, covering induction training, performance management, management skills, occupational skills, quality control, occupational health and safety as well as financial and tax management for discovering, reserving and training talents with female staff in particular, to meet overall planning and development needs of each business. The Group formulates annual training programmes for employees at different levels and arranges appropriate training content. For example, seminars are arranged for senior management to enhance their leadership and management capabilities; training courses are provided to middle management and young talents to enhance corporate cohesion and strengthen internal communication and learning to assist new middle managers master their management skills. New employees will receive induction training to introduce our corporate culture and development status, corporate organizational structure and rules and regulations, for helping them integrate into the working environment, enhance mutual understanding between employees and team spirit. Each business of the Group also conducts business-specific training for their staff. For example, real estate enterprises provide professional training on real estate market, risk management, green building, safety culture and other topics to their employees; water companies provide innovative thinking, contingency planning, facility maintenance trainings for heads of production and equipment engineers to improve the emergency response capability and work skills of production staff; the printing companies also provide training on environmental issues related to climate change to members of the carbon footprint group.

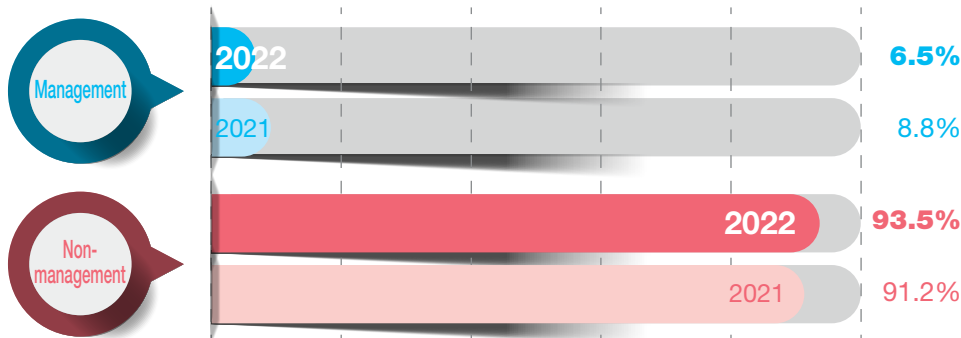
The Group emphasizes improving employees' cohesion and sense of belonging through good employee relationship management, encourages employees to communicate with the management through company intranet and other channels, and actively carries out staff activities to create a harmonious working atmosphere. During the reporting year, the average training hours completed per employee by gender and average training hours completed per employee by category were as follows. The impact of the epidemic has encouraged the Group to organise online training during the reporting period, to provide a more convenient channel to increase the number of trainees.

Employee Category	2022 Average training hours	2021 Average training hours
<i>Average training hours completed per employee by gender</i>		
Male	28.5	16.1
Female	32.5	16.1
<i>Average training hours completed per employee by category</i>		
Management	37.1	38.7
Non-management	29.7	14.6

The percentage of employees trained by gender



The percentage of employees trained by employee category



**Labour standards**

The Group strictly complies with the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Law of the People’s Republic of China on the Protection of Rights and Interests of Women, the Law of the People’s Republic of China on the Protection of Minors and the Provisions on the Prohibition of Using Child Labour, and prohibits any child labour and forced labour under all circumstances and adheres to the employment principles of equality, fairness and compliance. To prevent the use of child labour and forced labour, the Group has established the Child Labour Prevention and Remedial Procedures, the Underage Worker Protection Procedures, the Student Worker Control Procedures and the Forced Labour Prohibition Procedures for internal reference in its daily operations. Candidates would be asked to provide valid identification documents for verification of his/her identity and age during recruitment to ensure that he/she applies for the job voluntarily and meets the legal requirements for entering labour contracts. Persons under 18 will be rejected for job application. The Group also implements a standard working hour system in its daily operations to ensure the work shift system and attendance system are in place. The Group strictly implements compensatory leave and compensation for overtime work with strict enforcement in accordance with relevant national and regional regulations. We also stipulate that employees enjoy statutory holidays, marriage leave, bereavement leave, annual leave, compensatory leave, family visit leave, sick leave, maternity leave, breastfeeding leave, paternity leave and personal leave to protect employees’ reasonable working hours and rights. In 2022, the Group did not find any violations related to child labour and forced labour. If the above situations are identified, the Group will strictly follow our internal guidelines to deal with violations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 19

### OPERATIONAL PRACTICES

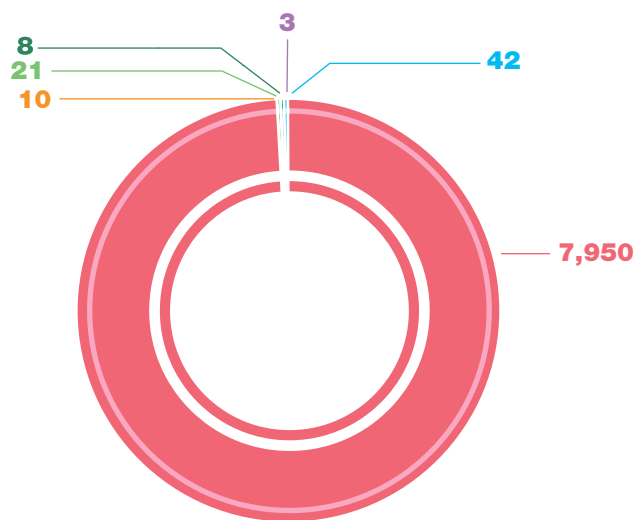
#### Supply chain management

In view of the diversity of its business, the Group has to interact with a wide range of suppliers in our daily operation. For this reason, we are committed to establishing a close partnership with them to seek mutual interest and to arrive at a common goal for growth. To select suppliers with excellent environmental and social performance, the Group will conduct environmental and social risk assessments on potential suppliers' business scope, service area, quality reputation, corporate qualifications and collaborative spirit before issuing tender invitations. We regulate tendering and bidding activities through relevant systems in the tendering and bidding process to ensure the quality and efficiency of procurement work; we also implement a fair and transparent tender evaluation system to create a fair, open and equitable tendering and bidding process for enhancing procurement efficiency. When we receive a bidding plan from a potential supplier, we will review the bidding proposals according to the bidding documents, and will consider its feasibility and rationality, supply schedule and guarantee measures, equipment employed and performance, quality, safe and civilized construction and environmental protection measures, maintenance measures, profiles of project managers and the main technical management personnel, relevant projects undertaken and performance, etc. for assessment. We also carry out qualification checks on potential suppliers through data collection and site visits to identify qualified suppliers in terms of their scope of operations, service areas, qualifications, key achievements and accreditations, etc. and discuss with them on suitable cooperation plans. Finally, the winning bidder is determined according to the evaluation results, and contract is signed with the winning bidder in accordance with the Group's procedures.

Enterprises within the Group have established their respective Supplier Management Policy to establish a systemic supplier management, qualification assessment and approval system to ensure suppliers meet all assessment criteria. Besides, the Group has maintained a long-term, stable and reliable supplier database. The Group's subsidiaries would perform an annual assessment on their own suppliers and update the supplier list to ensure that the collaborative suppliers have certain strengths and can fulfil the requirements of the Group, so as to improve the design quality of the Company's projects. We also optimized the classification of, and the assessment approach and criteria for, suppliers in order to reflect their performance on environmental and social aspects in a focused and objective manner. In the future, we will continue to actively carry out environmental procurement work, give priority to environmentally certified products in order to reduce the negative impact of procurement activities on the environment. The Group will review green development from a broader perspective, and advocate a green environmental protection and sustainable business model.

To effectively prevent and control the potential risk of its supply chain, we usually avoid using one single supplier. In 2022, the outbreak of the war in Russia and Ukraine led to an increase in the global price of natural gas, which led to a shortage of tow for tobacco production and an increase in the surcharge on raw materials. Our tobacco business immediately initiated internal discussions to forecast price trends and supply and demand, and requested suppliers for advance shipments to stabilise material stocks. During 2022, the total purchase amount from our top five suppliers accounted for no more than 30% of our total purchases. During the reporting year, the Group had engaged 8,034 suppliers, of which 7,992 were from Mainland China and Hong Kong, 21 from Europe, and 21 from USA and other countries.

No. of suppliers by geographical region



- Hong Kong
- Mainland China
- Asia (excluding Hong Kong and Mainland China)
- Europe
- USA
- Other countries

**Anti-corruption**

Business ethics and integrity are key elements for the survival of an enterprise. With a strong emphasis on corporate integrity and honesty, the Group strictly adheres to national laws and regulations relating to bribery, extortion, fraud and money laundering, namely the Criminal Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China, the Anti-Money Laundering Law of the People’s Republic of China and the Prevention of Bribery Ordinance, and requirements of the Listing Rules. Corruption of any kind will not be tolerated. The Group has established a whistle-blowing Policy to allow employees and encourage persons who conduct businesses with the Group such as customers and suppliers, to report any possible misconducts of the Group, providing channels for reporting misbehaviours. The supervision and examination department(s) will review any reported malpractices in detail as the Group has zero tolerance for any misbehaviours. During the reporting year of 2022, the Group did not receive any reports of relevant malpractices that had a material impact on the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 21

During the reporting period, the Group launched anti-corruption training activities in different forms such as thematic counselling seminars, forums, and visits to integrity education bases to enhance the professionalism of directors and employees in practicing integrity, which established and monitored the responsibility system and accountability system as well as developed an excellent corporate integrity culture. For example, the real estate business of the Group organized an “Integrity Alert Education Campaign” and also led staff to visit the Minhang Integrity Culture Museum in an effort to raise their awareness of integrity. The Group’s tobacco business provided ethics training and education to its staff to enhance their awareness of the relevant rules and regulations.

Furthermore, in adherence to good corporate governance principles, the Group has tightened internal control management and warning education and enhanced sound discipline inspection work. The headquarters of the Group conducts special audits of its subsidiaries on a regular basis, covering finance, procurement, operation and production. If employees are found to have violated the Group’s anti-corruption policy or engaged in illegal activities, the Group will, subject to the severity of the incidents, either seek compensation from such employees or report them to the judiciary.

We convey expressly our determination and undertaking for integrity and honesty to our employees through staff manuals and internal training and emphasize the Group’s requirements for professional ethics and declaration of interests. In addition, the printing companies under the Group also require their suppliers to sign an Integrity Agreement to ensure that they are committed to the principle of integrity and abide by the law for trustful collaboration. All directors and senior executives of the Group display their integrity through leading as a role model, and the general managers of functional departments and subsidiaries are also held accountable in the building of the Group’s ethical system. During the reporting year of 2022, the Group did not involve in any related legal proceedings, claims or disputes which have a significant impact on the Group.

### Product Responsibility

In order to realize our commitment to customers and provide excellent quality of products and services, the Group is committed to continuous innovation to improve the quality, healthy and safety standard of its products and services. The Group creates more opportunities and channels of communication for customers, and strives to understand the needs of our customers, enabling them to have a more pleasant experience.

The Group is well aware that product quality is the core competitiveness of the enterprise and the fundamental requirement of product responsibility. In order to improve the quality of projects, the real estate companies under the Group have established a comprehensive “Progress Management Policy”. It regularly tracks and evaluates the progress and quality of each project, safety and difficulties encountered during the research period, and develops and implements solutions in a timely manner. In respect of the use of materials and equipment, the companies will supervise the construction units based on the requirements of the Construction Quality Management Policy to ensure that qualified and safe materials, components and equipment are used. The companies will also hire qualified supervision agencies to monitor and inspect projects during construction, undergo sample testing or repeat testing of materials on the site to ensure project quality and safety. General contractors, subcontractors and other construction units are required to develop overall construction plans and use Building Information Modelling (BIM) technology to adjust and optimise project designs. The enterprises have set up a system on acceptance inspection and delivery management in accordance with the Acceptance Inspection Assessment Criteria for the Quality of Construction and Installation Projects and the relevant standards. Comprehensive inspections would be performed on the projects together with the supervision agent, professional engineers and construction units before the completion and delivery of project. If necessary, the construction units would be urged to repair any defects in quality. Relevant units would also share and exchange their experiences and ideas regularly on managing project construction quality for the purpose of improving the project quality of each property project company.

Our commitment to quality is also reflected in the reliability of our products and services. In respect of the hotel operation of our real estate companies, we emphasize safety management, proactively implement risk accountability policy and keep carrying out risk assessment, drill, training and inspection on safety matters while regularly cooperating with professional organizations to repair and maintain the access control system, security system and fire alarm system of the hotels. Regarding epidemic prevention and control, the Group has continuously strengthened epidemic prevention propaganda, dynamically grasped the physical conditions of employees, regularly enquired and updated employees' travel trajectories, and followed up and implemented employee vaccinations. In addition, in strict accordance with the requirements of the government, the Group disinfected public areas, measured temperature and checked health codes. The Group has strengthened its effort in cleaning and sterilising hotel facilities following the outbreak of the COVID-19 pandemic to protect the health of guests to the greatest extent possible. Water companies under the Group have established various policies, namely the Production and Operation Process Management Policy, the Operation Project Water Quality Management Policy and the Production Scheduling Management Policy, to manage daily production and ensure that the water supply quality of each project company is up to standard. The Group will strictly adhere to the requirements set out in the Emergency Plan for Unexpected Environmental Incidents to handle the occurrence of any abnormal conditions, such as water supply quality failing to meet the standard, in a reasonable and legal manner. The Group's tobacco business conducts stringent inspection of incoming materials to ensure the raw materials meet the requirements for use. Any production issues identified will be traced and blocked instantly. There were no sold or delivered products of the Group's tobacco business that had to be recalled for safety and health reasons in 2022.

The Group adheres to the customer-oriented service principle, strictly controls product quality, actively handles customer complaints, continuously improves customer service system to enhance customer experience and satisfaction. The Group's real estate companies actively conduct two-way communication and exchange with tenants. For example, they hold tenant seminars to discuss management services, software and hardware facilities, supporting services and other topics with tenant representatives, and respond to tenants' inquiries in a timely manner. Complaints raised by tenants will be promptly fed back to relevant departments such as engineering and technology after self-inspection by the property and business management departments to ensure that complaints are properly handled. In addition, during the reporting period, the Group's tobacco business duly handled one complaint concerning China duty-paid market and has duly traced back to find out the origin of the problem and offered a satisfactory solution.

The Group highly values the importance of protecting customer information and privacy and strictly complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, strictly prohibiting the disclosure of customer privacy without permission. The Group's subsidiaries keep customer data and privacy information in our management system and put them into different categories for administration purpose. Such data and information can only be accessed by authorized personnel. The Group requires employees to keep customer information confidential and strictly prohibits any form of divulgence by means of establishing rules and regulations, staff manual, internal communication and training. When it is discovered that customer information has been or may be divulged, the Group will immediately report, handle and rectify the case and hold relevant personnel accountable in accordance with its relevant policy.

In respect of the protection of intellectual property rights, all departments under the Group's tobacco business are committed to protecting the Group's intellectual property through proper collection and management of product packages and designs, production orders, sales invoices and photos of retail outlets. The Group's real estate business manages its construction design patents and trademark registrations. Specific clauses on intellectual property protection are written in the relevant contracts to explicitly set out the copyright and right of use of the relevant design patents and registered trademarks to ensure non-infringement of third-party intellectual property rights or trade secrets. During the reporting period, the real estate business also organised talks on corporate trademark, copyright protection and risk prevention to strengthen the knowledge and capability of its staff members in protecting and managing intellectual property rights.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 23

### SOCIAL RESPONSIBILITY

As an established red chip company with a strong presence in the society, SIHL is committed to build a rapport with the local communities and fulfill our social responsibilities. In 2022, we promoted our social responsibility work mainly through supporting art education, helping the poor, promoting knowledge on the use of water and fighting the COVID-19 pandemic. The Group combines corporate brand development with proper use of corporate resources and innovates the pattern of charity and public welfare activities. By voluntarily initiating various public welfare activities, the Group gains first-hand experience in concerning about and giving back to the society. Social responsibility activities organised or participated by the Group during the reporting period are as follows:

Through close communication with local residents, the Group is eager to understand their living needs, listen to the voices of the people, and pay attention to the people's livelihood. During the reporting period, the Group's real estate companies launched a summer "Sending Coolness" activity at the Wuxi Elderly Services Centre. They visited the facilities of the centre, learned about the clothing, food, living and entertainment of the elderly residents, and gave them supplies to make them feel cared for by the community.

Concerned about the ongoing outbreak of the COVID-19 pandemic, the Group actively puts effort in the fight against the pandemic in the community. During the pandemic, the supply of anti-epidemic materials was tight. In order to stabilize the supply of anti-epidemic materials and protect the safety of the community, the Group's real estate companies actively searched for anti-epidemic materials such as face masks, alcohol, and disinfectant, and donated them to the communities where the projects are located. During the reporting period, companies under the Group volunteered to support Mainland China and Hong Kong Government hospitals, take care patients and assist with the packing of epidemic kits. The real estate enterprises actively sent their staff to support the COVID-19 pandemic prevention and control work in various districts, sending nearly 200 staff to participate in the pandemic prevention and control work, and received letters of appreciation and commendation from the community and residents' committees.



During the peak of the epidemic in Shanghai in May, water companies quickly formed a team of volunteers and set off from Wuhan to the frontline fight the epidemic. During the service period at the Fangcang Shelter Hospital, the volunteers did their best to protect their own safety while providing delicate and thoughtful services to the patients in Fangcang. The volunteers were able to successfully complete their mission of supporting the operation of the hospital.

We believe in giving back to the society. In the future, the Group will keep engaging in activities such as optimizing business environment, facilitating community water supply in summer, collaborating in community development, alleviating poverty in villages and towns, actively participating in volunteer services and external corporate communications, enhancing corporate image and demonstrating corporate brand influence. As the COVID-19 pandemic is still raging, the Group will continue to strictly comply with the anti-epidemic measures laid down by the government and community, conduct employee health and epidemic prevention education, strengthen our cleaning and disinfection effort and distribute anti-epidemic supplies to employees, with the aim to protect the health of employees and maintain our normal production and operation.



**Compliance**

The Group is committed to ensuring that its business operation complies with relevant laws, rules and regulations. Close attention is paid to relevant regulatory changes from time to time. The Group also conducts extensive compliance review to strengthen the effectiveness of its internal control and regulatory compliance and has formulated and renewed its internal control policies and procedures, and provide guidance for our operation. Furthermore, the Group holds work seminars or trainings regularly to enhance employees’ awareness and understanding of its internal control and compliance procedures.

During the reporting period, we were not aware of any violation by the Group of any laws and regulations relating to environmental protection, employment and labour practices, operational practices and social responsibilities which might have a material adverse effect on its operation. Nor the Group has in any form violated the laws and regulations relating to bribery, extortion, fraud and money laundering.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 25

### CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Our 2022 Environmental, Social and Governance Report has been prepared in accordance with the latest version of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

Environmental	Descriptions	Relevant Section
Aspect 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, etc	Environmental protection, air and greenhouse gas emissions, discharges into water and land, and waste management
KPI A1.1	The types of emissions and respective emissions data	Air and greenhouse gas emissions, discharges into water and land, and waste management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity	Air and greenhouse gas emissions
KPI A1.3	Total hazardous waste produced and intensity	Waste Management
KPI A1.4	Total non-hazardous waste produced and intensity	Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them	Air and greenhouse gas emissions, and discharges into water and land
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity	Use of Resources
KPI A2.2	Water consumption in total and intensity	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Use of Resources
KPI A2.5	Total packaging materials used for finished products and with reference to per unit produced	The water-related business and real estate business of SIHL do not require packaging for delivery to clients, and the total amount of packaging materials used in tobacco business is set out in the section of use of resources.

Environmental	Descriptions	Relevant Section
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources	Environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment and natural resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification of and response to significant climate-related issues which have impacted, and those which may impact, the issuer	Climate change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Climate change

Social		Relevant Section
Aspect 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, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and labour practices, and employment
KPI B1.1	Total workforce by gender, employment type (e.g. full-or part-time), age group and geographical region	Employment and labour practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment
Aspect 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	Health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Health and safety
KPI B2.2	Lost days due to work injury	Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Health and safety

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Social		Relevant Section
Aspect B3: Development and Training		
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)	Development and training
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Labour standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour standards
KPI B4.2	Description of steps taken to eliminate such practices when non-compliance is discovered	Labour standards
Aspect B5: Supply Chain Management		
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	Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Supply chain management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Supply chain management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Supply chain management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Product responsibility

Social		Relevant Section
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Product responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product responsibility
KPI B6.4	Description of quality assurance process and recall procedures	Product responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Product responsibility
Aspect 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	Anti-corruption
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	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff	Anti-corruption
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	Social responsibility
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Social responsibility
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Social responsibility