

Environmental, Social and Governance Report

The Board of Directors of Huayu Expressway Group Limited (the “Company”) presents the Environmental, Social and Governance Report (the “ESG Report”) of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 (the “Year”).

The ESG Report issued by the Company represents a detailed account of the full implementation of the concept of sustainable development and performance of corporate social responsibilities of the Group. It elaborates on the various work of the Group in adherence to the principle of sustainable development and its performance of social governance in 2016.

SCOPE OF THE REPORT

The ESG Report focuses on the environmental and social performance of the Group’s operation of Hong Kong office and the business in Mainland China during the Year.

REPORTING FRAMEWORK

The ESG Report has been prepared based on “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

STAKEHOLDER ENGAGEMENT

The preparation of the ESG Report, which was supported by staff from different departments, has enabled us to have a better understanding of our development in environmental and social sense. The information we gathered were not only a summary of the environmental and social work carried out by the Group during the Year, but also the basis for us to develop our short and long term sustainable development strategies.

INFORMATION AND FEEDBACKS

For detailed information about the environmental and corporate governance of the Company, please refer to the official website (www.huayu.com.hk) and the annual report of the Company. Your opinions will be highly valued by the Company. If you have any advices or suggestions, please email to kenneth.sin@huayu.com.hk.

ENVIRONMENTAL PROTECTION

The Group is mainly engaged in the construction, operation and management of Sui-Yue Expressway (Hunan Section) (the “Expressway”) in the PRC. As the ecological environment is deteriorating, environmental protection and conservation of resources has become a consensus for the development of the world today.

Emissions

The Group regards the pollution prevention and emission reduction as an important concern and focuses on reducing energy consumption and emissions to prevent waste pollution to the environment, and actively promotes the recycling of waste materials. The measures adopted by the Group about its operation and management are mainly reflected in the following areas:

In the office administration, employees are required to develop the awareness of saving water and electricity, to minimise the usage of air conditioning of the office and to use new environmental protection and energy-saving products. The Group promoted paperless office to reduce waste. Strict approval system for office supplies was also implemented to reduce unnecessary procurement.

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For the toll road operation management, the Group implemented an efficient toll collection system to maintain smooth and unjammed rides to reduce fuel consumption and gas emissions. Measures included providing continuous training to our operational staff and introducing the electronic toll lanes.

About the waste disposal, the Group's hazardous wastes are some old electronic equipment, such as computers and batteries; while the non-hazardous wastes are paper disposed. For hazardous electronic wastes, the Group works with qualified recycling companies and hand the waste for their recycling and handling; for paper disposed, the Group collects internally those non-reusable paper and hand them to professional recycling companies for recycling.

In 2016, all relevant laws and regulations were duly observed, and the Group had not experienced any environmental pollution accident, nor had it been subject to any complain, fine or sanction due to environmental pollution or violation of environmental regulations.

Energy Saving and Emission Reduction

The Group attaches great importance to environmental protection. In our business operation, the Group upholds the principles of “reduce”, “recycle” and “reuse”, takes action to implement the idea of green office and raises staff's environmental awareness.

For paper reduction, the Group encourages its staff to adopt double-sided printing and double-sided copying. Recycling bins are set up in the office to collect waste paper, posters and envelopes for recycling. The Group also promotes the concept of paperless office, such as the use of electronic communication methods rather than facsimile or physical mails, and electronic system for recordkeeping.

As for energy saving, the Group prefers the use of office equipment with high energy efficiency, such as LED energy-saving lamp. The Group also encourages the staff to switch off electronic equipment such as computers, lighting and electronic supplies which are not in use when off duty.

VALUE OUR STAFF

Employment Standard

The Group strictly complies with the relevant laws and regulations such as Employment Ordinance of Hong Kong, Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Law on the Protection of Minors of Mainland China. The Group formulated a number of internal control systems to effectively protect the legitimate rights and interests of employees and build a good labour relation.

The Group plans and looks for suitable candidates according to the business development plans and to ensure availability of sufficient human resources. When recruiting talents, we select applicants in accordance to the requirements of the position, such as educational level, working experience and personal ability and will not implement discriminatory policies based on the applicant's gender, age, race, religion or disability, so as to provide equal chances of interview to suitable applicants. When signing contract with a staff member, the Group will also check the identification documents of the staff member to ensure that no child labour is employed by mistake. Before every staff member officially takes office, we will provide him/her with the job descriptions of the position, clearly stating the duties and responsibilities of the role to prevent any forced labour. For the resigning staff, exit interviews would be arranged in order to understand their reasons of departure and in turn for the betterment of the Group's operation. In those cases, outstanding wages would be paid on time pursuant to the requirements of the law.

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Benefits and Development

The Group recognizes the staff as our important assets and focus on protecting the staff's benefits. The Group has formulated the measures on staff remuneration and benefit management based on the Group's actual conditions and pursuant to the statutory requirements and prevailing market trends. The staff remuneration and benefits include basic salary, performance-related bonuses and corporate benefits, such as medical insurance, workplace insurance, social security fund and provident fund. The staff benefits are determined with reference to their performance, qualifications, experiences, and the operational performance of the Group and are regularly reviewed by the Group. During the year, the Group complied with the labour-related laws and regulations.

Staff development is another important aspect that the Group focus on. The Group issued a staff development handbook and will provide regular training to them. Additional training and discussion will be provided for the lag behind staff. Regular staff appraisal will be arranged in order to achieve a better communication in the job performance between the management and the staff.

In addition to the formal job appraisal and discussions, for better work-life balance, the Group often organizes social activities for its staff, to maintain their sound bodies and minds and at the same time strengthen the bonding among our staff and build up team spirit.

Health and Safety

For the health and safety of our staff, the Group strictly complies with relevant laws and regulations, including the Occupational Safety and Health Ordinance of Hong Kong and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases of Mainland China, and take out insurance policies for our staff. Offices are required to be kept clean with sufficient lighting and good ventilation at all times, equipped with proper and sufficient fire services and first aid equipment, to ensure the staffs are able to work in a safe environment. All our offices are smoke free, in order to protect the health of the staffs. If necessary, the Group will provide necessary safety equipment for the staff about the job duties.

OPERATING PRACTICES

Supply Chain Management

As the Group specialised in the operation of toll roads, all the co-operating parties in the value chain will be regarded as the working partners of the Group, including materials and equipment suppliers, construction contractors, design companies, supervisory authorities, consulting firms, intermediary advisors, etc. A procurement list based on our internal needs will be compiled and stock-taking will be performed, thereby ensuring the effective use of resources. When selecting suppliers, we first shortlist suppliers according to their product quality. For any procurement over RMB100,000, at least 3 quotes from different suppliers must be compared before making any decisions.

Product Responsibility

The Group is now operating the Expressway and has been strictly adhering to the National Highway Maintenance Technical Specification and Assessment Criteria in conducting routine inspections, frequent inspections of the Expressway, so as to ensure the safety of the structures. The Company has been closely inspecting technical conditions of the Expressway to identify and make corrections for damages as early as possible. The Group has formulated a mid-to-long term maintenance plan mainly based on the 5-year maintenance system. The maintenance plan provided a guideline for the maintenance work each year and was improved and amended based on the annual inspection result of the technical conditions of the Expressway.

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The Group also established the emergency management mechanism for the Expressway. The management mechanism covers emergency and contingency responses to various situations including peak hours on festivals and holidays, road accidents, construction and extreme weather conditions. The mechanism can guide the traffic and evacuate traffic flow. In order to deal with traffic accidents timely, the Group established a service mechanism to save lives and safeguard the property of customers.

A complaint mechanism is also in place, under which a special team of staff will handle customer complaints and enquiries through telephone, email or other means. In addition, we have formulated a non-disclosure mechanism in order to ensure customer data is kept strictly confidential. After use, all files must be returned back to where they are from. Without the permission of department heads, staff members are not allowed to take documents away from office, nor should they disclose any confidential information related to the Group to third parties.

Anti-corruption

According to the Prevention of Bribery Ordinance of Hong Kong and the Criminal Law of the People's Republic of China, the staff of the Group are not allowed to demand or accept a bribe, including money, gifts, rewards, services or privileges, in connection with his/her duties. In order to prevent the occurrence of corruption, relevant internal control systems have been set up. The staffs are required to fill in a conflict of interest declaration for our information if they encounter conflict of interest with their duties during their terms of employment. To avoid any misunderstanding, staff members are required to report to us if they receive any gifts from our customers, suppliers or any parties conducting business with us.

COMMUNITY INVOLVEMENT

Over the past few years, the Group's investments in the Expressway fulfilled the transportation needs of the society, and have made positive contributions to regional economic development and social progress. As a public product, the Expressway achieved the characteristics of safe, speedy, economical and comfortable. During the year, the Group continued to earnestly implement the policy of free travel of small-sized passenger cars during festival holidays.

Business development aside, the Group also spares no effort in participating in charity. The Group participates in charitable events and makes donations from time to time to help the disadvantaged.