

**HUAYU EXPRESSWAY GROUP LIMITED**

**華昱高速集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1823)**

**Environmental, Social and Governance Report  
For the year ended 31 December 2018**

# Environmental, Social and Governance Report

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# Environmental, Social and Governance Report

## 1 ABOUT THIS REPORT

### 1.1 Overview

This is the Environmental, Social and Governance (“ESG”) report of Huayu Expressway Group Limited (the “Company”) and its subsidiaries (together, “Huayu” or the “Group”) for the year ended 31 December 2018 (the “Year”).

### 1.2 About Our Business

The Group is principally engaged in the construction, operation and management of the Sui-Yue Expressway (Hunan Section) expressway in the People’s Republic of China (“PRC”), which is a dual three-lane expressway with a length of approximately 24.08 km.

### 1.3 Scope of this Report

This report covers the period from 1 January 2018 to 31 December 2018, which aligns with the Group’s annual report. The main scope of this report covers the Group’s expressway operation in Mainland China.

### 1.4 Reporting Reference

This ESG report has been prepared in accordance with the HKEX Environmental, Social and Governance Reporting Guide (“ESG Guide”). An “HKEX ESG Content Index” mapping the disclosures in this report to the ESG Guide is provided in Appendix I.

### 1.5 Endorsement and Approval

This ESG report has been reviewed and approved by the Board of Directors.

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## 2 STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder engagement is an important process which aids our decision making process. It helps us to continuously improve and make progress toward our ESG commitments. This year, we have updated the ESG materiality through engagement with our internal stakeholders including senior management such as key departmental heads, who possess not only hands-on knowledge of our operations, but also understand well of our key investors and business partners.

With the facilitation of a third-party consultant, we collected our management's views through engagement surveys and interviews and the results are summarized as follows:

	Aspects	Relevance to business
Social	Health and safety	Occupational health and safety is crucial to our toll road operation, and we are committed to the prevention of workplace injuries and occupational disease.
	Anti-corruption	Integrity is a core value of the Group and must be upheld by all our staff at all times.
Environmental	Use of electricity	The major sources of our electricity consumption are the lighting needs at our toll stations and the daily operation of our dormitory and office.
	Use of water	The major source our water consumption is the staff consumptions at our office and dormitory.

## 3 ENVIRONMENT

### 3.1 Emissions

As an expressway operator, we ourselves produce limited amount of air emissions. Our greenhouse gas emissions came from our use of energy such as electricity, and hazardous waste or wastewater discharge came from our routine road maintenance. We continue to pay attention to monitor emissions from our operations and strictly comply with the relevant laws and regulations.

#### *Toll road operation*

For our toll road operation, the major source of air and waste emissions are the vehicles using the expressway, for our own emissions are rather minimal compared to the amount of vehicles passing through the expressway. While we have limited control on the emissions of the road users, we seek to reduce their impact to the environment by ensuring a smooth traffic within our control to reduce congestions.

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The noise produced by the traffic flow is another major emission from our toll road operation. In order to mitigate the noise impact towards sensitive receivers such as schools and residential buildings developed along the road, we have been installing noise barriers at sections of the expressway to reduce traffic noise since late 2017, and the installation of noise barriers was completed in the reporting year.

During snow and ice weather, deicing salt is used to maintain a safe road condition for drivers. To reduce the impact to the surrounding environment, we have been using an environmental friendly deicing salt to minimize the impact of washed out from these salt residuals, impacting the quality of the environment within the vicinity of the road.

## ***Office and staff's dormitory***

The major types of emission from our office and dormitory includes, domestic wastewater, general waste and an insignificant amount of hazardous waste. We have an in-house waste water treatment plant in place to treat the wastewater generated at our facilities, and the treated water is reused for greening and fish keeping. For the reporting year, the Group's in-house wastewater treatment plant has met the relevant national standard regarding wastewater discharge.

Regarding waste management, we adopt the '3R' principles of 'reduce, reuse and recycle' at our offices and dormitory. General wastes are centrally collected in a designated area and be collected by local sanitation department regularly to ensure proper disposal of general wastes. There is also a minimal amount of hazardous waste generated in our operations, which includes used batteries, light tubes and waste oils. On the handling of these hazardous wastes, we appoint qualified third-parties to ensure proper disposal in compliance to local laws and regulations.

## ***Greenhouse gas emissions***

The carbon emissions of the Group mainly come from the use of fuels and purchased electricity. Our major fuel consumption includes the diesel and gasoline used for our vehicles, and the natural gas used at our canteens. While greenhouse gas emissions are not considered material to our operations, we still seek to reduce our carbon emissions by different energy conservation measures as described in section 3.2.

## ***Regulatory compliance***

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to environmental emissions.

## ***Summary of emissions in 2018***

The details of our environmental emissions in 2018 are as follows:

	Unit	2018 emissions
Wastewater discharge	tonnes	20,217
General waste	tonnes	18

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## 3.2 Use of resources

### *Toll road operation*

As no road lights are provided on the expressway, the only electricity consumption at our toll road operation is from the toll stations. During the year, we have completed the replacement of existing high-mast lighting with LED lights, which helps cut down our energy consumption.

### *Office and staff's dormitory*

The two major types of resources consumption at our office and dormitory are energy and water. Energy consumptions includes electricity, natural gas used at our canteen, and the diesel and gasoline used by our vehicles. As part of our effort to lower our environmental impact, we encourage our employees to conserve energy and water saving in the office and dormitory. Initiatives carried out during the year included:

- Turning off lights and electronic equipment when unused for a prolong period pf time;
- Duplex printing and reuse of single-sided paper;
- Implementing paperless office, gradually switching to electronic communication method;
- Setting up recycling bins the office to collect general waste for recycling; and
- Use of solar water heating at our dormitory.

### *Summary of resources consumption in 2018*

The details of our resources consumption in 2018 are as follows:

	Unit	2018 consumptions
Electricity	kWh	1,795,982
Water	m <sup>3</sup>	25,959

Compared to 2017, our electricity consumption this year dropped by 4%. This is mainly due to the higher temperature during cold months leading resulting less air-conditioning use.

## 3.3 The environment and natural resources

The significant environmental issues faced in our business regarding emissions and the use of resources are already disclosed in the above sections.

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## 4 SOCIAL

### 4.1 Employment and Labour Practices

#### *Employment*

We acknowledge that talents are the foundation of our business growth of our business. We are committed to create a corporate culture that fosters mutual trust, respect and teamwork, and provide them with a rewarding and pleasant working environment.

For employees' remuneration, recruitment and dismissal, we strictly abide to by local labour laws such as the Labour Law in Hong Kong and the Labour Contract Law of the People's Republic of China. New joiners would receive a 'Staff Training Manual' which details the human resources practices of the Group, including probation, promotion, dismissal, appraisal and leaves and other benefits.

We care about the well-being of our staff and we co-organize recreational activities like badminton competition with the labour union. At the dormitory, we provide also recreational facilities like basketball court and snooker tables for employees' enjoyment in their free time.

#### *Labour practices*

The Group respects each individual's basic human rights and strictly prohibits the employment of forced and child labour. During the recruitment process, we verify applicants' identification document to prevent child labour. We also respect the freedom of expression of our staff, and encourage them to discuss any concerns they have with their supervisors or the labour union. As an escalation channel, there is also a 'General Manager mailbox' placed in the office for staff to report their concerns.

#### *Staff composition as at 31 December 2018*

Category		2018
Total number of staff		250
By gender	Male	108
	Female	142
By age group	Below 30	144
	30-50	92
	Above 50	14
By employment type	Permanent staff	250
	Part-time/Contract staff	0
	Total turnover rate	27%

#### *Regulatory compliance*

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to employment and the employment child or forced labour.

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## 4.2 Health and Safety

As a toll road operator, safety is the top priority of the Group. To ensure the safety of our employees and road users, we have formulated the 'Safe Production Management Policy' and established a dedicated committee led by management in overseeing health and safety of our employees and in our operations.

To promote health and safety awareness among our staff, we provide different safety training to employees depending on their needs. All new employees must receive basic safety training before performing their duties, and special positions like drivers, electricians, security personnel and cooks shall receive professional training tailored to their duties. We also provide personal protection equipment such as reflective vests to employees and provide free biannual body check and medical insurance for timely diagnosis and treatment of occupational health issues.

To minimize safety risks in our operations, we perform regular and ad-hoc safety inspections. The safety inspection concerns issues like potential safety hazards, the proper implementation of safety precaution procedures and the equipment conditions etc. For any potential safety issue identified, we formulate corrective measures and designate the employee responsible for the matter to ensure preventive actions are timely implemented.

No significant health and safety incidents were observed in the year, except for a three minor cases of work-related injuries with a total of 47 workdays lost.

### *Regulatory compliance*

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding occupational health and safety.

## 4.3 Development and Training

The Group is a firm believer in nurturing employees' knowledge and skills via ongoing training. We provide various training to our employees, including topics like etiquette, business-related processes, management skills and professional skills. To help new joiners settle in, we provide them with training on our corporate culture, rules and regulations, and the business process of their position.

Besides internal training, we also encourage our employees to attend external training to strengthen their job performance. Upon successful application, employees may receive rebates to their training cost. Depending on the length of service, the maximum rebate amount can range from RMB2,000 to RMB50,000.

## 4.4 Supply Chain Management

We have established a 'Procurement Management Policy' to guide the procurement of product and services of the Group. The policy clearly lists the procedures from budgeting to the management and assessment of suppliers. In general, we select suppliers mainly based on factors including price, quality and qualification. For large-scale procurement practice, departments are also required to enlist at least three qualified suppliers for comparison before making orders.

To maintain the quality of our suppliers, we assess the performance of our suppliers either annually or at the end of their contracts. Any price fixing and corruption incidents were identified, the supplier will be disqualified as a listed suppliers of the Group.

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## 4.5 Product Responsibility

It has always been our goal to provide a safe, time-saving, and comfortable expressway transportation services to the road users. To achieve this goal, we strictly adhere to the following:

- Maintaining a safe and efficient expressway
- Maintaining high service quality

### ***Maintaining a safe and efficient expressway***

The overall management of the expressway is handled by our road construction department in accordance to the relevant road safety laws and regulations. The department is also responsible for other daily operations including hardware maintenance, emergency planning, and coordination with government departments on special road arrangements.

We conduct routine inspections of the expressway to ensure road safety. Through our frequent inspections, we are able to notice any structural damage of the road and its hardware in a timely manner, for example cracks on the road surface and worn out road surface markings, and immediately repair the damages with the help from our outsourced maintenance team. In 2018, we have replaced all reflective road signs on the expressway in response to the inspection results.

We have also established an emergency management mechanism for the Expressway that covers emergency and contingency responses to various situations, including peak hours on festivals and holidays, road accidents, construction and extreme weather conditions. Collaborating with the local government and service area operators, we also perform emergency drill at least once a year to ensure rapid and appropriate response to different types of emergencies.

### ***Maintaining high service quality***

In terms of service quality, we have carried out various initiatives to ensure a high service quality at our toll stations. To start with, we require all new toll collectors to attend a one-week training on how to politely interact with road users. For existing employees, we provide similar training on their etiquette as a toll collector every two years and low performers will receive additional training. To incentivize our staff, we conduct road user surveys on the performance of toll collectors, and the high-performers will be rewarded with monetary prize.

We also put great efforts on improving the efficiency of the toll collection process. Besides providing training on the toll collection process to our employees, we also look for innovative means to speed up the payment process. Since 2018, we have been providing e-payment options like WeChat Pay and Alipay to make the payment faster and more convenient.

### ***Regulatory compliance***

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding product responsibility.

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## 4.6 Anti-corruption

The Group is committed to achieving the highest standards of openness, probity, and accountability. To ensure employees at all levels can conduct themselves with integrity, impartiality and honesty, the Group strictly follows local jurisdiction laws such as the Prevention of Bribery Ordinance of Hong Kong and the Criminal Law of the People's Republic of China.

All our employees are made aware of our zero tolerance regarding bribery, extortion, fraud or money laundering whether in dealing with public officials or individuals in the private sector. Any 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. To better monitor the toll collection process and prevent any dishonest act of collecting extra money, we have installed surveillance Cameras at our tollhouses.

### *Regulatory compliance*

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding anti-corruption.

## 4.7 Community Investment

We take pride in providing safe, time-saving, economical and comfortable expressway transportation services to road users in need. Our investments in the constructions and maintenance of the expressway opened up the connections between the local residences to other parts of the country, making substantial positive influences to the regional economic development.

During the year, we have continued to offer free passages through the expressway during Spring Festival and other major holidays in accordance with national policy.

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## A1 APPENDIX I: HKEX ESG CONTENT INDEX

	Aspects	Section	Remarks
<b>A</b>	<b>Environmental</b>		
<b>A1</b>	<b>Emissions</b>	3.1	
A1.1	The types of emissions and respective emission data.	3.1	Majority of the air emissions are from road users and we do not generate a significant amount of air emissions ourselves.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume =, per facility).	3.1	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1	Only a minimal amount of hazardous waste is produced during our production and the data is not tracked.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1	
A1.5	Description of measures to mitigate emissions and result achieved.	3.1	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.1	
<b>A2</b>	<b>Use of Resources</b>	3.2	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.2	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.2	
A2.3	Description of energy use efficiency initiatives and result achieved.	3.2	

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	Aspects	Section	Remarks
<b>A</b>	<b>Environmental</b>		
A2.4	Description of whether any issue exists in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.2	Our water consumption is provided by municipal services and we do not anticipate any issue in the sourcing of water.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	Packaging materials are not used in our operation.
<b>A3</b>	<b>The Environment and Natural Resources</b>	3.3	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	3.3	

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	Aspects	Section	Remarks
B	Social		
B1	Employment	4.1	
B2	Health and Safety	4.2	
B3	Development and Training	4.3	
B4	Labour Standards	4.1	
B5	Supply Chain Management	4.4	
B6	Product Responsibility	4.5	
B7	Anti-corruption	4.6	
B8	Community Investment	4.7	