



# 2016

## Environmental and Social Responsibility Report

# **2016 Environmental and Social Responsibility Report**

## **REPORTING PERIOD**

This Environmental and Social Responsibility Report covers the period from January 1, 2016 to December 31, 2016.

## **REPORTING SCOPE**

This Environmental and Social Responsibility Report covers the Company and its subsidiary companies (the “Company”) related to the highway business, excluding Zheshang securities co., Ltd. and its associated companies, joint venture companies and joint-stock companies.

SPECIAL NOTE: As considered and approved by the Board, the Company acquired 100% equity interest in Huangshan Changjiang Huihang Expressway Co., Ltd. in 2016. As at the end of the Reporting Period, Huangshan Changjiang Huihang Expressway Co., Ltd. became a subsidiary of the Company. As considered and voted at the first extraordinary general meeting in 2016, the Company transferred 100% equity interest in Zhejiang Expressway Investment Development Co., Ltd. to a third party and completed the transfer procedures on December 29, 2016. As at the end of the Reporting Period, Zhejiang Expressway Investment Development Co., Ltd. was no longer a subsidiary of the Company.

## **ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT**

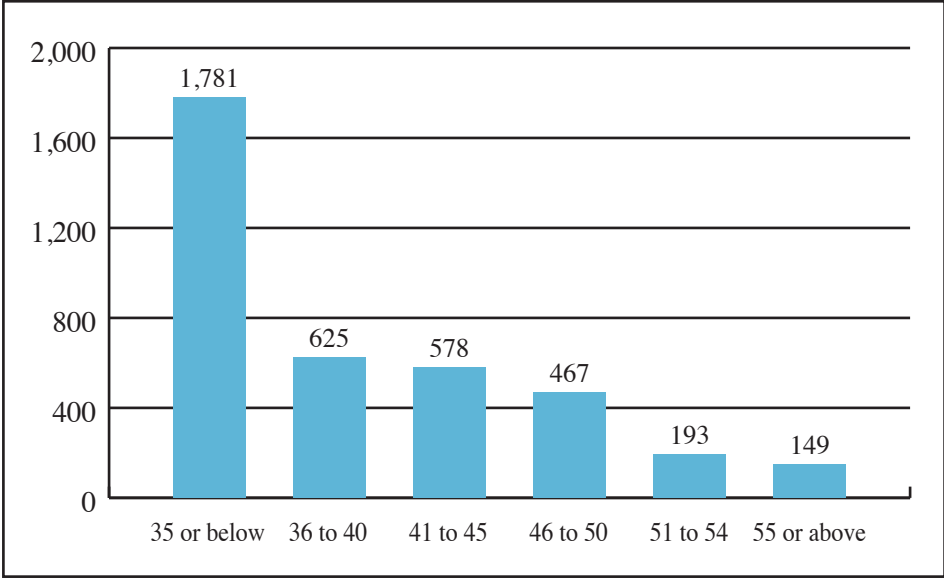
### **Elements of Work Environment**

#### *Work Environment*

The Company is committed to the corporate values of integrity, harmony, open-mindedness and ambition, in order to provide a good and positive work environment where employees may fully utilise their talents. The Company attracts and retains talents who fit well into the strategic requirements of the Company on the recruitment principle of “ability and integrity, virtue first and drive for results” and by means of campus recruiting, social recruiting, references and recruitment through agencies. Remuneration is determined based on an employee’s function, ability and performance. The whole remuneration package offered by the Company to its employees includes basic salary, incentive pay, paid leave, supplementary health insurance, annuity, etc. Employees are given the opportunity to pursue their most suitable career path through competition, discretionary choice, references and rotations.

As at December 31, 2016, the Company had a total headcount of 3,963 employees, with male and female employees representing 60.4% and 39.6% respectively, of which 428 employees were hired by third party labour service agencies. During the Reporting Period, 329 employees resigned, representing 8.3% of the total headcount of the Company.

Staff Age Distribution of the Company



*Occupational Health and Safety*

The Company insists on “human-oriented, safety first, prevention-focused, comprehensive management and safe development”, and focuses primarily on safety in all business and production activities. The Company has implemented production safety accountability and safety risk deposits, defined the duties and responsibilities of each position for the purpose of production safety, set forth standardised safe operation procedures in line with the nature of each job, regularly carried out special inspection regarding road operations safety, irregularly assessed hazards and risks in occupational health and safety and taken appropriate action to ensure risks are under control. The Occupational Health and Safety (OHS) management system of the Company has been certified by a third party institution.

During the Reporting Period, the Company continued to implement standardised production safety procedures for expressway operations and standardised production safety procedures for production teams, and obtained the Transportation Enterprise (Level 2) in Safety Production Standards. The Company also conducted various training sessions on safety warnings, which highlight the concept of safety management among all employees and raise the awareness of safety management among all employees. Specific projects including “safe production month”, “Ankang Cup”, “production safety investigation and rectification project” and “production safety standards year” were held. No incident of material production safety liability was identified. The Company organised the emergency response drill regarding expressways in Zhejiang province (Jinhua region) in 2016 to inspect the emergency response mechanism directed by the government in the event of significant emergencies and received high accreditation. During the strong cold weather in the spring time of 2016, the Company sent 4,170 relief workers and cleared snow piles of 153,000m<sup>3</sup>. In the Hanghui Expressway mudslide that took place on May 7, 2016, the Company sent more than 200 rescuers who worked 30 straight hours to clear earthwork of more than 6,000m<sup>3</sup> and successfully rescued four trapped victims and no casualty was reported.

The Company buys personal accident insurance for all employees, arranges for employees to take physical examinations and purchases labour protection supplies for the protection of employees as required. During the Reporting Period, the Company paid RMB682,000 for personal accident insurance, RMB1,651,000 for physical examinations and RMB10,162,500 for labour protection supplies. No work-related injuries or deaths occurred with respect to any employees.

#### *Development and Training*

The Company encourages employees to continue to study and awards them in an appropriate way on meeting the requirements and obtaining the results of study. According to the nature of each job, the Company provides different classes and levels of comprehensive management knowledge training, professional technical training and job skills training to enhance the business skills and management level of employees.

During the Reporting Period, the Company actively conducted various training activities and paid RMB4,831,000 for such training activities. The Company continued to work with the High-end Management Training Centre, School of Continuing Education, Shanghai Jiaotong University to provide training on management capabilities improvement of middle-level management and key members of the Company, including but not limited to human resources management, finance management, leadership training and etc. The Company exercised system upgrade and revamp of the online education training platform. Taking into account the position features and circumstances of its employees, it further strengthened the professionalism and relevance of course curriculum. The Dai Zigang Skill Master Workshop of Ningbo Management Office of the Company was accredited as the provincial skill master workshop by Zhejiang Province Human Resources and Social Security Department.

#### *Corporate Culture*

During the Reporting Period, the Company endeavoured to promote corporate culture by capitalising on its business expansion and management consolidation efforts, and strengthened the promotion of corporate culture by carrying out a variety of corporate culture events. It also continued to increase employees' understanding of the core values of the Company's corporate culture to effectively enhance cohesion between employees, drive development and strengthen cooperation. During the Reporting Period, the Company organised 11 culture training activities by means of featured training and internal preaching and 16 other culture themed activities including sports day for employees and feature public speaking competition.

During the Reporting Period, the Company pushed ahead its culture development efforts and such efforts were well recognised by the units and departments at higher levels. Throughout the year, the Company was granted 36 awards above prefecture and municipal level. Fucun Toll Station of the Company gained the titles of “National Worker Pioneer” and “Zhejiang Province Advanced Grass-root Party Organisation”. Huangshan Management Station of the Company gained the National “Ankang Cup” Excellent Crew by All-China and seven grassroots window units were honoured the “Best Model Window” by the Zhejiang provincial examination expressway bureau. The league branch of Hangzhou Management Station was named “G20 Summit Provincial Youth Civilisation”. Mr. Li Jun was awarded the title of “Zhejiang Province G20 Hangzhou Summit Advanced Individual for Security Service”. Ms. Zhou Qingxiang was named among the “10,000 Good Party Members” in Zhejiang Province. Ms. Weng Juhong gained the title of “Beautiful Expressway Contributor” by the Zhejiang provincial expressway bureau. Mr. Pan Guiliang gained the titles of “Zhejiang Province Transportation System G20 Hangzhou Summit Advanced Individual for Transport and Security Service” and “Most Beautiful Transportation Contributor” by the Zhejiang provincial transportation department.



*Labour Standards*

The Company adopted a system whereby any adjustments pertaining to material matters such as employee salary collective negotiation and employee labour interests shall be considered and adopted at a congress of workers and staff. The Company established a labour dispute mediation committee to protect the interests of employees as well as a poverty alleviation fund to help those in need. At a grass-root station of the Company, a special psychological counselling room and an abreaction room were established with qualified part-time psychological counsellors to provide psychological counselling and guidance in a bid to guide employees to maintain a calm state of mind and to work and live happily.

During the Reporting Period, the Company obeyed and followed all relevant labour laws, respected justice and fairness in its employment policies, prohibited the use of child labour or forced labour and signed employment contracts with all employees. The Company did not employ any child labour, or have any labour disputes. A total of RMB142,000 was taken out from the poverty alleviation fund to help 20 employees in distress during the Period.



## Environment Protection

### *Emissions and Discharges*

The Company is principally engaged in investing, developing and operating high-end expressways. Its businesses, though different from those enterprises involved in the environment business directly, do to some extent, directly or indirectly, have an impact on the environment. The Company follows all environment-related laws and regulations strictly, and conducts environment impact assessments as required for all new projects. The Company promotes the use of low-carbon, environmentally-friendly and effective geothermal renewable technology on asphalt pavements to reduce the use of bituminous mixtures via recycling. The recovery and recycling of waste asphalt has reached almost 100%. The environment management system of the Company has been certified by a third-party institution.

	Reporting Period	
	2016	2015
Waste water discharge from toilets, canteens and the square in the service stations (10,000 tonnes) <sup>1</sup>	N/A	109
Waste water discharge compliance rate <sup>2</sup>	N/A	100%
Recovery of bituminous mixture waste (10,000 tonnes)	10.0	9.2
Recycling of bituminous mixture waste (10,000 tonnes)	5.0	4.6
Dust emission compliance rate from asphalt mixing <sup>3</sup>	N/A	100%

Notes 1, 2 and 3: Zhejiang Expressway Maintenance Co., Ltd. and Zhejiang Expressway Investment Development Co., Ltd., which were transferred by the Company, are excluded from above.

### *Resource Consumption*

The Company encourages all employees to save resources, protect the environment and lower costs. Without compromising service and product quality, the Company tries to minimise resource consumption and usage. Energy-efficient processes and products are used wherever possible. The Company's lighting equipment is also remodelled for energy savings. Employees are encouraged and supported to make rational proposals for energy saving, emission reduction and efficiency improvements.

During the Reporting Period, the “expressway hard shoulder lane ultra-sound warning system”, “road remote warning system”, “a large truck trailer support rack” and “a tunnel ventilation system” developed by the Company received the patent certificates issued by the State. The province’s first smart toll booth was introduced at Linglong Toll Station. Hanghui Management Office of the Company switched to LED lamps instead of sodium lamps at the tollbooth and made use of timer to adjust the light level, thus saving tariff of approximately RMB150,000 per year. Langkuling Tunnel of the Shangsang Expressway completed the energy-saving lighting improvement, thus saving tariff of approximately RMB180,000 per year.

	Reporting Period	
	2016	2015
Water (10,000 tonnes)	18.2	138.9
Power (10,000 KWH)	2,555.7	3,972.5
Steam (tonne) <sup>1</sup>	N/A	2,553
Oil		
Gas (tonne)	444	617
Diesel (tonne)	650	1,042
Natural Gas (10,000 cubic meters) <sup>2</sup>	N/A	0.25

Notes 1 and 2: Zhejiang Expressway Maintenance Co., Ltd. and Zhejiang Expressway Investment Development Co., Ltd., which were transferred by the Company, are excluded from above.

#### *Environment and Natural Resources*

The Company follows an environmental management policy that is focused on energy savings, consumption reductions and environmental protection. Tollhouses are beautified by planting greens, fruit trees and crops strategically in order to improve both the air quality of the local environment as well as working environment for employees. During the Reporting Period, Hangzhou Management Office exercised the green improvement at the four interchanges namely Pengbu, Xiaoshan, Yuhang and Desheng occupying an area of 66,000 square metres. The Shaoxing section of Hangzhou-Ningbo Expressway was named Zhejiang’s “Most Beautiful Greening Expressway” by a number of government authorities including Greening and Wetland Protection Committee of Zhejiang. In order to save on paper and other office supplies, the Company uses video conferencing systems as well as electronic communications such as emails widely. The Deskmedia paperless digital conferencing system was introduced in the Company’s offices. The Company also encourages double-sided printing to minimise environmental impact and paper consumption. During the Reporting Period, the Company used 604 cartons of paper (5,000 pieces/carton).



## **Business Practices**

### *Supplier Management*

The Company chooses suppliers according to the Company's "Administrative Measures for Bids". Suppliers of compliant procurement projects must be determined by means of bidding, competitive negotiation, inquiry and comparison, and are subject to the rules of transparency, fairness, justice and good faith. The Company has formed a bid management committee and a bid evaluation committee. If any member of the bid evaluation committee has any kind of interest in a prospective supplier, such member must avoid being involved in any decision-making related thereto.

During the Reporting Period, the Company selected 103 suppliers by bidding and purchased maintenance machinery, safety renovation devices and upgraded equipment at an aggregate value of approximately RMB586,012,000.

### *Assurance*

Safe, smooth, high-quality and efficient traffic define the quality management philosophy of the Company. It is the core responsibility of the Company to keep its expressways intact, flat and smooth, and related facilities operating efficiently. In order to achieve this goal, the Company has deployed a medium-to long-term maintenance plan and annual maintenance plan, put in place a standardised toll service system, and put together a traffic accident response team and mechanism. Standard equipment maintenance, a support and emergency response mechanism and an OHS system have been implemented. The Company has also connected to Zhejiang Province's service hotline 12122, and has specified traffic video storage periods and inquiry procedures. The tollbooth staff are good-mannered and follow toll-collection rules. The quality management system of the Company has been certified by a third party institution.

During the Reporting Period, the Company stepped up its efforts in the "maintenance and quality control improvement year" campaign and recorded road maintenance costs of approximately RMB393,360,000. This included the improvement of 280,000 square metres of distressed pavement, and pavement overlay mileage of 85 km (single breadth), repaved 10 bridgeheads, and consolidated 39 high slope protections. The relevant competent government authority tested the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway and the Hanghui Expressway and rated their Pavement Quality Index<sup>1</sup> (PQI) as 93.0, 92.4, 92.9 and 93.2 respectively, among the best in class as recognised by the government's communications authority. The Company implements comprehensive road monitoring and seeks to spot and clear litter on the road as early as possible by implementing regular road monitoring and patrols, and extraordinary patrols under unusual weather or events. Public liability insurance is acquired against potential losses arising from traffic accidents caused by litter on the road. During the Reporting Period, there were 108 incidents<sup>2</sup> caused by road litter on the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway, and the Hanghui Expressway, of which 10 incidents were covered by public liability insurance. There were no traffic accidents for which the Company was legally obligated under a court ruling.

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<sup>1</sup> No test was carried out on the Huihang Expressway during the Reporting Period.

<sup>2</sup> No data of the Huihang Expressway were included during the Reporting Period.

During the Reporting Period, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, and the Jinhua Section of the Ningbo-Jinhua Expressway, the Hanghui Expressway and the Huihang Expressway were open for traffic for around 324 days and were blocked or closed on the remaining around 41 days due to traffic accidents, weather, road construction or other problems (including full closure, lane closure, timed closure, tollbooth closure and split traffic). The Company has 169 ETC lanes and 127 lanes with a self-service card issue machine at the entrance, of which 17 were newly added during the Reporting Period. A total of 215,130,000 vehicles passed through the Company’s tollbooths.



During the Reporting Period, while standardising the service of toll expressways, the Company provided personalised service based on the actual circumstances and enhanced the service standard of toll expressways by extending its personalised service and encouraging primary tollbooths to fulfil the general requirements of customer-oriented experience and standardised service. In addition, an independent third party evaluation mechanism has been introduced for appraisal. During the Reporting Period, the Company’s toll service was ranked first both in terms of group contest and civilised service in the toll business skill contest organised by Zhejiang Communications Investment Group Co., Ltd.

During the Reporting Period, the expressways of the Company, especially Hangzhou Entrance, undertook the mission of providing the security service for G20 Hangzhou Summit and enhancing the city image. During the summit, various units and lines of business of the Company actively made a concerted effort to comprehensively assure safe and smooth operation of its service network such that “zero failure and absolute safety” was achieved for the summit. Its efforts were highly appraised by the community.

During the Reporting Period, the Company received a total of 75,390 incoming calls via its service hotline, including 156 complaints. The complaint settlement and response rate was 100%. The Company responded to 39,549 road side service requests and the average response time from service request to the dispatch of the rescue team was approximately 5 minutes<sup>3</sup>.

During the Reporting Period, the number of toll free vehicles transporting fresh agriculture products on the section of expressways managed by the Company was 956,359, with a total toll exemption of RMB167,541,000; and the number of toll free vehicles for passenger cars during holidays was 7,724,048, with a total toll exemption of RMB312,759,000.

During the Reporting Period, the Company introduced Alipay quick toll payment method and was widely reported by the media. The Company gained the title of the “Best Innovative Private Enterprise for Internet+ Social Services in China” for 2016 by Internet Society of China.

During the Reporting Period, the Company was not involved in any charge of intellectual property, private client information leakage and no food safety accidents took place at service areas.

#### *External Responsibility*

The Company’s products and services have some impact on the environment and the life of residents along the roadside, such as noise from vehicles running on expressways and occasional accidents of leakage of hazardous products. The Company regularly exchanges views with the government and affected residents, and uses its best endeavours to minimise the impact of noise on the life of residents via initiatives such as installing sound-proof glass panels and planting trees on the roadside. The possibility of hazardous product leakage in transit is mitigated or eliminated by a combination of effective measures, for example, registration of vehicles loaded with hazardous products, warning signage, renovation of dangerous sections, development of an internal contingency plan, assistance to local governments along the roadside in drafting a contingency plan, and organization of drills to shorten response time and sharpen employee’s crisis management skills.

During the Reporting Period, six incidents of hazardous product leakage took place on the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, the Jinhua section of the Ningbo-Jinhua Expressway, the Hanghui Expressway and the Huihang Expressway. The Company took active measures as required by the production safety supervisor and environmental authorities and no leakage of hazardous products caused by the Company occurred.

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<sup>3</sup> Excluding road relief service of the Huihang Expressway.

## *Anti-Corruption*

The Company has implemented strict internal discipline management and appointed a part-time discipline liaison for each tollhouse, to tighten the internal surveillance of corruption and bribery. The Company continues to strengthen the anti-corruption responsibility of all management members and employees by signing the “Anti-corruption Commitment”. The Company implements one level-on-one level accountability system which states that the person-in-charge is the first to be held responsible. The Company has also created the Code of Conduct of Part-time Discipline Liaisons to reinforce the training and management of the discipline liaison team while enhancing their capabilities and performance. The “Corruption Risk Awareness” campaign and discipline patrol duties were launched to effectively prevent and root up corruption risk in management. During the Reporting Period, no material events of corruption occurred.

## **Community Involvement**

### *Community Investment*

The Company actively takes part in the construction of civilised units, places significant emphasis on community activities and actively joins poverty alleviation programmes to extend generous financial, social and skill-related assistance to those in need and improve the quality of the villagers in pair-up villages. The Company also promotes good manners and public morals, improves the cultural lives, living environment and life style of rural residents and cares for left-behind children. During the Reporting Period, the Company paired up with 4 natural villages to provide them with financial and social assistance and assisted with the education of 12 students in need as well as made donations worth of RMB26,000.



### *Volunteer Activities*

Volunteer activities are an important way for the Company's employees to pay back society and strongly advocate the Company's culture and values. Party members of the Company have formed several volunteer groups which focus on areas of toll website and securities business department. The Company launched a variety of content-rich volunteer activities. While closely monitoring the operational management and securities finance business, it also took part in other volunteer activities such as expressway traffic consultation, social convenience service, blood donation and holiday traffic contingency response. During the Reporting Period, the Company has formed several volunteer groups, all of which were involved in a variety of activities on non-working days, including first-aid, road guidance, public service, blood donation, safe driving initiatives, metro guidance service and civilised transportation guidelines. During the Reporting Period, the Company organised 120 volunteer activities, with a total of approximately 1,530 participants.

### *Donations*

The Company supports the development of culture and sports in Zhejiang. A sponsorship cooperation agreement was entered into with the Sports Bureau of Zhejiang Province, whereby during the Reporting Period, the Company provided funding of RMB1,000,000 for education, scientific studies and talent development to the Zhejiang College of Sports.

*As at the date of this report, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. WANG Dongjie, Mr. DAI Benmeng and Mr. ZHOU Jianping; and the independent non-executive directors of the Company are: Mr. ZHOU Jun, Mr. PEI Ker-Wei and Ms. LEE Wai Tsang, Rosa.*