

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CONCEPT AND PRINCIPLE

This Environmental, Social and Governance (“ESG”) Report (the “Report”) covers the ESG performance of Redco Properties Group Limited (stock code: 01622) (the “Company” or “Redco”) and together with its subsidiaries (the “Group”) for the year ended 31 December 2016.

The Report is prepared under the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report covers the operations of the Group.

The Group believes a successful enterprise should not maximize profits at all costs, but should endeavour to balance stakeholder’s interests and social responsibility for maintaining an enterprise’s sustainable development. As a result, the Group aims to achieve such balance and fulfill social responsibility along with its mission of “Signature architecture with tremendous honour”.

The figures and data in this Report are from the Group’s archived documents, records, and surveys. The Group’s efforts devoted to the Report initiatives demonstrates its commitment and determination to become a socially responsible corporate.

If you have any feedback for the Report, please feel free to send it by email at [ir@redco.cn](mailto:ir@redco.cn) to us to improve and optimize the Group’s sustainability policies.

## ABOUT THE GROUP

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the operating philosophy of signature architecture with tremendous honour (精端著造、傳世榮耀) and has executed its multi-regional strategy through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency.

The Group is an integrated developer with competitiveness and regional brand recognition. For the two financial years ended 31 December 2015 and 31 December 2016, the Group’s revenue was RMB3,378.2 million and RMB5,270.1 million, respectively. The Group’s profit for the year ended 31 December 2015 and 2016, attributable to equity holders of the Company was RMB401.0 million and RMB434.3 million, respectively.

As of 31 December 2016, the Group’s total land bank amounted to 3.5 million sq.m., forming the base for development by the Group in the next three to five years. In 2016, the Group’s average land acquisition cost per sq.m. delivered was RMB2,711, accounting for 34.1% of the average selling price.

## ENVIRONMENTAL

The Group has implemented internal environmental protection policies to minimise the impact of business activities on the environment, and support environmental-protection initiatives. The Group produces certain emissions (including greenhouse gas) and disposal of waste materials during the construction process but believes that the increase of the efficiency and effectiveness of its construction process would significantly reduce the raw materials waste and use of energy. The Group has also actively implemented eco-friendly measures to reduce carbon emission and water usage in its business operations.

The Group has implemented certain environmental protection policies to reduce emissions (through efficient use of energy and resources) including for example: in property developments, (i) the Group preferred other substance instead of diesel generators; and (ii) energy-saving construction machinery and equipment are used, idle machines are switched off to reduce unnecessary fuel consumption. In the office, (i) staff members are reminded to timely turn off the air conditioning, lights of the office area before leaving work every day and check, from time to time, whether the lights and equipment in the common areas are turned off when not in use; (ii) after completing their tasks for the day, staff members are reminded to turn off their computers and monitors; (iii) employees are encouraged to use duplex printing to minimize paper consumption; (iv) trays are placed next to photocopiers for collecting single-sided paper for reusing and recycling purposes; and (v) envelopes are also reused for internal mails.

Construction works during the Group's property development projects would unavoidably have emissions, including exhaust, sewage and construction wastes. The Group continues to review the environmental impact of their operations and make use of best practices, records and monitors resources consumption data and implementing better performance strategies as to enhance the contributions to environmental sustainability through good environmental practices.

The Group is subject to a number of laws and regulations in China concerning overall environmental protection, impact to the environment, noise pollution and environmental protection for development projects.

The Group places high emphasis on complying with relevant environmental laws and regulations. The Group requires its own staff and construction contractors to comply with the relevant PRC laws and regulations relating to the quality of construction including environmental, labor, social and safety regulations, as well as its own standards and specifications.

For the year ended 31 December 2016, the Group was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

### EMPLOYMENT AND LABOR PRACTICES

#### *Employment*

The Group recognizes the importance of offering fair, impartial and open opportunities for recruiting talents. Employment guidelines are in place to prevent employment discrimination on the grounds of age, nationality, race, religion, sexual orientation, gender, marital status, or political stance. Recruitment and selection training courses are offered for the recruitment personnel to align recruitment process with the Group's standards.

For the year ended 31 December 2016, the Group was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and the Groupfare. Apart from lawful employment contract, the Group protects employee benefits by practicing standard working hours. The Group offer paid leaves, social insurance and provident fund as basic protections. In addition, recognizing women's legal rights, the Group ensures female employees are not only entitled to applying maternity leave, breast-feeding leave and annual gynecological examination, but also provided with the safety and the Group II-being mutual protection scheme for women workers.

For the year ended 31 December 2016, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. With respect to gender diversity, as at 31 December 2016, the Group has a total of 699 employees, of which 60.1% are male and 39.9% are female.

### *Health and Safety*

For the year ended 31 December 2016, the Group was not aware of any non-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.

Redco strives to enhance the Group's safety performance and provides all employees with a safe working environment. The Group's administration and management center performs compliance assessment and black spot monitoring while appointing an external technical advisory body to provide professional advice to the Company on the environment, health and safety (EHS) policies.

The Group has set up production safety committee and special internal safety working groups to conduct regular safety inspections for improving the Company's safe working conditions. The Group protects employee wellness through upgrades such as installing dust removal and noise reduction equipment. In respect of safety training, the Group holds safety management training programs every six months to improve workplace safety awareness.

The Group also capitalizes on technology to cope with potential hazards and guarantee occupational safety. For construction, the Group adopts prefabrication residential construction techniques and uses pre-assembled external walls instead of in-site scaffolding and formwork to save manpower and time for aerial work significantly, which reduce staff's exposure to risk of work and enhance construction safety.

### **OCCUPATIONAL SAFETY AND HEALTH CHECK**

To ensure compliance with the relevant guidelines on occupational health and safety, the Group's administration and management center requires its subsidiaries to submit feedback reports regularly, and analyzes and evaluates their health and safety performances under the occupational safety assessment mechanism of the Group. Meanwhile, the Group performs targeted inspections to oversee implementation of the regulations among its subsidiaries.

The Group cares about the mental health wellbeing of its employees, it encourages and supports employees to achieve work-family balance. The Group holds various family activities annually and provide health checking to each staff annually.

Staff meetings are thus held frequently to facilitate problem solving and communication for staff at all levels.

### **DEVELOPMENT AND TRAINING**

The Group aspires to reach higher by growing and training its talents to accelerate business development. New hires are provided with induction training since the first day of work to internalize the corporate culture including executive, administration and management and personnel management practices.

Regular management meetings are also arranged by the Company's management for new recruits to express their views of working. The Group has launched various programs for in-service employees monthly to raise management skills and expertise via internal sharing, public lecture, and external meeting. For example, the Company provides training courses regarding the psychology of selling and sales team management for its sales staff during the year to help them improve their performance.

The Group places strong emphasis on staff development. The Group has established a Redco College which organizes structured training programmes for all the staff to familiarise with Redco's culture and the industry, and regular training are also provided to update knowledge of its staff from time to time.

In 2016, the Company provided 9.9 training hours per employee. Along with the development of the Group and realizing training demands of staff, the Group continually offers, reviews and improves training courses to keep team performance abreast of the Group's business development.

### SUPPLY CHAIN MANAGEMENT

The Group's supply chain structure is simple and clear which conducts supplier visits and sourcing processes to select suppliers. Eligible suppliers are registered in the Group's database and categorized into two groups: the "Recognized suppliers" or the "High performer suppliers". Through an internal shortlist mechanism, the "Recognized suppliers" that displays excellent performance will be promoted to become the "High performer suppliers" that can enjoy more collaboration opportunities with the Group. Partnership with unqualified suppliers will be terminated to ensure supplier quality in the database.

The supplier selection and management are undertaken by subsidiaries in the corresponding cities.

The Company has engaged suppliers in environmental protection. To improve operating practices of the suppliers, they are demanded to reduce construction waste, comply with energy conservation regulations, and save electricity and gas. Suppliers are demanded to conform to relevant environmental laws and regulations, including local environmental management practices and dust pollution management regulations for each project. Non-compliant suppliers will be fined for breach of regulations.

The Company has its own supervisory unit, which holds regular supplier meetings to ensure positive interaction and collect opinions and complaints of the suppliers to ensure that they can reach the Company in a timely manner.

### PRODUCT RESPONSIBILITY

For the year ended 31 December 2016, the Group was not aware of any non-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.

Redco strives to ensure property safety, in expectation of improving residents' quality of life through providing preminent houses and thereby contributing to the community's harmony. Redco strictly complies with national laws including "Contract Law of the People's Republic of China" and "Construction Law of the People's Republic of China", and regulations on construction and acceptance such as the "Regulations on the Quality Management of Construction Projects" to prevent mistakes and defects.

For proper implementation of the relevant regulations, the Company makes sure that the relevant construction requirements are met by carrying out regular on-site inspection with a third-party construction supervision institution. The Group also conducts construction assessments in terms of safety, construction quality and project management performance on a quarterly basis to ensure compliance with local safety standards.

In the marketing process, the Group complies with laws and regulations such as the "Regulatory Measures on the Sale of Commercial Houses" and "Provisions on the Release of Real Estate Advertisements" in order to provide customers with true and accurate property information. Meanwhile, the Group adhere to the "Notice on Issuing the Model Commercial Housing Sales Contract" and other laws and regulations to provide clients with standardized sales contracts and protect their interests.

### CLIENTS PRIVACY PROTECTION

The Group enters into non-disclosure agreements with certain of its clients to avoid client information leakage and protect their privacy. For the year ended 31 December 2016, the Group was not aware of any complaint regarding information leakage. To protect clients' information, the Group will take further steps to enhance privacy protection.

## ENHANCING SERVICE QUALITY

“Knowing our client” is the Group’s starting point to build a graceful community. The Group sets up “complaint handling procedures”, “customer relationship management” (CRM) system and the Group’s complaint and risk reporting systems to facilitate customer feedback.

Upon receiving complaints, customer service officers and property agents on site will handle the complaints through the CRM system that visualizes sales processes. Through inter-departmental collaboration and proactive communication, the Group resolves complaints effectively to bring satisfactory services to the Group’s customers. To gather a wider range of resident feedbacks and accordingly improve service quality, the Group has established three channels, which make these reviews more easily communicated to the Company’s management:

1. District customer service center – immediate complaint directly handled by property managers; and
2. Online reporting form – soliciting customers’ feedback around the clock and directly reporting to the back-end system of the Company;

The Group will continue to upgrade its service management system and improve the privacy protection policy to safeguard the interests of its clients.

## ANTI-CORRUPTION

As at 31 December 2016, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.

Integrity is a key element that drives steady growth. To prevent corruption, the Group establishes clear regulations and procedures for corporate management and supervision while ensuring employees’ comprehension of work duties. Also, the Group sets up an inspection department and assign project inspectors to implement ethical management for each project and department.

The Group fully complies with national laws and regulations and prohibits staff from bribing any person, namely civil servants, government officials, or connected persons. Staff members are also forbidden from embezzlement, theft, concealment, or misapplication of the Company’s assets. When becoming aware of suspected corrupt conduct, the Group carries out internal investigation and take disciplinary actions against the staff concerned, including duty suspension and contract termination. If the case involves violation of national laws, offender will be taken to the concerned departments.

The Group’s suppliers have signed binding agreement on integrity to ensure corruption-free operating practices of suppliers and prevent bribery and conspiracy. The Group has set up a report and reward system for supplier, employees and other stakeholders for whistle blowing of malpractice. Reports are handled by the risk management department and then scrutinized by the internal audit department. The Group will improve the anti-corruption system and step up supervision to support its plan of sustainable development. During 2016, no corruption cases were filed against in the Group.

## COMMUNITY INVESTMENT

Supporting education and building a more productive community are the main focus of the Group’s community investment strategy and the donations made by Redco Charity Foundation, the charity fund established by the Group.