

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group embraces a simple but powerful corporate philosophy of “creating excellence for customers”. This is a philosophy that extends beyond our core industry role of delivering high quality dwellings. The Group believes excellence must show itself in a holistic approach to the environment and social needs, and it must be underpinned by an internal corporate culture which emphasizes loyalty, commitment and full opportunities for personal development. Since its inception, the Group has engaged in its business initiatives in areas such as providing green living services, creating and supporting a wellness lifestyle through developments, and promoting green and healthy living as a wider ideal for society as a whole.

This Environmental Social Governance (“ESG”) report describes these aspects of the Group’s philosophy and corporate behaviour in more detail, with a particular focus on ESG development and achievements over the past fiscal year. The first part lays out the initiatives that the Group takes to maintain a happy, healthy and motivated workforce, since it is our workforce that underpins our efforts to excel. The second part focuses on our environmental contribution in terms of green philosophy and the way the Group has put this into action in our property development projects. The final section addresses wider community contributions, both in terms of fostering harmonious communities in developments and contribution to improving society as a whole.

## Building a positive and fulfilling workplace environment

In 2014, the Group was in full compliance with all relevant national and local regulations governing employment practices and responsibilities. Internally, it ensures compliance with the series of policies and systems that it has developed; these include a “Daily Employee Management System” (員工日常管理制度) which maintains full and detailed records of all employees and work performed, and a comprehensive “Employee Annual Leave Management System” (員工年休假管理制度).

As at 31 March 2016, the Group employed a total of 949 people in its operations; these employees were stationed in the various locations in which the Group operates, namely Beijing, Shenyang, Dalian, Anshan, Wuhan, Chongqing, Shanghai, Tianjin, Dongguan, Foshan, Shenzhen and Xiamen. Staff ages ranged from 18 to 60, with 540 males and 415 females. Staff turnover rate was about 4.3%, which was low for the industry.

Based on the figures stated above, the male/female percentage ratio within the Group is around 56:44. The higher males to female ratio is due to the market practice that a higher proportion of male employees who serve as security guards in property management segment and the onsite engineering management of the construction projects of the Group. The Group is continuously working on improving to a more balanced representation for those of subsidiaries that have a heavier weighting of male employees, for example by using new technology to reduce the physical demands of certain jobs and make them suitable for a wider range of candidates.



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The Group values its employees and remunerates them fairly and adequately, in line with PRC labour law and other relevant legislation. In the determination of wage and salary levels for different employees, the Group takes into account such factors as the seniority, relevant experience, performance appraisals, education level and professional qualifications of the employee, as well as the nature of the work and duties required of the position to be carried out. These decisions are made in line with industry norms and local conditions and practice.

To maintain amicable employee relations and to ensure that employee related issues that may arise can be resolved quickly and effectively, the Group has developed and adopted a set of “Employee Relations Management Measures” (員工關係管理辦法) which provides for effective two-way communication guidelines between the management and the staff, and which lays out clear procedures for handling staff grievances. In addition, a special mailbox for direct communications between the management and the staff has been established; such written communications are supplemented by quarterly internal round-table management/staff conferences, at which views and recommendations of the staff are carefully listened and considered by the management.

The Group awares that a good way of keeping its staff motivated and happy is by providing them with opportunities for health exercise, sports and leisure activities outside the working hours. To this end, the Group sets aside funds that are distributed to a number of staff committees for spending on sports activities such as basketball, swimming, badminton and yoga, and also provides amenity area and sporting equipments and facilities such as treadmills, cycle machines and other sporting equipments for sports and leisure activities. From time to time, the Group also organises staff sightseeing and leisure tours.

Health and other benefits offered to employees as incentives include major traffic accident insurance, annual medical check-ups, meal allowances, holiday benefits and long service payments. The Group’s commitment to its employees’ happiness and general welfare is a longstanding one, as recognised by a track record of being awarded with the ‘China’s Best Employer 2007-08’ (2007-2008年最佳僱主) award.



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## Protecting employees

The Group strictly implements the health and safety regulations governing the industry, and boasts a strong safety record. It has developed and adopted its own “Safety Culture Management Practice Guidelines” (安全文明管理作業指引), a set of comprehensive safety guidelines and procedures that is implemented across every area of operating activities. These guidelines are part of the training program for new employees, and their contents are regularly reviewed with the existing employees through ongoing workplace training and intranet postings.

The Group has its own Safety Culture Management division (安全文明管理部門), which is responsible for promulgating and checking the implementation of the guidelines. The division also organizes regular training in areas such as fire-fighting and fire safety drills, security, emergency handling plans, and job operating procedures.

The Group believes that it is to the best benefit of the Group as well as the staff members to maintain optimum health at all time, and to this end the Group provides employees with free annual medical check-ups.

## Opening doors to personal development

Believing that the best staff members are those who are committed to serving to the best interests of the Company and are willing to expand their knowledge and skills continually, the Group has developed staff training systems designed to achieve these goals. These include a “Training Management System” (培訓管理制度) and a “Staff Career Development Management System” (員工職業發展體系管理制度). Opportunities for skills enhancement and training are widely publicized through company newsletters and online notifications.

Three special training schemes are run annually for different categories of management staff. The Golden Eagle Scheme (金鷹計劃系列培訓) delivers a series of training sessions for all senior management personnel; the focus is on strategy and marketing, operations management to improve organizational efficiency, and leadership enhancement skills. The Group’s Mighty Eagle Scheme (雄鷹計劃系列培訓) offers a series of training sessions for all middle-level management personnel, for enhancing their integrated management skills. The Young Eagle Scheme (雛鷹計劃系列培訓) is structured to train budding middle managers, school recruits and other junior-level personnel through training programs focusing on occupational thinking, upgrading of professional skills, and strengthening of corporate culture.

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## In tune with the environment

The Group's development philosophy is built around concepts of sustainability, green living, and environmental friendly. Attention to the environmental impact of its activities is at the heart of its decision-making, and all along a major focus has been on innovating measures that would enhance environmental harmony. As a starting point, the Group ensures it is in strict and full compliance with the relevant laws and regulations regarding environmental protection issues in the jurisdictions where it operates.

The Company was one of the first Hong Kong enterprises to enter into the Mainland real estate market, and it has pioneered an innovative "healthy residence" (健康住宅) concept which has since been developed and fine tuned to adapt with the changing environment. In 2004, the Group was a prime mover in the establishment of the first nationwide strategic alliance on "healthy residences" (健康住宅) with the China National Engineering Research Center For Human Settlements (國家住宅中心). In 2013, the Group developed a detailed 10-year plan for green living concepts for its developments, in respect of which the Group published a manual of "Coastal Healthy Residence Evaluation Standards" (沿海健康住宅評價標準).

The "Coastal Healthy Residence Evaluation Standards" (沿海健康住宅評價標準) comprises ten categories of indicators. These are (1) community planning and spatial organization, (2) green facilities and environmental protection, (3) outdoor ecological protection and landscape, (4) living quality and comfort, (5) architectural energy efficiency and low carbon, (6) water resources protection and energy conservation, (7) materials energy conservation and environmental protection, (8) green construction and management, (9) green interior and health, and (10) property management and community culture.

The "Coastal Healthy Residence Evaluation Standards" (沿海健康住宅評價標準) are used to determine the standards required of the Group's various products. To ensure these standards are met, the Group has also developed four core "Coastal Healthy Residence Technology Systems" (沿海健康住宅技術體系) designed to cover all its operations; they are the Healthy Community Products System (社區綠色產品體系), the Healthy Living Technologies System (居住健康技術體系), the Healthy Community Activities System (社區健康活動體系), and the Exquisite Amenities Application System (精裝配套應用體系). These four major systems are themselves composed of 20 sub-systems, 10 core technologies and 60 application technologies. Supporting tools include the "Coastal Healthy Residence Technology Database" (沿海健康住宅技術數據庫), and a "Green Calculator for the Healthy Residences of Coastal Greenland Group" (沿海綠色家園集團住宅綠色計算器).

The core elements of this ambitious set of Coastal Healthy Residence Technology Systems (沿海健康住宅技術體系), which are being built into the Group's current and future developments, are set out in the table below.

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## Structure of Coastal Healthy Residence Technology System

Four main systems	Healthy Community Products System	Healthy Community Activities System	Healthy Living	
			Technologies System	Exquisite Amenities Application System
20 sub-systems 10 core technologies	<ol style="list-style-type: none"> <li>Basement lighting control and intelligent management</li> <li>Sewage treatment and water reuse technology</li> <li>Environmental pollution prevention, control and warning technology</li> </ol>	<ol style="list-style-type: none"> <li>Community healthcare service</li> <li>Fitness environment control</li> </ol>	<ol style="list-style-type: none"> <li>Fresh air system</li> <li>Water supply technology</li> <li>Floor and wall acoustic technology</li> </ol>	<ol style="list-style-type: none"> <li>Non-return valve</li> <li>Home intelligence</li> </ol>
60 application technologies	Technology for the prevention and treatment of rats, bedbugs, flies and mosquitoes; three-dimensional wall and roof greening, ecological water treatment, plant air purification technology	Residential health insurance, environmental health control, nurture environment building, community environmental art, communication space and community cultural activities	Solar hot water, same-floor drainage, external shading, household centralized air-conditioning (constant temperature, humidity and oxygen)	Environmental friendly construction materials, centralized dust absorption, water conservation instruments, indoor pest prevention and treatment, air quality monitoring, energy efficient lighting, overall kitchen, overall bathroom

The Group's 'healthy residence' concept was self-developed; the Group is also committed to integrating its self-developed healthy residence standards with the national and international green standards, including those of the national green building system. Some of the highlights of the efforts and accomplishments in this regard are as follows. In 2005, the Group was among the first batch of Chinese real estate enterprises to join the US Green Building Council (美國綠建築協會), while the Group's Beijing Silo City was the first project in China to apply for Leadership in Energy and Environmental Design for Neighbourhood Development Certification (領先能源與環境設計認證). In 2010, the Group's Wuhan Silo City was named a 'model community for global human settlements' by the Friends of the United Nations. Afterwards its "ground source heat pump air-conditioning system application" (土壤源熱泵空調系統應用) was recognised as "Wuhan's model project for architectural renewable energy application" (武漢市可再生能源建築應用示範項目) in 2011 and Phase V of Wuhan Silo City received the "Two-star Green Building Design Label Certificate" (二星級綠色建築設計標識證書) from the Ministry

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of Housing and Urban-Rural Development (國家住建部) in 2012. In 2013, the Group's Chongqing Silo City was awarded the "Chongqing Golden Green Building Design Label Certificate" (重慶金級綠色建築設計標識證書), and achieved the "National Two-star Green Building Design Label Certificate" (國家二星級綠色建築設計標識證書) issued by the Ministry of Housing and Urban-Rural Development (國家住建部), thus becoming Chongqing's first golden green healthy residence project and national two-star building label project.

The Group has gained much positive media coverage of its efforts to lead the way in healthy and environmental friendly housing development. External certification and recognition is not the only indication of the Group's commitment to green living ideals. Surveys of occupants of houses developed by the Group show that the health aspect provided by the development of the Group is one of the prime factors in purchasers' decisions to purchase the property of the Group.

The Group's green and healthy residence concept commitment will not flag. The Group is stepping up its efforts to develop new and better healthy residence technologies, and is looking for international collaboration that will enable the Group to spread the wellness concept and to engage in further studies on green and healthy living.

### Systems to guarantee total customer satisfaction

To ensure a close awareness of customer needs and an effective and efficient system of customer service, the Group established its Coastal 400 System (沿海400客服系統) in 2008, the first nationwide customer service center in China's real estate industry, in Beijing. The system is designed to integrate customer requests and information reception, task assignment, task tracking and monitoring, customer satisfaction analysis and other customer service management. After around seven years of operation, the Coastal 400 System (沿海400客服系統) has achieved an ideal combination of online and offline services in conjunction with MY Home Services, a subsidiary engaging in property management.



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## Building communities, supporting society

One of the Group's core initiatives is the creation of harmonious, sustainable and healthy communities. Therefore, the Group seeks to build strong links not only within the communities of its developments, but also works towards to extend its presence in the other cities in China.

The primary focus of the Group's efforts is on contributing to the health and welfare of the local communities live in its developments. The Group believes that the building up of healthy, supportive local communities is vital foundation stone for maintaining a stable and prosperous society.

The 400 Customer Service Center is an important driver for most of the Group's internal community-building initiatives. It conducts an annual service satisfaction survey that covers all occupants of the residential communities living in the Group's developments, through which the Group is able to gain a thorough understanding of their daily needs and expectations. On that basis, the Group proactively devises community public services for and maintains a good community partnership relationship with them.

The Group responds positively to the national strategy on addressing the housing needs of low-income group and contributes to the development of harmonious society. Over the past years, the Group has participated in the establishment of local housing security system during the development of projects in cities such as Beijing and Anshan. For example, in order to resolve the housing problems faced by the families in Haidian District, Beijing, the Group undertook the construction of Beijing Bay Project, a commodity housing project with price ceiling and located in Changping District, Beijing, and the purchase application of such project with 3106 units of price-fixed housing has opened up for eligible families in the district in December 2015.

Each of the Group's project service offices organizes community cultural events and activities on a quarterly basis in the residential community projects under its management. The establishment of the "Sunset Red Art Group" (夕陽紅藝術團) at the Group's Beijing Silo City is a good example of this kind of initiative. The "Sunset Red Art Group" (夕陽紅藝術團), established in 2008, is an arts and cultural performance group made up primarily of middle-aged and elderly residents which has had a powerful positive impact on community cultural life over the years. In support of these talented senior artists, the Group has provided not only rehearsal venues and performance platforms but also around 45 sets of costumes to help them to expand the range of the roles and performances that they are able to embark on.



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Each development project is also encouraged to take initiatives to enhance community life for its local residents. For instance, each project was provided with resources to the residents in the community to participate in the Chinese traditional festivals celebrating events, which provided a platform for property owners in the community to showcase their talent. Property owners conferences were also held for each project in order to help property management companies and property owners to better understand each other, improve the quality of services provided by the property management companies and foster a sense of belonging among the property owners.

The Group has built-in social responsibility into the core value of its operations since its inception. Over the past 26 years, the Group has provided funds to many social welfare programmes, and donated tens of million dollars to charity organisations. Furthermore, the Group has made significant donations and sponsorships to different bodies and program organisers such as the China Youth Development Foundation (中國青少年發展基金), Beijing's Peace and Development Foundation (北京和平發展基金), the teachers' training programme of the Coastal Mental Health Seed Fund for Schools in Western China (沿海西部學校心理種子基金), the "Tsinghua University Scholarship" (清華大學勵學金) project, the "Water Cellar for Mothers" (母親水窖) project of China Women's Development Foundation (中國婦女發展基金). Further information about these donations and sponsorships are set out in the following paragraph:

In September 2014, the Group donated certain audio-visual equipments, children's books, household products, sports equipments and other materials to the Qiliping Town Center School in Hongan County in Hubei Province (湖北省紅安縣七里坪鎮中心校). In May 2014, the Group made a sponsorship donation of HK\$3 million to the 2014 Hong Kong Youth Music Festival (YMF) (2014香港青年音樂節), aimed at promoting cross-strait Asian youth cultural exchanges. In 2013, through the "Emergency Student Relief Action of Hope Project" (希望工程緊急救災助學行動) of the China Youth Development Foundation (中國青少年發展基金), the Group donated RMB500,000 to 500 needy students in the Ya'an (雅安) disaster area to help them resume their studies. In 2010, the Group sponsored Beijing's Peace and Development Foundation (北京和平發展基金) in its initiatives for peace and development in China, which included teachers' training in Sichuan and Xinjiang, and contributions to local work on children's mental health. In 2009, the Group set up the "Coastal Mental Health Seed Fund for Schools in Western China" (沿海西部學校心理種子基金) to assist the associated teachers' training programme. In 2008, Coastal donated RMB2.5 million to the "Tsinghua University Scholarship" project to establish the "Coastal-Tsinghua University Scholarship Fund", for poor students. When the May 12 Earthquake (5.12地震) occurred in 2008, the Group donated RMB1.5 million to the Dujiangyan Red Cross (都江堰紅十字會) for repairing of the Dujiangyan Center for Disease Control (都江堰控制中心大樓), marking the start of Coastal Group's participation in the post-disaster reconstruction work. In 2007, Coastal donated RMB3 million to the "Water Cellar for Mothers" (母親水窖) project of the China Women's Development Foundation (中國婦女發展基金), under which water cellars were built in regions suffering from water shortages; the donations were made on the basis of "a home sold, a cellar donated" (每賣出一套新房·捐助一口水窖).