

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group embraces a simple but powerful corporate philosophy of “creating excellence for customers”, which extends beyond our core industry role of delivering high quality dwellings. The Group believes that being excellent implies fully meeting environmental and social needs, as well as maintaining an internal corporate culture which emphasises on 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, and promoted and supported a wellness lifestyle through development, advocating green and healthy living society.

This Environmental, Social and Governance (“ESG”) report elaborates various aspects of the Group’s philosophy and corporate behaviour focusing on ESG development and achievements over the past fiscal year. The first part lays out the initiatives of the Group adopted to maintain a happy, healthy and motivated workforce which is our underpinning to excel. The second part focuses on our environmental contribution in terms of green philosophy and green implementations taken in our property development projects. The final section addresses other community contributions, including measures of fostering harmonious communities in our development projects and promoting society improvement.

### **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. We ensure compliance with a series of internal policies and systems that it has developed, including 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” (員工年假管理制度).

As at 31 March 2017, the Group employed a total of 210 staff whom were stationed in various locations in which the Group operates, namely Beijing, Shenyang, Dalian, Anshan, Wuhan, Chongqing, Shanghai, Tianjin, Dongguan, Foshan, Shenzhen, Zhuhai and Hong Kong. Staff ages ranged from 18 to 60, with 128 males and 82 females. Staff turnover rate was about 49%, which was higher than the industry average level. The reason for such a high turnover rate is owing to the termination of employment of staff mainly in the property management segment (safeguards, cleaners and etc.) upon the disposal of a property management company in the Group.

Based on the figures stated above, the male to female ratio within the Group is around 61:39. A higher proportion of male employees, which is mainly due to more male staff are engaged in providing on-site project management services of the Group, and is in line with the market practice. The Group is continuously working on improving to a more balanced gender ratio representation for those subsidiaries that have a heavier weighting of male employees, such as using new technology to reduce physical labour demand of certain jobs duties so as to allow a wider range of suitable candidates.

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The Group values its employees and remunerates them fairly and adequately, conforming to PRC labour law and other relevant legislation. In the determination of wages and salaries for different employees, the Group takes into account such factors as the seniority, relevant experience, performance appraisals, education level and professional qualifications of the employees, as well as the nature of the work and job duties. These decisions are made in line with industry norms and adjusted according to local conditions and practice.

To maintain amicable working relationship and to ensure of efficient and effective resolutions being applied to employee related issues that may arise, the Group has developed and adopted a set of “Employee Relations Management Measures” (員工關係管理辦法) which provides an effective two-way communication guidelines between the management and the staff, and lays out clear procedures for handling staff grievances. In addition, a special mailbox has been set up for employees to express their opinions or concerns about the Group’s operations directly to the management. Such written communications are supplemented by quarterly internal round-table management/staff conferences, in which the concerns 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 providing them with opportunities for healthy exercise, sports and leisure activities outside working hours. Thus, the Group sets aside funds for sponsoring a number of staff committees for sports activities such as basketball, swimming, badminton and yoga, and also provides amenity area and sports equipments and facilities such as treadmills, cycle machines, etc. for sports and leisure activities. From time to time, the Group also organises leisure tours for staff.

Health and other benefits offered to employees as incentives include traffic accident insurance, annual medical check-ups, meal allowances, holiday benefits and long service payments. The Group has always been committed to providing its employees with happiness and general welfare, being evidenced by the “China’s Best Employer 2007-08” (2007-2008年最佳僱主) award.



Sightseeing activities for the Beijing Office



Spring tour for the Chongqing Office

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### Protecting employees

The Group strictly complies with the health and safety regulations governing the industry, and maintains a strong safety record. The Group has put in place 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 applying to every aspect of its operating activities. These guidelines are included in the training programs for new employees, and are regularly reviewed with the existing employees through on the job 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 organises regular trainings in areas such as fire-fighting and fire drills, security, emergency plans, and operation procedures.

The Group believes that maintaining strong health state of its employees is to the best benefit of the Group as well as its staff members, and thus the Group provides its 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 enrich their knowledge and skills continually, the Group has developed staff training systems designed to achieve these goals, including 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 run annually for different levels 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, focusing on strategy, marketing and operations management to improve organisational 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.

### In tune with the environment

The Group’s development philosophy is built around the concepts of sustainability, green living, and environmental friendly. Environmental impact caused by its activities is particularly being considered in its decision-making process, and the Group has constantly valued innovating measures enhancing 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 in the jurisdictions where it operates.

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The Company was one of the first Hong Kong enterprises tapping into the Mainland real estate market, and it has pioneered an innovative “healthy residence” (健康住宅) concept which has 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 residence” (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 of 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 organisation, (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 conservation and environmental protection, (8) green construction and management, (9) green interior design 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 for 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. The four core systems 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 composed of 20 sub-systems, 10 core technologies and 60 application technologies. Supporting tools include “Coastal Healthy Residence Technology Database” (沿海健康住宅技術數據庫), and “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).



**A green living area of the Shanghai Shui Du South Crest development project**



**A Coastal’s Healthy Residence development project – Dongguan Riviera Villa**

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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.

Structure of Coastal Healthy Residence Technology Systems				
Four core systems	Healthy Community Products System	Healthy Community Activities System	Healthy Living Technologies System	Exquisite Amenities Application System
20 sub-systems and 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, etc.</li> </ol>	<ol style="list-style-type: none"> <li>Community healthcare service</li> <li>Fitness environment control, etc.</li> </ol>	<ol style="list-style-type: none"> <li>Fresh air system</li> <li>Water supply technology</li> <li>Floor and wall acoustic technology, etc.</li> </ol>	<ol style="list-style-type: none"> <li>Non-return valve</li> <li>Intelligent home, etc.</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, etc.	Residential health insurance, environmental health control, nurture environment building, community environmental art, communication space and community cultural activities, etc.	Solar hot water, same-floor drainage, external shading, household centralised air-conditioning (constant temperature, humidity and oxygen), etc.	Environmental friendly construction materials, centralised dust absorption, water conservation instruments, indoor pest prevention and treatment, air quality monitoring, energy efficient lighting, overall kitchen, overall bathroom, etc.

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“Healthy residence” is a self-developed concept of the Group. The Group is also committed to integrating its self-developed healthy residence standards with the national and international green standards, including the national green building system. Highlights of our efforts and accomplishments in this regard are as follows. In 2005, the Group was one of the first Chinese real estate enterprises to join the U.S. Green Building Council (美國綠建築協會), while the Group’s Beijing Silo City project was the first project in China to apply the 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 project was named a “model community for global human settlements” by the Friends of the United Nations. 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 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 for its efforts in healthy and environmental friendly housing development. External certification and recognition is not the only indication of the Group’s commitment to green living concept. According to the surveys conducted by the potential buyers of the Group, the Group’s green and healthy residence concept is one of the prime factors in purchasers’ decisions to purchase.

The Group will constantly uphold its commitment in green and healthy residence concept. 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 promote the wellness concept and to engage in further studies on green and healthy living.

### **Maintaining overall customer satisfaction**

In order to ensure a close awareness of customers’ needs and an effective and efficient management system of customer service, the Group has established a set of strict management and controlling standards for improving the experiences of customers of real estate industry, covering product planning, design management, construction management as well as sales and after sales services. These standards are established, adhering to the core philosophy of “creating excellence together with customers”, to provide customers with quality products and services. For customer service management, the Group integrates customer requests with information reception, task assignment, task tracking and monitoring, customer satisfaction analysis and other customer service management by virtue of professional service system. After years of operation, the system has achieved an ideal combination of online and offline services.

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### **Building communities, supporting society**

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

The primary focus of the Group is on the health and welfare of the local communities. The Group believes that a healthy and supportive local community is of vital importance for maintaining a stable and prosperous society.

By fully utilising the capabilities of the Group's customer services and property management services provided to each development project, the Group has established a smooth and efficient communication mechanism to communicate with residents in communities, 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 and maintains a good community partnership 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 its 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 preset ceiling which is located in Changping District, Beijing. The purchase application of such project with 3,106 units of price-fixed housing has opened up for eligible families in the district. In addition, as the public rental housing and owner-occupied housing special allocation pilot under Beijing Municipal Housing Construction Committee, the Beijing Bay project has allocated no less than 30% of the housing, which amounted to approximately 780 houses, for those eligible residents without Beijing Hukou or a house in Beijing.

Each of the Group's project service offices organises 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 sets 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 being composed primarily of middle-aged and elderly residents which has had a powerful positive impact on community cultural life over the years. To support these talented senior artists, the Group has provided not only rehearsal venues and performance platforms but also costumes to help them to expand the scale in terms of roles and scope of performances.

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The management team in 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 the property management team and residents to better understand each other so as to improve the service quality of the property management team and foster a sense of belonging among the residents.

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 contributed 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 programme 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, and 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' trainings 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. For the May 12 Earthquake (5.12地震) in 2008, the Group donated RMB1.5 million to the Dujiangyan Red Cross (都江堰紅十字會) for the repairing of the Dujiangyan Center for Disease Control (都江堰控制中心大樓), marking a 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).