

中國水務
CHINA WATER

中國水務集團有限公司
環境、社會及管治報告

CHINA WATER AFFAIRS GROUP LIMITED
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2024
ESG REPORT

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Glossary



Aluminium Sulfate

硫酸鋁

BOD

Biochemical Oxygen Demand

生化需氧量

ClO₂

Chlorine Dioxide

二氧化氯

kW·h

Kilowatt-hour

千瓦時

m³

Cubic meter

立方米

MWh

Megawatt-hour

兆瓦時

CO₂

Carbon Dioxide

二氧化碳

COD

Chemical Oxygen Demand

化學需氧量

GJ

Gigajoule

吉焦

NaClO

Sodium Hypochlorite

次氯酸鈉

NaOH

Sodium Hydroxide

氫氧化鈉

NH₃

Ammonia

氨氣

H₂S

Hydrogen Sulfide

硫化氫

km

Kilometer

千米 / 公里

km²

Square kilometer

平方千米 / 平方公里

NH₃-N

Ammonia Nitrogen

氨氮

PAC

Polyaluminium Chloride

聚合氯化鋁

SS

Suspended Solids

懸浮物

Core Value

以水为本
Water-oriented
Kindness to Society
达善社会

STATEMENT OF THE BOARD

China Water Affairs Group Limited (“China Water” or the “Company,” together with its subsidiaries, the “Group”) is committed to adhering its core value of “Water-oriented, Kindness to Society,” integrating ESG concepts into its development strategy, constructing a comprehensive ESG governance system, optimizing environmental, social and governance measures, mitigating the risks in its value chain, and achieving high quality and sustainable development.

The Group has established a four-tier ESG governance structure consisting of the Board, the management, the functional departments and the subsidiaries, with an ESG task force set up to protect the interests of various stakeholders effectively. The Board is the chief ESG decision-making body and possesses decision-making power over the Group’s ESG governance strategies, management objectives, information disclosure and major issues; the management is responsible for the supervision and execution of ESG governance issues and daily operations, and reports regularly to the Board; the functional departments, regarding various ESG issues, carry out directions from the management, formulate plans and supervise their implementation, and report regularly to the management; the subsidiaries, as the ultimate executing bodies of ESG governance, are equipped with professionals and the necessary resources to execute related works.

To achieve effective ESG governance results, the management of ESG issues had been a priority for this year. The Group held special meetings to assess the importance of ESG issues; discuss and identify ESG risks and material issues; monitor and review the progress of ESG works, by which the Group strived to align its ESG reporting with the four principles of materiality, quantitative, balance and consistency.

During the reporting period, the Board was fully informed of the status and progress of the Group’s ESG governance. Material issues were considered and approved.

Duan Chuan Liang
Chairman of the Board and Executive Director

MANAGEMENT’S STATEMENT

Water is the source of life, the key to production and the foundation of ecology. While China’s total freshwater resources rank fourth in the world, it faces serious water shortage, and its per capita water resources is only a quarter of the world average. Since the initiation of the reform and opening up policies, followed by an accelerated progress of urbanization and a high degree of population agglomeration, the mismatch between socio-economic development and the water resources capacity has become extremely prominent. In this regard, the government put forward the water management principle of “prioritizing water conservation, achieving spatial balance, implementing systematic management and taking a two-pronged approach” and is committed to urban water security work, further requiring “consideration of water resources with regards to urban planning, land use, population and production.”

What the country expects, is what businesses would pursue. As a leading cross-regional integrated water service operator, China Water adheres to the core value of “water-oriented, kindness to society,” firmly supports the national water policy, actively implements the new concept of ecological civilization construction, implements the strategy of integrating water supply to cities and villages as well as water supply and drainage prospectively, acutely develops into the market for quality water supply, and strengthens the dual-engine business combination of “water supply + direct drinking water,” in order to safeguard water safety, alleviate water supply pressure and improve water ecology.

Hundreds of sails compete, and the one who strives hardest comes first. Solving the problem of water quality and safety in the “last mile” of urban water supply is the eternal pursuit of China Water. Since the establishment of the new business of direct drinking water in 2018, through the formation of a professional team, the strengthening of technical and management measures, the acquisition of leading enterprises in China, and cooperation with internationally renowned companies, China Water has reached into 306 districts, counties, and county-level cities across 24 provinces, municipalities and autonomous regions, and operated more than 6,900 sub-projects, serving an estimated population over 8.30 million people, making it the only publicly listed company with a nationwide presence in direct drinking water. As an environmentally friendly business, the Group has been exploring the environmental value of direct drinking water in terms of carbon and plastic reduction and expects to lead a change towards the concept of healthy, green and low-carbon drinking water under the recognition of the market, and to create a new model of high-quality and sustainable development.

Lush mountains remain, with lucid water flowing forever. The water industry is closely related to the ecological environment and climate change. China Water always adheres to the overall goal of green development, attaches great importance to the protection of the ecological environment, and actively deploys corporate climate action. Guided by the “Green Operation Initiative,” the “Outline of the Implementation Plan for Carbon Peaking and Carbon Neutrality” and the “Net Zero Emission Work Proposal,” the Group has made great achievements in energy saving and emission reduction technology renovation, efficient use of clean energy, construction of sewage treatment facilities, public welfare activities for water conservation and protection, and building a biodiversity-friendly water treatment plant, etc. On 30 November 2023, China Water participated in the United Nations Climate Change Conference (COP28) and demonstrated its climate ambition with confident, with an aim to contribute to the common efforts of preventing a climate disaster.

We are in the same boat and work hard to move forward. The mission and vision of China Water is to build an ever-improving and best service-oriented conglomerate group, and to be a forerunner in promoting the value of water. The Group has been cultivating its internal strength and external image, leveraging on standardized construction and refined management, and through the implementation of water quality and safety measures, innovation in grid-style zonal management, strengthening of staff team building, and the organization of community welfare activities, the Group has continuously improved the quality of its products, optimized the business environment, and upgraded its “China Water, Nourishing Thousands of Families with Love” brand.

With the whispers of spring breeze, the future unfolds. Being in the rapids of the times where one who does not advance would be pushed back, China Water will insist on a systematic view of the overall situation, take initiative in development, focus on the main objective of quality water supply, realize the sustainable development mode of combining light and heavy assets, strengthen scientific and technological innovation and green low-carbon transformation, enhance the efficiency of corporate operations and synergies, and strive to be a mainstay in community service and the well-being of people’s livelihoods, and to be brave enough to stand on the tides of the times, and to compose a better water future.

Liu Yong
General Manager of the Group

OVERVIEW OF CORPORATE DEVELOPMENT

ABOUT CHINA WATER

China Water Affairs Group Limited is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 00855.HK) and its shares are tradable under the Shenzhen-Hong Kong Stock Connect.

Since 2003, the Group has been committed to investing, constructing and operating water projects in mainland China, including raw water, tap water, pipeline direct drinking water, wastewater treatment, drainage operation, comprehensive water environmental renovation and water-related construction. The Group has grown into a professional and market-oriented international leader of integrated water operation across multiple regions, with its business covering 25 provinces, municipalities and autonomous regions. The Group is headquartered in Hong Kong, the PRC, with a national management headquarter in Beijing, our capital city.

SCALE OF THE GROUP

As of 31 March 2024, the Group had 160 water plants, with a total designed daily water supply capacity of 14.12 million m³; 25 sewage treatment plants, with a total designed daily sewage treatment capacity of 1.31 million m³; total length of water pipelines under operation and maintenance over 149,000 km; total length of drainage pipelines under entrusted operation over 1,150 km; estimated population covered by the city water supply business over 30 million; estimated population served by the pipeline direct drinking water business over 8.30 million; and total number of staff of the Group being 11,579, representing an increase of 185 headcounts as compared to last year.

MAJOR OPERATING ACHIEVEMENTS

During the reporting period:



Total investment amount in new large-scale water construction and upgrade projects



HK\$ **5.04** billion 

Total financing amount

HK\$ **12.16** billion 



-  **City water supply business**
 - Estimated coverage of more than 30 million people
 - Water pipelines over 149,000 km
-  **Drainage operation**

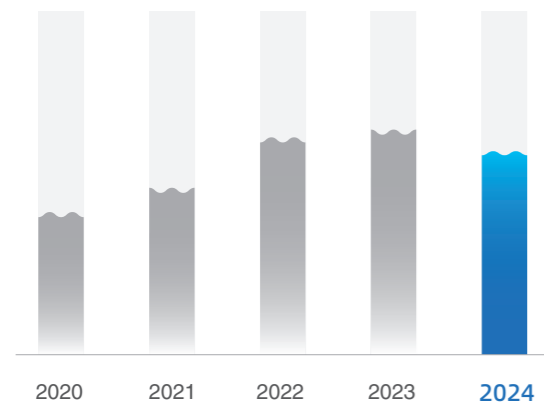
-  **Pipeline direct drinking water business**
 - Serving an estimated population over 8.30 million
-  **Environmental protection business**
 - Sewage treatment operation and construction (Including water environmental renovation construction projects)

MANAGEMENT INDICATORS

Revenue

Unit: HK\$'000

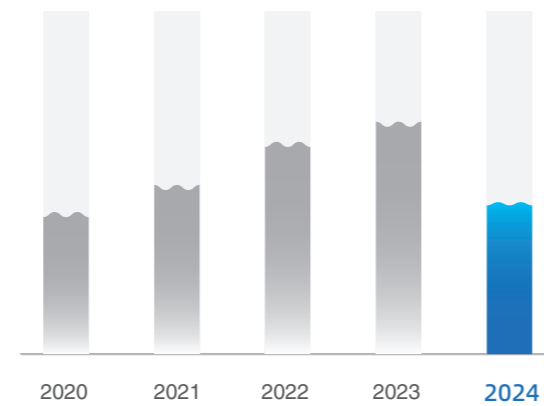
8,694,303 10,345,533 12,949,828 14,194,953 12,858,515



Profit

Unit: HK\$'000

2,507,289 2,662,074 2,977,129 3,088,345 2,591,357

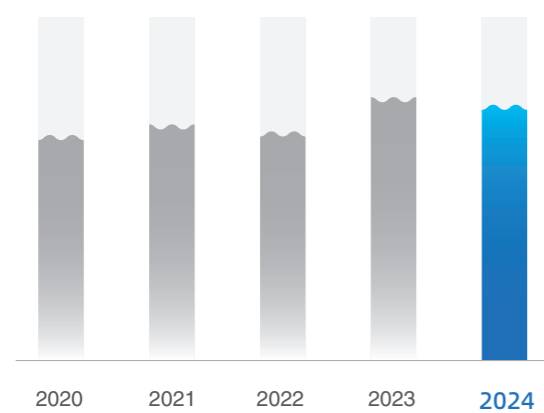


Power consumption per unit of water supply

Unit: kW-h/1,000 m³

Industry average 300 kW-h/1,000 m³

227 237 230 264 257

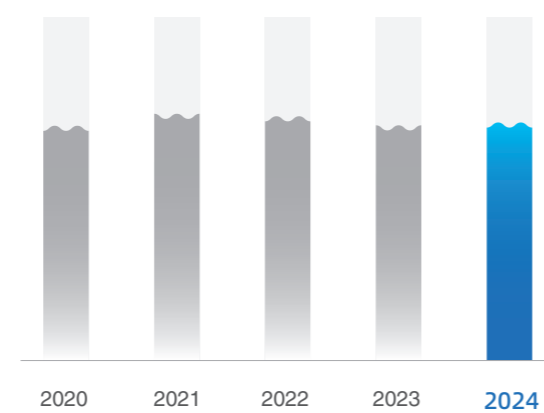


Leakage ratio

Unit: %

Industry average 23.22%

14.32 15.05 14.88 14.33 14.42



Source: The industry average is extracted from Urban Water Supply Statistic Yearbook (2019) of China Urban Water Association

HONOURS

Headquarter – Honour



Received by China Water Affairs Group Limited

MSCI ESG A Rating



Received by China Water Affairs Group Limited at the "8th Zhitong Caijing Listed Company Awards"

Best Infrastructure and Utilities Company



Received by China Water Affairs Group Limited at the "Caijing Evergreen Awards"

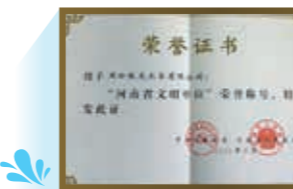
Sustainability Improvement Award



Received by China Water Affairs Group Limited from Hong Kong Quality Assurance Agency (HKQAA)

Outstanding Award for Green and Sustainable Loan Issuer (Water Affairs Industry)

Subsidiaries – Honour



Zhoukou Silver Dragon Water Affairs Co., Ltd.

Named as a "Role Model Unit of Henan Province"



Lushan County Silver Dragon Water Affairs Co., Ltd.

Named as a "Role Model Unit of Henan Province"



Henan Luyi Silver Dragon Water Affairs Co., Ltd.

Named as an "Advanced Health Unit of Henan Province"



Ningxiang Water Affairs Group Co., Ltd.

Named as a "2023 Advanced Unit of Urban Water Supply Business of Hunan Province"



Changde Anxiang Silver Dragon Water Affairs Co., Ltd.

Named as a "2023 Advanced Unit of Urban Water Supply Business of Hunan Province"



Yuncheng Silver Dragon Water Affairs Co., Ltd.

Named as an "Advanced Unit of Municipal Utilities Association of Shanxi Province"

STAKEHOLDER ENGAGEMENT

China Water insists on inclusiveness and win-win cooperation. It always maintains good relations and effective communication with its stakeholders and facilitates the improvement of corporate governance together. To fully understand the concerns of our stakeholders and listen to their demands and suggestions, the Group has established an open, transparent, comprehensive and efficient communication and engagement mechanism, with which stakeholders' engagement is incorporated into our management system and business processes under the principles of honesty, equality and mutual benefit. The Group's stakeholders mainly include our shareholders, investors, creditors, the government, our customers, consumers, employees, suppliers and the local communities.

The Group defines its stakeholders based on the following four principles:

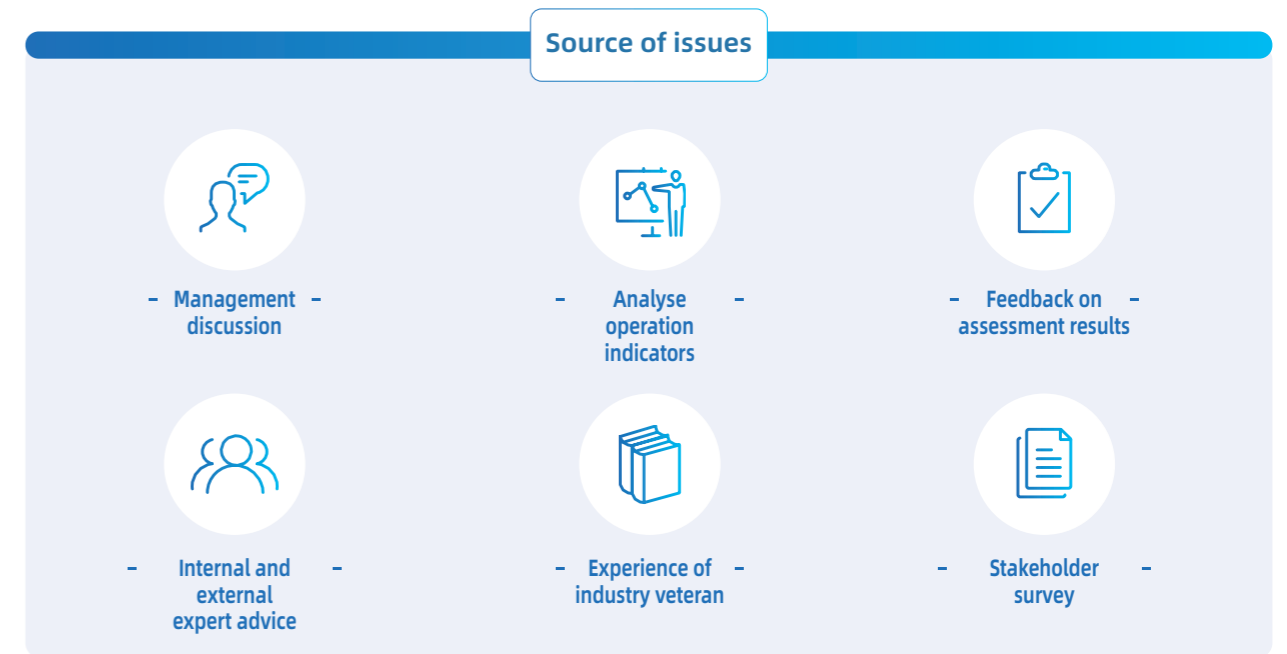
Responsibility: Stakeholders associated with the Group in terms of policies, laws, regulations, contracts, financials and operation;	Decision-making: Stakeholders who have decision-making authority over the Group;	Dependence: Stakeholders who rely to a significant extent on the Group's operation and governance;	Impact: Stakeholders in the vicinity of the Group's business who are affected by our operation.
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Stakeholders	Means of engagement and communication	Concerned Issues	Frequency or schedule
Shareholders, investors, creditors	General meeting		Regularly / as and when necessary
	Results announcement meeting		Annually / biannually
	Annual / interim report	Economic performance	Annually / biannually
	Press release/announcement	Compliance operation	Regularly / as and when necessary
	Roadshow	Organisational structure	Regularly / as and when necessary
	Investor conference	Governance measures	As and when necessary
Government and regulatory authorities	Site visit		As and when necessary
	Correspondence	Operational safety	As and when necessary
	Regulatory inspection	Product quality and service	Regularly / as and when necessary
	Site visit	Compliant operation	As and when necessary
	Themed conference	Emissions	As and when necessary
	Seminar	Energy-saving and consumption reduction	Regularly
Customers, consumers	Progress report	Labour standards	Regularly
	Customer satisfaction survey		Annually
	Community services	Product quality and service	Regularly
	Plant open day	Consumer rights protection	Regularly
	Hearing	Anti-corruption	As and when necessary
	User seminar		Regularly / as and when necessary
Employees	WeChat official account		As and when necessary
	Business meeting		Regularly
	Employee seminar	Remuneration and benefits	Year-end / half-year
	Employee representative meeting	Employment	Annually / biannually
	Interview	Training and development	As and when necessary
	Team building	Work environment	Regularly
Suppliers	Training	Health and safety	Regularly / as and when necessary
	Employee group activity	Labour standards	Regularly
	China Water News (internal publication)		Regularly
	Procurement tender	Resources use	As and when necessary
	Site visit	Procurement behaviours	As and when necessary
	Meeting	Anti-corruption	As and when necessary
Local community	Product briefing		As and when necessary
	Plant open day	Community investment	Regularly
	Community service	Community interest protection	Regularly / as and when necessary
	Survey on environmental and social impact	Environmental protection	As and when necessary
Public welfare and charity event	Charity and relief	As and when necessary	

MATERIALITY ANALYSIS

With reference to the requirements of the "Environmental, Social and Governance Reporting Guidelines" of the Hong Kong Stock Exchange and the issues stated in the materiality list in the "G4 Sustainability Reporting Guidelines" issued by the Global Reporting Initiative (GRI) and taking into account the results of stakeholder engagement, China Water has identified, prioritized and verified issues of materiality. It also determined the level of disclosure and reporting boundaries according to the four reporting principles of materiality, quantitative, balance and consistency.

PROCESS OF MATERIALITY ANALYSIS:



IDENTIFICATION

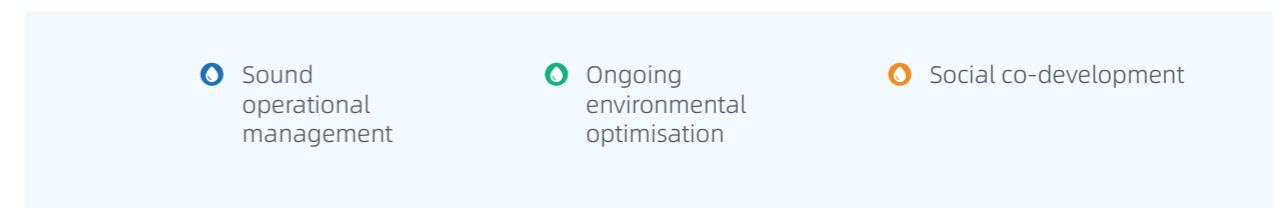
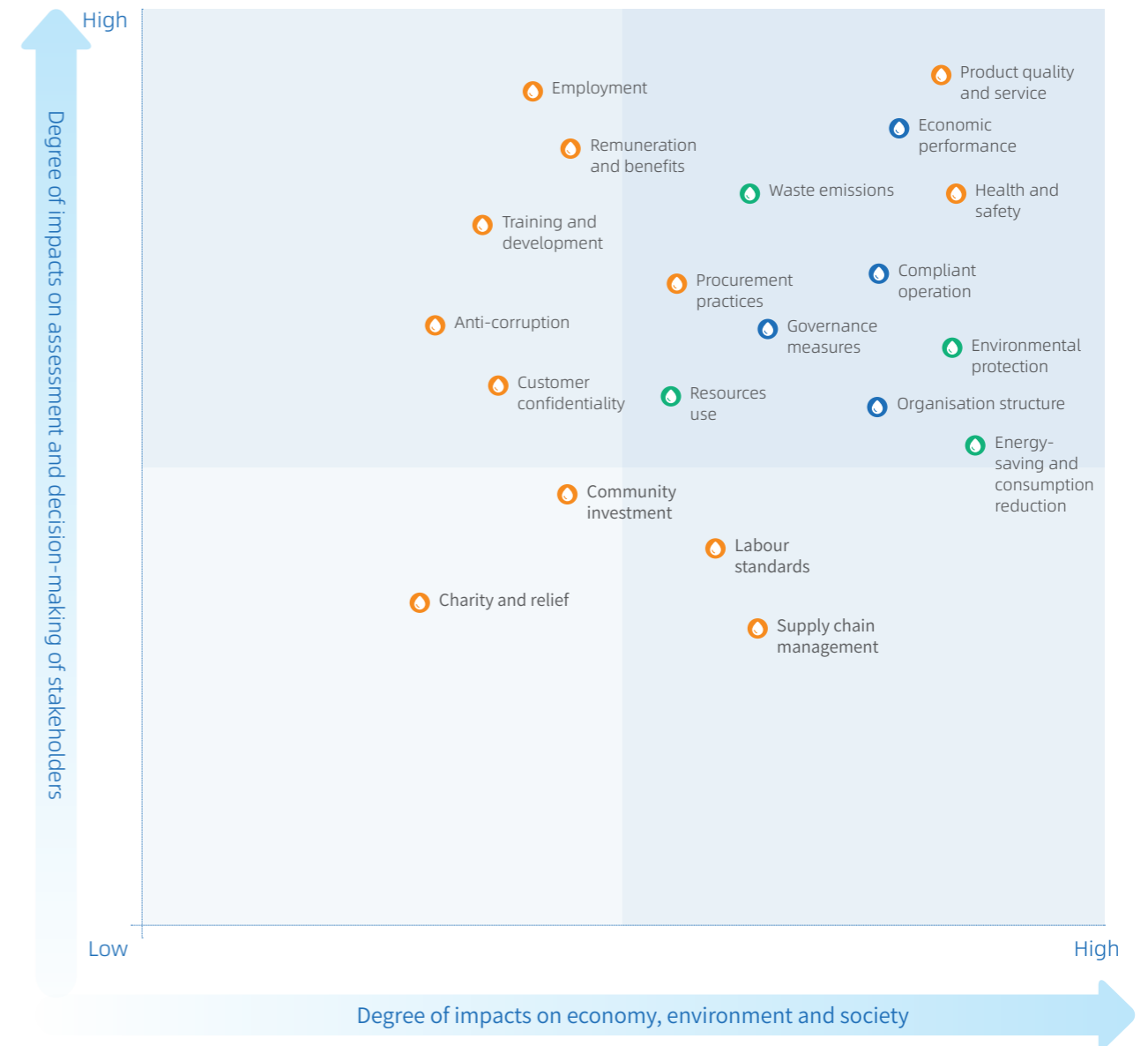
By rationalizing our policies, setting out clear strategies, reviewing our business and determining our sustainable development goals, as well as considering our stakeholder engagement, the Group has identified 20 materiality issues and determined the scope and boundaries of their impact.

No.	Aspect	Materiality issues	Scope of impact						Boundary
			Internal	External					
				Investors and Creditors	Government	Customers and Consumer	Suppliers	Community	
1	Legitimate governance platform	Governance measures	●	●	●	□	●	●	Materiality aspects are applicable to China Water and its subsidiaries
2		Organisation structure	●	●	●	□	●	●	
3		Economic performance	●	●	●	●	●	●	
4		Compliant operation	●	●	●	●	●	●	
5	Sustainably promoting environmental improvement	Emissions	●	□	●	●	●	●	
6		Energy saving and consumption reduction	●	□	●	●	●	●	
7		Environmental protection	●	□	●	●	●	●	
8		Resources use	●	●	●	●	●	●	
9	Actively practicing cooperative development of society	Employment	●	□	●	□	□	●	
10		Remuneration and benefits	●	●	●	□	□	□	
11		Training and development	●	●	●	□	□	□	
12		Health and safety	●	●	●	□	□	●	
13		Labour standards	●	●	●	□	□	□	
14		Supply chain management	●	□	●	□	●	□	
15		Procurement practices	●	●	●	□	●	□	
16		Anti-corruption	●	□	●	●	●	□	
17		Product and service quality	●	●	●	●	●	●	
18		Customer confidentiality	●	□	●	●	□	□	
19		Community investment	●	□	●	□	□	●	
20		Charity and relief	●	□	●	□	□	●	

● represents materiality issues with larger impacts on stakeholders □ represents materiality issues with less impacts on stakeholders

PRIORITIZATION

The identified materiality issues are prioritized in terms of importance according to the degree of impact on the economy, environment, society as well as the assessment and decision-making of our stakeholders.





VERIFICATION

In respect of the identified and prioritized materiality issues, the Group has collected opinions from experts, users and stakeholders and carried out verification in many ways. Meanwhile, the Group formulated administrative measures regarding the indicators involved in the materiality issues to determine the methods and procedures of indicator collection so as to ensure the reasonableness, balance and completeness of the report.

REPORTING PRINCIPLES

Materiality: As determined by the Board, the issues disclosed in the report have material impact on our investors and other stakeholders.

Quantitative: Key operating indicators are presented with historical data as comparisons. Notes to key environmental indicators cited referencing standards, calculation parameters and methods. Targets and explanations are provided for sustainability indicators for the assessment and verification of ESG governance performance.

Balance: The report presents the Group's ESG performance in a fair and objective manner. All contents are supported by verification material to avoid inappropriately influencing a decision or judgment by the report reader.

Consistency: The preparation process and disclosure of information in the report remained consistent with those set out in the financial report.

CONSTRUCTION OF MANAGEMENT PLATFORM

Sound corporate governance is essential to boost investor confidence as it helps to define decision-making procedures and management responsibilities and increase operational transparency. China Water has always been committed to maintaining high standards of corporate governance and strictly complying with national laws, regulations and industry standards in the course of its operation and management as well as its mergers and acquisitions. It has been steadfastly implementing its sustainable development strategy to provide sufficient protection to the interests of its shareholders and create values for society.

The Group's governance policy is in compliance with the relevant guidelines in the Corporate Governance Code as set out in Appendix C1 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. We have built a legitimate, rational and efficient governance model by establishing a sound management structure with comprehensive rules and regulations, conducting regular audits, fully implementing risk prevention and control, and disclosing accurate corporate information in a timely manner.

THE BOARD

As the highest decision-making body, the Board is responsible for formulating and authorising the Group's governance policies, providing leadership and supervising our management, reviewing the Group's business performance, and ensuring effective risk management and internal control. As at 31 March 2024, the Group's Board comprises 11 directors, including 4 executive directors, 3 non-executive directors and 4 independent non-executive directors.

The Board has set up three board committees, namely the Audit Committee, Nomination Committee and Remuneration Committee.

The Audit Committee is mainly responsible for reviewing the Company's accounting policies and monitoring the financial reporting procedures, monitoring the performance of the internal and external auditors, reviewing and verifying the effectiveness of the Group's risk management and internal control measures, and ensuring compliance with applicable laws and regulations and regulatory requirements. The Audit Committee is also responsible for assessing and reviewing the Group's ESG performance and reviewing the ESG report.

The Nomination Committee is responsible for identifying qualified candidates for the Board, nominating professional and experienced individuals to join the Group, safeguarding a strong and diverse Board, and making recommendations to the Board on matters relating to the appointment or reappointment of directors as necessary.

The Remuneration Committee is mainly responsible for making recommendations on the remuneration policies and systems for senior management of the Company, reviewing the Company's remuneration structure and formulating remuneration incentive plans to ensure that the remuneration level is in line with the Group's long-term interests and risk policies.

RISK MANAGEMENT

The Board is fully responsible for maintaining a sound and effective internal control system for the Group, which include establishing a risk management framework, defining authorities, safeguarding corporate assets against unauthorized misappropriation or handling, ensuring proper maintenance of financial records for internal use or disclosure, and ensuring compliance with laws and regulations and industry standards.

The Group has established a four-level risk management framework comprising the decision-making level (the Board), the executive level (management), the operation level (departments of different functions in the Group's headquarter) and the corporate level (person-in-charge of risk management of the Group's subsidiaries) to meet the requirement for continuous control of risks during our business development. Within the framework, the Board is responsible for implementing controls from the top, while the business level, which includes our operation, finance, engineering, legal and human resources teams, utilize their expertise to help our management to discharge their internal control responsibilities. Meanwhile, the Audit Committee, assisted by our external auditors, is responsible for monitoring the practices of our management and the effectiveness of the internal controls in place.

During the reporting period, the Group's management held risk management meetings with our operation level and identified four types of significant risks, namely operational risk, project construction risk, compliance risk and financial risk. The audit department assessed our potential risks through on-site investigation to further distinguish our risks and submitted the "Risk Management and Internal Control Report" to the Audit Committee.

GOVERNANCE OF PROJECT COMPANIES

The Group abides by the "Administration Measures for the Concession Arrangements of Infrastructure and Public Utilities" in mergers and acquisitions of new projects. It actively cooperates with local governments to acquire project concession through public tenders or competitive negotiation, and establishes project companies at the same time. A board of directors, board of supervisors and operation and management team are formed within the project companies to perform such duties and exercise such powers of a decision-making organ, supervision organ and management organ respectively in strict compliance with the Company Law of the People's Republic of China.

For details of the corporate governance, please refer to the relevant contents disclosed in the annual report of the Group.

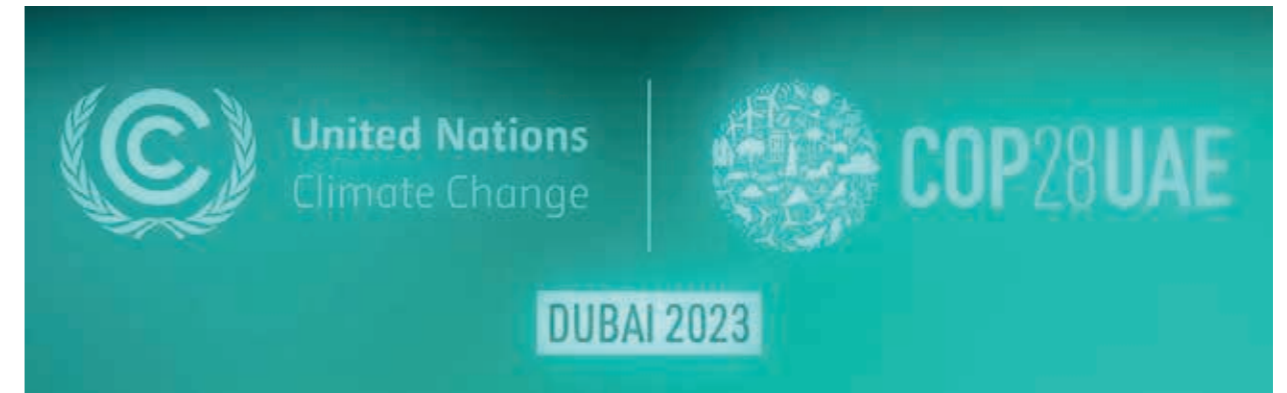
PROMOTING ENVIRONMENTAL IMPROVEMENT

The Global Risks Report 2023 published by the World Economic Forum points out that an inadequate response to climate change is the most serious long-term risk we face, and that the Earth's climate system is rapidly approaching critical mass, taking into account "discounts" in the implementation of the Paris Agreement's Nationally Determined Contributions (NDCs), as well as the impacts of geopolitical conflicts.

The Chinese government has announced ambitious targets of "carbon peaking" by 2030 and "carbon neutrality" by 2060, and is in the process of introducing a series of related policies. China Water has always been an advocate and pioneer in promoting environmental improvement, and is deeply aware that low-carbon development and green transformation of enterprises is not a speculative face-saving or prestige project, but a common pursuit in line with the national macro policies, industry investment trends, customers' consumption choices and enterprises' own development. Guided by the "Outline of the Implementation Plan for Carbon Peaking and Carbon Neutrality" and the "Net-Zero Emissions Proposal", the Group has continued to strengthen its corporate climate initiatives such as energy conservation, energy transformation and ecological restoration, taking into account the characteristics of its urban water supply, sewage treatment and pipeline direct drinking water businesses, so as to provide the society with the much-needed low-carbon value with a real consideration of the market demand.



China Water's Sustainable Development Highlights



China Water appeared at the United Nations Climate Summit

On 30 November 2023, the 28th meeting of the Conference of the Parties (COP 28) to the United Nations Framework Convention on Climate Change opened in Dubai, the United Arab Emirates. China Water Affairs Group Limited appeared at the Climate Summit, showcasing its "dual-carbon" strategy and social commitment in various ways, such as through video broadcasting, graphic introduction, thematic side events, celebrity dialogue and media coverage.

China Water focuses on green and low-carbon development, and at the same time is innovative in various fields. In terms of production and operation, China Water has made efforts to build environmentally friendly plants; in terms of energy use, it has invested in the construction of photovoltaic power stations; in terms of business positioning, it has vigorously developed pipeline direct drinking water business; and in terms of public service, it has launched year-round special actions for water conservation and water source protection. During the summit, a video specially produced by China Water titled "Protecting Birds – Building a Water Plant that Serves as a Wetland Garden" was broadcasted repeatedly.





Leveraging on its strength in recycling drinking water resources, centralised, energy saving and low carbon production, environmentally friendly and reliable pipeline delivery, as well as providing safe and convenient water for consumption, the pipeline direct drinking water supply system of China Water is considered an excellent solution for low-carbon and sustainable development, and has attracted the attention of central State-owned enterprises, multinational corporations, local enterprises in the Middle East as well as environmental protection organisations. Ms Zhang Qin, Deputy General Manager and Chief Brand Operations Officer of China Water, discussed and exchanged views on pipeline direct drinking water with carbon experts, business leaders and environmentalists from various countries at the summit.

Adhering to the core value of "Water-oriented, Kindness to Society", China Water is deeply aware of the long-term impact of climate change on our earth and all mankind, and believes that implementing corporate climate action to slow down the progress of climate change is a matter of great urgency. The Group will steadfastly implement the green and low-carbon concept and contribute to China's ambitious goal of "carbon peaking and carbon neutrality" while achieving high-quality and sustainable development.



China Water was invited to participate in the 2nd National Water Conservation Industry Innovation and Development Achievement Exhibition

On 15 November 2023, the 2nd National Water Conservation Industry Innovation and Development Achievement Exhibition was held at Shenzhen International Convention and Exhibition Center, with the theme of “Prioritizing Water Conservation, Industry Driven and Green Development”. As an invited exhibitor, China Water, armed with business case studies and successful experience, elaborately showcased its experience in four large panels which became a bright spot at the exhibition.

<p>Quality Water Supply</p> <p>Promoting water conservation and carbon reduction for quality development</p> 	<p>Water-oriented</p> <p>Nourishing thousands of families with love to create beautiful lives</p> 	<p>Green Development</p> <p>Reusing water to facilitate industrial water conservation</p> 	<p>Conservation and Efficiency</p> <p>Implementing intelligent water supply to promote green operation</p> 
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At the exhibition, China Water showcased its advanced technology, equipment and management experience, as well as its reform and innovation in water conservation and efficiency, and won the “Outstanding Exhibition Award” and “Outstanding Product Award” from the Organizing Committee for its outstanding water conservation achievements. Top officials from the Department of Water Resources of Guangdong Province and the Water Resources Bureau of Shenzhen Municipality also visited our booth and expressed their high praise to the Group for the brilliant achievements in the Group’s 20 years of development.

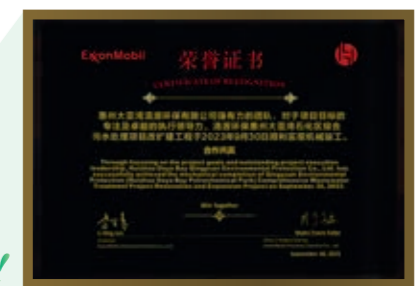


Successful Completion of the “ExxonMobil Project” leading to China Water receiving a certificate of honor

ExxonMobil, a Fortune 500 company, invested in a chemical complex project at the Huizhou Daya Bay Petrochemical Area, with a total investment of about US\$10 billion, which is one of the major foreign-invested projects in China. In order to solve the problem of sewage discharge and reuse of water in the project, China Water signed a strategic cooperation agreement with ExxonMobil to specifically build a set of sewage treatment facilities, which will be executed by Huizhou Daya Bay Qingyuan Environmental Protection Co., Ltd., a subsidiary of China Water. The project commenced construction in November 2022 and achieved full mechanical completion on 13 August 2023, with the completion of 33 on-site monolithic structures, the completion of four 45.6-kilometer long off-site pipelines, and the installation and commissioning of a total of 1,486 units of equipment, making the project fully ready for full-scale operation.



ExxonMobil Corporation highly appreciated the efficient completion of the construction work by China Water and said that it was a right decision to choose China Water. The mechanical completion of the project will become the solid foundation for the production operation of the ExxonMobil Huizhou Chemical Complex, and the specially treated wastewater will meet the national discharge standards, significantly reducing the environmental impact and risk. In recognition and appreciation, ExxonMobil Corporation presented certificates of honor to China Water and Huizhou Daya Bay Qingyuan Environmental Protection Co., Ltd., and a continued win-win cooperation between both sides is highly anticipated.



China Water aims to make the ExxonMobil Project a benchmark in the chemical sewage treatment industry and strive to achieve “carbon neutrality” in its operations, with a commitment to improving the environment and safeguarding the blue water and blue sky of Daya Bay.



Moody's Corporation awarded China Water an SQS1 (excellent) sustainability quality score

In line with its sustainable development strategy, China Water formulated the Environmental and Social Management System (ESMS) as early as 2011, which has been revised and improved several times since then. The ESMS stipulates that investment and construction projects of the Group and its subsidiaries shall comply with the standard therein, comprehensively identify and analyze possible environmental and social risks and formulate improvement measures; and in the course of project implementation, properly disclose information, negotiate with relevant parties and agree to supervision by stakeholders. Management of the whole process from project establishment to final operation has been generally achieved.

In order to ensure the strict implementation of ESMS, the Group has set up a construction management center in 2019, focusing on the active control and process supervision of construction projects, and set up a group-level ESG task force in 2022 to further regulate the environmental and social management of investment and construction projects. In addition, specialized audits of construction projects are conducted constantly to ensure that environmental and social risks are effectively managed.

Pursuant to the effective environmental and social management system, the Group has never been in breach of the ESMS, and in April 2023, Moody's Ratings, a renowned international credit rating agency, awarded the Group with an SQS1 (excellent) sustainability quality score.



Moody's INVESTORS SERVICE

ASSESSMENT
12 April 2023

Silver Dragon Water Supply Group Limited
Second Party Opinion – Sustainable Loan Assigned SQS1 Sustainability Quality Score

Summary
We have assigned an SQS1 Sustainability Quality Score (Excellent) to Silver Dragon Water Supply Group Ltd's (Silver Dragon) sustainable loan dated March 2023. Silver Dragon's sustainable loan will finance three projects relating to one green category and one social category. The sustainable loan is in compliance with the company's sustainable finance framework, which is aligned with the four core components of the Loan Market Association's (LMA) Green Loan Principles 2023 and Social Loan Principles 2023. The company has also incorporated MS-identified best practices for all four components. Furthermore, the loan demonstrates a high contribution to sustainability.

Sustainability quality score

SQS1 (Excellent)

Alignment with principles

Overall alignment	Highly aligned
Climate alignment	Highly aligned
ESG alignment	Highly aligned

Contribution to sustainability

Overall contribution	High
Climate contribution	High
ESG contribution	High

* Silver Dragon Water Supply Group Limited is a wholly owned subsidiary of China Water Affairs Group Limited.

RIDING ON OUR SUCCESS WITH FIRM CONFIDENCE TO PROMOTE THE HIGH-QUALITY DEVELOPMENT OF DIRECT DRINKING WATER INDUSTRY

Due to the rapid development of China's economy and society, people's living standards continue to rise, and the demand for healthy drinking water is also increasing. China Water has taken up the important responsibility to keenly explore the market for quality water supply, accelerate the transformation to a low-carbon and environmentally-friendly water supply model, and push forward the high-quality development of the direct drinking water industry. As of March 2024, the Group operated over 6,900 direct drinking water projects in 306 districts, counties and county-level cities across in 24 provinces, municipalities and autonomous regions in China, serving an estimated population over 8.3 million.



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Pursuing Progress while Maintaining Stability and Strengthening Management

The high-quality development of the direct drinking water industry is a complex and systematic process, and innovative and strengthened management is a must. The Group adhered to the management philosophy of "investment determines the territory," "quality determines the future" and "marketing determines the success", and explored in depth the underlying values of "cost-effectiveness," "safety," "convenience" and "protection" of the direct drinking water business. Six implementation opinions were introduced during the year, namely the Implementation Opinion on Direct Drinking Water Business, the Implementation Opinion on Direct Drinking Water Promotion and Marketing, Implementation Opinion on Construction Management of Direct Drinking Water Projects, the Implementation Opinion on the Design and Management of Direct Drinking Water Projects, the Implementation Opinion on the Procurement of Materials for Direct Drinking Water Projects, and the Implementation Opinion on the Management of Direct Drinking Water Operations; which clarified the management requirements for each line and section of the business, and at the same time stimulated innovation.



Business Model

Innovative ideas, integration of resources, flexible use of joint venture, cooperation, joint stock and other ways to jointly develop projects to achieve a win-win situation for all parties.

Publicity and Promotion

Fully implemented the construction of a new media promotion domain, and assisted the branding of direct drinking water through the use of internet.

Marketing

Learn from experience, take multiple initiatives, incorporate advanced marketing strategies, and innovate the marketing model.

High Quality Development Achievements in Direct Drinking Water

Engineering Construction

Establishment of professional engineering companies, acceleration of the introduction of project management standards, implementation of cost control, and quality assurance of project construction.

Operation and Maintenance Management

Continuously improve the system and standards, and gradually achieve the refined management of projects.

Team Building

Enhance training, attract talents and incubate a number of direct drinking water operation teams to facilitate market expansion.

Protect the Environment with Care and Reduce Carbon and Plastic

In the domestic market where bottled water and barrel water are over-consumed, a huge amount of "white pollution" is generated every year, as a result, pipeline direct drinking water, which possesses carbon and plastic reduction and environmental attributes, have always been the focus of the Group. Since 2022, the Group has cooperated with the Chinese Agricultural and Typical Industry Carbon Emission Reduction and Carbon Trading Research Center to carry out research on the topic of "integration of key technology and construction of carbon emission reduction measurement and accounting system for pipeline direct drinking water", and is committed to determining the carbon emission reduction standard for pipeline direct drinking water, developing the methodology for CCER for pipeline direct drinking water, and facilitating the entry of the pipeline direct drinking water industry into the carbon inclusive market.



Accelerating the Promotion of Citywide Direct Drinking Water Supply

Successful signing of cooperation agreement for direct drinking water project in Jianli City

On 13 October 2023, at the signing ceremony of the “100-Day Pitching Project of Attracting Investments to Jianli City”, China Water and the People’s Government of Jianli City formally signed a cooperation agreement on the direct drinking water project to fully promote “citywide direct drinking water supply” for the whole city. After the signing ceremony, both sides quickly held a special meeting to discuss the project focus and implement the specific details to ensure that the people of Jianli City will have high-quality drinking water as soon as possible. China Water stated that it will build the benchmark in one year in Jianli City, and achieve the goal of “citywide direct drinking water supply” in three years, thereby improving the city’s well-being and sense of attainment.



Acclaimed Community Projects

Launching of a pipeline direct drinking water project in a mega community

On 10 June 2023, the Changsha Xiangjiang Century City Pipeline Direct Drinking Water Project was launched, which is a mega community pipeline direct drinking water benchmarking project implemented by China Water. With the innovative application of three patented technologies of the Group, including the “Dissolution of Concentrated Water in Membrane Treatment Equipment” and the use of a 10-ton centralized nanofiltration water purification equipment, the project is capable of producing 200 tons of healthy drinking water per day, which can broadly cover the 15 zones of Xiangjiang Century City and satisfy the drinking water demand of 100,000 people. For the convenience of owners, the project has set up 160 intelligent terminals and 3 public welfare drinking points. After commissioning, the project has been praised by community residents for its cost-effectiveness, convenience and excellent water taste.



Successfully commissioning of Hanzhong City’s first “citywide direct drinking water supply” demonstration project

In September 2023, a ceremony was held to officially commence the water supply to Longhe Garden, the first demonstration project of “citywide direct drinking water supply” in Hanzhong City. The senior management of China Water and top officials of Hanzhong Municipal Government attended the ceremony and formally cut the ribbon for the ceremony. In response to the “Healthy Hanzhong” policy proposed by the Hanzhong Municipal Government, the Group has accelerated its planning and planned to invest in the construction of pipeline direct drinking water in several tens of thousands of communities, as well as the surrounding hospitals, schools and other administrative institutions, so as to enable Hanzhong residents to have access to good and healthy water everywhere and whenever they are working, studying and living.



Successfully commissioning of the Zhiyin Dongyuan Pipeline Direct Drinking Water Demonstration Project

Zhiyin Dongyuan community in Hanyang District of Wuhan City is a national model community and one of the city’s key renovation projects for old districts. In response to the Hanyang District Government’s directive to solve the “last mile” of water safety problem of the people, China Water has created a pipeline direct drinking water demonstration project for Zhiyin Dongyuan Community. The project, which was successfully commissioned on 28 December 2023, uses a complete set of direct drinking water equipment independently developed by China Water to provide more than 2,000 residents in the community with affordable, healthy and convenient fresh water, and the beautiful sun-lit glass machine rooms inspired by “H2O” has even attracted residents from around the community to take pictures.



NEVER GIVING UP ON EMBARKING NEW URBAN WATER SUPPLY PROJECTS

Clean and clear water can purify a city. Urban water supply is the most basic and popular livelihood project, and has a bearing on people's health, social stability and economic development. The Group has been working in the field of urban water supply for 20 years. With a high sense of responsibility and mission, the Group has built up a comprehensive system and standards from scratch, and created a standardized and refined management system, which has changed the public's stereotypical impression of traditional water supply enterprises. With its high-standard water plant construction, efficient operation and management and high-standard water supply services, the Group is embarking on a new journey of urban water supply, creating greater value for the country's livelihood and socio-economic development.

During the reporting period, the Group has supplied a cumulative total of 1.4 billion m³ of clean water, providing drinking water and water security for 30 million people.



 The second phase of Shenzhen Grand Industrial Zone Water Plant Project officially connected with water supply pipelines

The second phase of the Shenzhen Grand Industrial Zone Water Plant Project is a key infrastructure project of the Shenzhen Municipal Government, with a total investment of RMB285 million, and is constructed and operated by the Group to high standards. The project was formally interconnected with the water supply system on 18 May 2023, making it the first water plant in the Pingshan District of Shenzhen City to adopt the deep treatment process. The first phase of the plant has a water supply capacity of 100,000 m³/day and adopts conventional water treatment technology, while the current expansion will increase the water supply capacity to 250,000 m³/day and at the same time increase the use of the deep treatment technology known as "pre-ozonation + activated carbon filtration", which further upgrades the quality of the effluent; the automatic control system of the water plant adopts multi-variable intelligent control algorithms, which enables the whole process of pre-treatment of raw water to water distribution from pumping station to be automated, allowing unmanned operation to be implemented; the planning and design of the water plant focus on the harmony and unity of people, buildings and the natural environment, and the running track surrounding the water plant helps improve the occupational health of employees, and the photovoltaic lighting helps create a low-carbon environmentally friendly water plant. The smooth commissioning of the second phase of the water plant in the Grand Industrial Zone has benefited 200,000 residents in Pingshan District of Shenzhen, providing a strong support for the high-quality development of special economic zones in China



DRAIN AWAY FILTH AND BRING IN FRESH WATER - REDUCING THE ENVIRONMENTAL IMPACT OF SEWAGE DISCHARGE

The Group continues to treat sewage effectively to reduce its environmental impact and improve the utilisation of urban water resources, as well as to upgrade and reconstruct the sewage treatment plants to ensure that the effluent quality meets the Grade 1-A standard of the "Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant" (GB 18918-2002). All the sewage treatment projects were installed with effluent monitoring systems to enable timely and reliable recording of water quality data.

During the reporting period

The Group treated a cumulative total of sewage of

215 million m³

Reducing the discharge of chemical oxygen demand (COD) by

54,677 tonnes

Reducing the discharge of biochemical oxygen demand (BOD) by

23,970 tonnes

Reducing the discharge of suspended solids (SS) by

45,523 tonnes

Reducing the discharge of ammonia nitrogen (NH₃-N) by

5,514 tonnes



Calculation method for pollutant reduction: difference between pre-treatment and post-treatment average concentration of pollutant × total volume of sewage treated



PROMOTING URBAN-RURAL WATER SUPPLY INTEGRATION

Urban-rural integration is an important measure to promote coordinated regional development and achieve common prosperity. The Group responds to the aspirations of rural residents for a better life by upholding the development of urban-rural water supply integration and adopting methods such as “pipeline extension, pipeline connection, upgrading, commissioned operation” to achieve coordinated but phased implementation of planning, management and allocation of water resources, construct urban-rural water supply engineering systems from the source to the faucet and a standardised management system, and continuously improve drinking water safety in urban and rural areas as well as production and living conditions in urban and rural areas. During the reporting period, the Group gained 87,000 rural household users and 300,000 rural water users.

The central water plant for the urban-rural water supply integration in Gongyi City was completed and officially commenced water supply

On 11 November 2023, the central water plant, the landmark project for the integration of urban and rural water supply in Gongyi City, was officially completed and commenced water supply. This project of integrating urban and rural water supply in Gongyi City represents a key livelihood project in Henan Province. With the strong support of the local government, the Group overcame all kinds of difficulties and made every effort to ensure the progress, quality and safety of the construction work, and fully achieved the expected objectives after 700 days of construction and 3 months of commissioning. The central water plant, with a total investment of RMB1.45 billion and a water supply scale of 150,000 m³/day, adopts a dual water source configuration with established and advanced ozone + activated carbon in-depth treatment technology for water production, resulting in high quality and stable water supply. The main water supply pipeline network, with a total length of 106 km, will bring quality changes into the drinking water conditions of approximately 600,000 residents from 15 townships in the urban and rural areas of Gongyi City.



The urban-rural water supply integration project in Shiqiao Town of Baofeng County is progressing in an orderly manner

In order to promote the economic development of the rural areas, improve the quality of life of the rural residents and optimize the water supply system in the rural areas of Baofeng County, the Group invested RMB14.64 million in the implementation of the urban and rural water supply integration project in Shiqiao Town of Baofeng County, and as of March 2024, a total of 5.2 kilometres of water supply pipelines had been laid, and the construction is being carried out in an orderly manner. Upon completion, the project will cover 28 administrative villages in Shiqiao Town and improve the drinking water conditions of 44,000 rural residents, while benefiting a number of important agricultural and non-staple food enterprises in the region.



PROMOTING DRAINAGE INTEGRATION IN URBAN AND RURAL AREAS

Improving the living environment in urban and rural areas and building beautiful and liveable villages are important initiatives to promote integration in urban and rural areas, promote the harmonious resonance between towns and villages, and implement the concept of ecological civilization. The Group focuses on the issues relating to the urban and rural ecological environment, and proactively commences the drainage and sewage treatment business to protect our clear waters and green mountains.

Urban and rural drainage integration PPP project in Ninxiang

The urban and rural drainage integration PPP project in Ninxiang, with a total investment of RMB1.518 billion, comprises of portions in both urban and rural areas, involving various types of sub-projects such as the expansion and upgrading of the sewage treatment plant, extension of the sewage network, upgrading of the water system in the old urban areas, construction of drainage pumping stations, and construction of sewage treatment facilities and sewage network in the rural areas. The project is characterized by its extensiveness and complexity in terms of construction conditions. As of March 2024, the rural portion is basically completed. The next step will be to expedite the construction of the sewage treatment plant and ancillary pipeline network in the urban area.



GREEN BONDS

China Water issued a total of US\$350 million of fixed-rate coupon rate senior unsecured green notes on 18 May 2021 and 19 January 2022, the proceeds of which were used for eligible green projects, particularly water supply projects, within a specially established green finance framework.

Issuance of fixed-rate coupon rate senior unsecured green notes at a total of

US\$350 million 

Our green projects include:

Sustainable Water Resources and Sewage Management: The construction, modification or upgrading of facilities, infrastructure or systems relating to water supply and sewage treatment.

Renewable Energy: The construction of renewable energy production units, including solar and wind energy.

List of green projects:

Name of Project	Type of Project	Location	Current Progress of the Project
Henan Province South-to-North Water Diversion Project-Zhoukou Water Supply Supporting Project and Huaiyang Water Supply Project	Water supply	Zhoukou City, Henan Province	In operation
Xinyu Urban and Rural Water Supply Integration	Water supply	Xinyu City, Jiangxi Province	In operation
Henan Luyi Silver Dragon Urban and Rural Water Supply Integration	Water supply	Luyi County, Henan Province	In operation
Reconstruction of Chengnan Water Plant in Yanshan County and Expansion Project of Water Distribution Pipeline Network	Water supply	Yanshan County, Jiangxi Province	In operation
New Construction and Reconstruction Project of Urban Water Supply Pipeline Network in Jian City, Jiangxi Province	Water supply	Jian City, Jiangxi Province	In operation

Note: According to the framework for green finance, all project types listed in this table fall under "Sustainable water resources and wastewater management".

ENERGY-SAVING AND EMISSION REDUCTION

The Group has strictly complied with the Law of the People's Republic of China on Energy Conservation, the Environmental Protection Law of the People's Republic of China and other laws and regulations. Over the years, the Group has incorporated energy consumption indicators into the performance assessment system of its subsidiaries, strengthened the introduction of energy consumption management technologies and technological research, and relied on internal and external experts and third-party professionals to gradually establish and improve energy consumption analysis and assessment methods.

Emissions

The major pollutants emitted during the production and operation of the Group are divided into two categories: The first category represents the sludge produced during the water production process at the filtered water plant, the key components of which are the dissolved substances in the natural body of water and the water purifiers added during the purification process. The second category represents the waste gases, sludge and treated discharge produced during sewage treatment at the sewage plant. Waste gases are CO₂, H₂S and NH₃ produced in the course of bioprocessing; sludge mainly includes silt, garbage and excess activated sludge; major pollutants in treated discharge are COD, SS and NH₃-N.

The Group has in place a comprehensive set of management processes and operational procedures for general emissions that have smaller impacts on the environment under its operation and management standards, covering identification, discharge, disposal and regulation of emissions to ensure up-to-standard emission. Hazardous emissions produced by industrial sewage treatment plants are dealt with by qualified professional companies. During the reporting period, the Group was not aware of any environmental pollution of material nature.

Emission categories and emission data (A1.1)

Category	Emission	Total volume of emissions during 2024 (tonnes)	Total volume of emissions during 2023 (tonnes)	Total volume of emissions during 2022 (tonnes)	Method of emission	Applicable laws and regulations that are subject to compliance	
City water supply	Sludge	Naturally dissolved substances and water purifiers	195,790	191,169	199,067	Up-to-standard emission	"Environmental Protection Law of the People's Republic of China"
	Air emission	H ₂ S	Below emission limit	Below emission limit	Below emission limit	Up-to-standard emission	"Environmental Impact Assessment Law of the People's Republic of China"
NH ₃		Below emission limit	Below emission limit	Below emission limit	Up-to-standard emission	"Water Pollution Prevention and Control Law of the People's Republic of China"	
Sewage treatment	Treated discharge	COD	3,775	3,592	4,051	Up-to-standard emission	"Atmospheric Pollution Prevention and Control Law of the People's Republic of China"
		SS	1,039	1,284	1,673	Up-to-standard emission	"Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste"
	Sludge	NH ₃	131	146	193	Up-to-standard emission	"Ambient Air Quality Standards"
		Silt, garbage and excess activated sludge	85,971	87,801	91,597	Up-to-standard emission	"Environmental Quality Standards for Surface Water"

Sludge from domestic sewage treatment plants is used for reclamation and electricity generation after dehydration and desiccation; and sludge from industrial sewage treatment plants is dealt with by qualified professional companies after dehydration and desiccation

"Environmental Quality Standards for Underground Water Emission"

"Standards for Odour Pollutants"

"Pollutants Emission Standards of Urban Sewage Water Treatment Plant"

Calculation of emission: average post-treatment concentration of pollutant x total volume of sewage treated

Note: The 2024 and 2023 data excluded data from associates; while 2022 included associates.

GHG emission (A1.2)

In order to implement the “Dual Carbon” strategy, the Group commissioned SGS S.A. to carry out ISO 14064 GHG emission verification work, with an aim to establish a group-wide GHG emission inventory with 2024 as the base year for GHG emissions, so as to lay a solid foundation for the steady development towards net-zero emission in China Water.

The scope of this verification includes all companies within the Group's water supply, environmental protection and direct drinking water businesses, and ISO 14064-1:2018 was implemented as the standard of the verification, with categories classified as scope 1 (ISO 14064-1:2018 category 1) direct GHG emissions; scope 2 (ISO 14064-1:2018 category 2) indirect GHG emissions from imported energy; and scope 3 (ISO 14064-1:2018 categories 3 and 4) indirect GHG emissions from transportation and indirect GHG emissions from products used by an organisation.

Category	Scope 1	Scope 2	Scope 3	Emission intensity	Total amount
City water supply business	1,743	147,096	21,717	0.09 tonnes/kilotonnes of water	170,556
Environmental protection business	179,483	31,479	4,853	1.00 tonnes/kilotonnes of water	35,224
Pipeline direct drinking water business	194	644	1,124	0.002 tonnes/kilotonnes of water	2,426
Total	181,420	179,219	27,694		388,333

Notes: ① Direct and indirect GHG emissions are calculated on an equivalent basis (in tonnes).
 ② For other businesses, scope 1 emissions were 685 tonnes, scope 2 emissions were 8,648 tonnes and scope 3 was not applicable, totalling 9,333 tonnes.

Hazardous wastes (A1.3/A1.6)

The hazardous wastes produced in the course of operation of the Group are mainly sludge produced in our industrial sewage treatment plants. During the reporting period, the total amount produced was 6,183 tonnes, representing an emission intensity of 0.23 tonnes/kilotonnes of water, all of which were collected and properly handled by qualified professional companies.

Non-hazardous wastes (A1.4/A1.6)

The non-hazardous wastes produced in the course of operation of the Group are mainly sludge produced in filtered water plants and domestic sewage treatment plants. During the reporting period, the total amount produced was 281,762 tonnes, representing an emission intensity of 0.12 tonnes/kilotonnes of water for the water supply business and 0.46 tonnes/kilotonnes of water for domestic sewage treatment. Sludge was dewatered, dried and subsequently collected by the local environmental hygiene departments for proper disposal, which is mainly in the form of reclamation, composting or combustion for electricity generation. As the discharge density for sludge is closely related to the intake of water load, the Group will endeavour to ensure that the discharge density will not increase in the next five years through technical means.



Use of Resources


The Group actively responds to the relevant national policies on resource recycling and energy conservation, continuously strengthens its internal management, sets stringent assessment standards for all water supply and sewage treatment companies, including unit electricity consumption rate, leakage ratio, self-use rate and clean energy utilisation rate, etc., and adheres to the principle of both conservation and innovation, in order to enhance resource efficiency and energy usage through management, potential tapping and external professional support.

Energy used by the Group was mainly indirect energy (A2.1)

Category	Electricity consumption (MWh)	Electricity consumption per unit (kW·h/1,000m ³)	Fuel consumption (tonnes)
City water supply business	463,215	257	878
Environmental protection business	66,406	309	57
Pipeline direct drinking water business	5,913	N/A	130
Total	535,534	N/A	1,065
The total energy consumption of electricity and fuel was 2,040,492 GJ			

Notes: ① According to the “Notice on Further Work Concerning Non-inclusion of Newly Added Renewable Energy Consumption in the Control of Total Energy Consumption” issued by the National Development and Reform Commission (NDRC) and three other bureaus, solar energy (PV power) is categorised as a renewable source of energy and is not included in the total energy consumption.
 ② Total energy consumption was converted in accordance with the “General rules for calculation of the comprehensive energy consumption” (GB/T2589-2020).
 ③ For other businesses, the electricity consumption was 15,632MWh and the fuel consumption was 244 tonnes.

During the reporting period, energy consumption of the city water supply business accounted for 14.27% of production costs, which remained relatively steady compared to 13.98% in the corresponding period of the previous year; energy consumption of the sewage treatment business accounted for 23.21% of production costs, which was lower than 24.32% in the corresponding period of the previous year; average electricity consumption per unit of water supply was 257kW·h/1,000m³, which was lower than the industry average of 300kW·h/1,000m³.



China Water's “Dual Carbon” goal by 2035 (A1.5): 

Average electricity consumption per unit of water supply reduced to 213kW·h/1,000m³

Energy self-sufficiency rate of sewage treatment plants reach to over 60%

 **Energy-saving modification (A1.5/A2.3)**

The Group, in conjunction with a third-party professional organisation, conducted surveys and analyses of its water plants and pumping stations, examined the potential for energy saving, formulated energy-saving retrofitting plans and implementation proposals, and implemented 15 retrofitting projects with a total investment of over RMB6 million during the year.

 **Energy-saving retrofit of the distribution pumping station in Xitou Water Plant of Leizhou Huayang Water Affairs** 


Xitou Water Plant is responsible for supplying water to the downtown area of Leizhou with a design capacity of 50,000 m³/day. After analysing the on-site data of the distribution pumping station of Xitou Water Plant, it was found that the operating efficiency of the pumps was less than 60%. Therefore, the Company invested RMB1.6 million to replace a set of centrifugal pumps with a power of 400kW, and installed a new set of centrifugal pumps with a power of 560kW together with a high-pressure inverter. After the retrofit was completed and commissioned in June 2023, the electricity consumption of the distribution pumping station has reduced by 25kW-h/thousand m³ compared with that of the original, thus substantially increasing the efficiency and reliability of the pumping station.



 **Dedicated works to reduce leakage ratio**

The Group fully leveraged its advantages in terms of economies of scale, management and cross-region layout, and set up four special working groups in Jiangxi, Henan, Hubei and Hunan Provinces respectively, where its subsidiaries are more concentrated. Organised by the Group's head office, experienced technical management staff in each region are allocated to carry out on-site investigations and guidance on other subsidiaries with higher leakage ratio, and to tailor working plans for them and supervise the related implementation, resulting in significant successes. As a result, the overall leakage ratios of the four regions were reduced to different degrees compared with the same period of the previous year. During the reporting period, the average leakage ratio of the Group's water supply business was 14.42%, which was lower than the industry average of 23.22%.



 **China Water's "Dual Carbon" goal by 2035:**

- Leakage ratio for prefecture-level urban water supply companies to be less than 10%
- Leakage ratio for county-level urban water supply companies to be less than 12%

 **Green office (A1.5/A2.3)**

China Water has fully implemented "green office" practice, advocating energy saving and consumption reduction while creating a comfortable and healthy working environment for employees, cultivating green, low-carbon and environmentally friendly working and living habits among employees, and promoting the great Chinese virtues of thrift and frugality.

- Green management** → Enhance the management of office supplies and set up an account regarding the use of office supplies; save office consumables and reduce the use of disposable items; implement "paperless office" and print on both sides of the paper whenever necessary; streamline meetings and adopt video conferencing systems.
- Green energy use** → Gradually replace energy-saving lighting fixtures; manage air-conditioners in a centralized way and set temperature at a level that complies with national energy-saving requirements; and turn off the power of all types of office equipment when they are not in use for a long period of time.
- Green procurement** → Purchase according to needs and eliminate waste; when purchasing office appliances, choose products with energy-saving and environmental protection labels.
- Green environment** → Implement waste separation and regular recycling of hazardous waste; increase the number of open workstations and make full use of natural light; install pipeline direct drinking water instead of drinking from bottled water; use green plants to decorate the office environment.
- Green travelling** → Establish an account regarding the use of official cars and gradually replace them with new energy vehicles; advocate the use of public transport, bicycles and other green modes of travel for staff commuting.



Direct drinking water machine room installed at the Beijing head office of China Water

Implementation of renewable energy projects (A1.5)

The Group is committed to placing innovation as the fundamental driving force for the development of renewable energy, explores new scenarios and modes of renewable energy development and utilisation, focuses on cutting-edge technologies and organises pilot projects. Over the years, the Group has been conducting the construction of photovoltaic power stations in an orderly manner, and at the same time expanding and retrofitting the completed projects to continuously improve the utilization rate of the plants and the photovoltaic power generation rate. In 2023, the Group formally initiated the research and development of photovoltaic energy storage and distributed wind power projects, and has already started the feasibility studies with third-party professional organisations in Hegang City of Heilongjiang Province and Zhoukou City of Henan Province, among other places.

During the reporting period

The Group provided clean energy amounted to

68,985 MWh

Total installed capacity of PV power generation units reached

80 MW

Representing total electricity consumption of approximately

13%

Representing total electricity consumption under full-load operation of approximately

18%

Full photovoltaic coverage at the No. 2 Water Plant in Anxiang

The distributed photovoltaic power generation project of Changde Anxiang Silver Dragon Water Affairs Co., Ltd., a subsidiary of the Group, has an installed capacity of 1.3 MW, with a total investment of RMB8 million, and will be completed and put into operation in January 2024. The installation method of the photovoltaic modules includes flat roof installation, pitched roof installation, installation on top of water tank and ground piling, covering basically all the effective areas in the plant, maximizing the space utilization.



Water Conservation and Water Source Protection (A2.2/A2.4)

Water is a fundamental natural resource and a strategic economic resource, and is a key area of resource conservation. On 23 February 2024, the State Council of the PRC approved the adoption of the Regulation on Water Conservation, which will come into effect on 1 May 2024. As a cross-regional integrated water service operator, the Group is determined to adhere to the nation's water conservation effort and follow the principle of coordinated planning and local conditions to establish an optimal operation, regular supervision, incentives and penalties. As a cross-regional integrated water service operator, the Group is committed to the implementation of the National Water Conservation Action, and, by following the principles of co-ordinated planning and adapting to local conditions, establish a water conservation mechanism with optimised operation, regular supervision, a reward and penalty system, and public participation.

The Group has continued to carry out special work to reduce the leakage ratio, keeping this most important water conservation indicator below 15% year-round and recovering a large amount of high-quality water resources. On the premise of ensuring safe water quality, the Group has controlled the self-use rate of water plants to below 3.5%, which is lower than the 5% to 10% stipulated in the Code for Design of Outdoor Water Supply Engineering (GB 50013-2018), through the adjustment of back flush and discharge parameters, the installation of additional reflux systems and other measures of optimised operation and technological modifications. Every year on specific days such as the World Water Day (22 March), World Earth Day (22 April) and World Environment Day (5 June), companies at all levels with the Group organise and carry out thematic activities in relation to water protection and water conservation to create a social atmosphere of "saving water, cherishing water, caring for water and protecting water," and guide the public to start from doing the smallest deed to jointly safeguard the precious water resources.

During the reporting period:

The Group's total water withdrawal amounted to

1,693.67 million tonnes

Total water consumption amounted to

55.60 million tonnes

Total water supply amounted to

1,638.07 million tonnes

China Water's "Dual Carbon" goal by 2035:

Self-use water ratio of less than 2% in water plants

Water consumption rate per unit (A2.2) of

3.28%



Environment and Natural Resources (A3.1)

The construction and operation of water projects have certain impacts on the environment and natural resources. During the preliminary stage, it involves the selection of water sources, and the development of land being chosen as a plant site. During the construction stage, the environmental impact mainly comes from the wastewater, waste gases, waste residues and noise generated during the construction, which are generally temporary in nature and can be eliminated upon the completion of construction. During the operation stage, our projects mainly involve water resources extraction and ecological environment restoration.

Water stress assessment

As a cross-regional water service provider with city water supply and pipeline direct drinking water as its core, the Group closely monitors water usage of its projects in order to avoid possible disputes over water access rights, rapid increase in operating costs and disruption of operations due to water shortage. The Group measures water stress of its projects, including those of possible acquisitions, with reference to the “Baseline Water Stress China” report published by the World Resources Institute, and formulates plans to cope with future operations. Baseline water stress is a measure of the ratio of total water intake to available surface water in a given area and acts as an indicator of the risks and opportunities associated with water resources. A total of six of the Group’s water supply projects were found to be located in areas of high water stress, representing approximately 4% of the total in terms of water intake. In addition, none of the Group’s projects have access rights disputes or is at high risk of operational disruption.



Environmental impact assessment on construction project

The Group strictly follows the requirements of the “Environmental Protection Law of the People’s Republic of China” and the “Environmental Impact Assessment Law of the People’s Republic of China” to conduct environmental impact assessments for new, renovated or expanded planning or construction projects and to engage qualified third-parties to compile environmental impact assessment reports. Being aware of the time lag between the preparation of the environmental impact assessment report and the actual construction of the project, and that the local ecology may change

during that period, the Group will organize expert review to further demonstrate the design and construction plans before the commencement to ensure that the construction will not cause significant impact on the environment. During the reporting period, none of the Group’s projects fell into any category of potentially significant impact on the environment under the “Catalogue for the Classified Administration of Environmental Protection for Construction Projects (2021 Edition)” published by the Ministry of Ecology and Environment of the PRC.



Green construction practices

Green construction refers to the construction activities in which resources are saved and negative impact on the environment is reduced to the maximum extent through scientific management and technological advancement on the premise of guaranteeing the basic requirements of quality and safety in the construction of projects. The Group actively practised green construction, and has formulated and published the “Reporting and Approval System for Commencement of Work”, the “Major Project Inspection System” and the “Notice on the Establishment of the Command and Responsibility System for Major Projects”, revised and improved the “China Water Construction Management System” in accordance with the “Code for Green Construction of Building” and “Evaluation Standard for Green Construction of Building”, taking into full consideration of the utilisation of resources and energy during the construction process and its impact on the ecological environment, and established a “plan for excellence” and strengthen the comprehensive application of green construction technologies to achieve energy saving, land saving, water saving, material saving and environmental protection.



Compliant use of natural resources

The Group strictly complied with the water intake license system as stipulated in the “Water Law of the People’s Republic of China” and applied for water intake licenses in accordance with the relevant procedures. During the reporting period, all of the Group’s water plants obtained valid water intake licenses. Other natural resources consumed in the course of the Group’s project operation are renewable industrial products, which were mainly the water purifiers and disinfectants added in the course of tap water production and sewage treatment. In the section regarding technical procedures for process operation cost control of the “Operation Management Standards” compiled by the Group, technical procedures have been formulated for all types of water purifiers and disinfectants.





China Water’s “Dual Carbon” goal by 2035:

Reduce the consumption of chemicals per unit of water supply by at least 10% as compared to 2021

Category	Type	Consumption (tonnes)	Unit average consumption (kg/1,000 m ³)
Water purifier	PAC	17,174	11.5
	Al ₂ (SO ₄) ₃	238	7.2
	NaOH	71	0.7
Disinfectant	Liquid chlorine	1,371	1.3
	ClO ₂	400	1.7
	NaClO	9,329	5.8

Ecological restoration and biodiversity conservation

A healthy ecological environment and biodiversity make the Earth full of vitality and are the basis for human survival and development. On 18 January 2024, the Ministry of Ecology and Environment released the “China National Biodiversity Conservation Strategy and Action Plan (2023-2030)”, which represents an important measure to implement the decision and deployment of the biodiversity conservation work, and also a practical action to promote the “Kunming-Montreal Global Biodiversity Framework”. The Group has actively responded to the national policies and calls for action, and attaches great importance to ecological restoration and biodiversity conservation. Taking into account the of its main business nature and actual circumstances, the Group has carried out four major measures:

-  **Construction compliance** All sites selected for construction and operation projects have undergone rigorous examination and passed third-party environmental impact assessments. There had been no cases of occupying or damaging ecological reserves, rare wildlife reserves or natural heritage sites.
-  **Enrichment of plant area** Carried out targeted greening and retrofitting on the water plants according to their respective geographical location and local ecological characteristics on the premise of not affecting the operational safety, and took advantage of the fact that the water plants are generally far away from the crowded city, with abundant water sources and surrounded by a beautiful environment, in order to provide good habitat conditions for small birds, fish and insects.
-  **Ecological inspection** Ecological restoration and biodiversity protection are embedded into daily work, local ecological conditions are monitored through water source inspections, pipeline network inspections, water quality sampling and testing as well as during the construction of urban-rural supply-drainage integration, and necessary protection measures are implemented swiftly.
-  **Thematic activities** Organise staff to visit local reservoirs, lakes, beaches and wetland parks to carry out ecological protection activities, including but not limited to cleaning up rubbish, planting trees and greenery, monitoring water quality, and promoting the awareness of the law.

Shishou Silver Dragon Water Affairs Co., Ltd. has created a biodiversity-friendly water plant

The Zhoujialou Water Plant of Shishou Silver Dragon Water Affairs Co., Ltd. was built in the 1980s as a single-function traditional water plant. In 2023, inspired by the theme of the World Migratory Bird Day – “Water and its importance to migratory birds”, the Zhoujialou Water Plant has started its ecological retrofitting. Drawing on the concept of a sponge city, the plant has adopted the form of a rain garden by planting a large number of local wet plants and made reasonable arrangement for sewage to undergo a three-stage stream water filtration, which help creates an aesthetically pleasing, practical, green and low-carbon environment. The mix of nectar plants, food source plants, water plants, aquatic plants, etc., arranged in a scientific manner within the water plant has created a full ecosystem which attracts a variety of animals. The retrofitted Zhoujialou water plant is filled with singing birds and blooming flowers, many of which are nationally protected species, and is home to many reptiles and amphibians. When winter comes, swans, egrets and mandarin ducks flock to the plant, forming a stunningly beautiful winter scenery. The Zhoujialou Water Plant has become a role model for the clever integration of production facilities and the ecological environment, and is a benchmark for biodiversity-friendly water plants across China.



Undertaking ecological conservation activities in wetland parks



Collecting samples at the Yellow River water source protection area



Enrichment of plant area



Tree planting



Cleaning up rubbish and debris along rivers



Organise river inspections



Climate Change (A4.1)

With the frequent occurrence of extreme climate events and the adverse impacts of climate change, global climate governance has entered a critical stage. On 13 December 2023 (local time), the 28th United Nations Climate Change Conference concluded in Dubai, UAE, where representatives of nearly 200 parties agreed to the “UAE Consensus” on climate change, calling on the world to move away from fossil fuels as soon as possible, to achieve net zero emissions by 2050, and to limit global warming to less than 1.5 degrees Celsius.

As an integrated water operator across multiple regions, and having witnessed the successive climate disasters occurred in China throughout the years, the Group is acutely aware of the negative impacts of climate change on the whole chain of processes, from water source to supplying water to end-users. After the Chinese government put forward the goal of “Carbon Peaking by 2030 and Carbon Neutrality by 2060”, the Group immediately implement corporate climate action with the ultimate goal of achieving net-zero greenhouse gas emissions, proactively transform into a green and sustainable growth model, fulfil its corporate environmental social responsibility, and contribute to the ultimate victory in the battle against climate change.








China Water’s Green Transformation and Net-zero Emissions Action



Climate Risk Identification and Response

Climate change will inevitably have an impact on the Group's business operations in the foreseeable future. In order to respond to climate challenges, the Group has conducted a comprehensive climate risk identification and assessment, performed a risk list and formulated response measures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In view of the unpredictability and destructive power of some of the climate risks, which may cause enterprises to suffer greater losses even if precautionary measures are put in place, the Group has taken out appropriate commercial insurance policies for all of its subsidiaries in order to ensure that normal operations will be resumed within the shortest possible period of time.

Type of risk	Description of risk	Response measures
Flooding hazard 	<ul style="list-style-type: none"> Possible flooding of important equipment and facilities at the water plants, especially the semi-underground pumping stations; Possible damage to water pipelines; Possible water quality anomalies at the source. 	<ul style="list-style-type: none"> Strengthen the flood prevention facilities in the plant area and ensure the smooth flow of drainage pipes; conduct thorough consideration on the location of new plants to avoid low-lying areas that are susceptible to flooding; Strengthen emergency repair capability; Strengthen water quality testing and adjust chemical dosage and water processing parameters appropriately.
Storm and Typhoon 	<ul style="list-style-type: none"> Possible damage to buildings, structures, overhead lines, etc.; Have impact on travelling and may cause injury or death. 	<ul style="list-style-type: none"> Pay close attention to meteorological information and take precautionary measures in advance when typhoon warnings are announced; Warn staff not to go out to ensure life and safety is protected.
Persistent drought 	<ul style="list-style-type: none"> Water levels at source have dropped, making it difficult to obtain water; Possible deterioration of water quality at source. 	<ul style="list-style-type: none"> Take necessary measures to ensure access to water, e.g. extend intake pipes, move intake pumping vessels, build weirs, etc.; Strengthen water quality testing and adjust chemical dosage and water processing parameters appropriately; Build emergency backup water source.
Extreme high temperature 	<ul style="list-style-type: none"> Mainly affects outdoor operations and construction projects and may lead to heat stroke; Possible occurrence of electrical equipment failure and even fires. 	<ul style="list-style-type: none"> Suspend outdoor operations and construction work; Implement heat prevention and ventilation measures, ensure fire-fighting equipment is fully maintained and organise fire drills.

Type of risk	Description of risk	Response measures
Physical risk Cold wave and frost 	<ul style="list-style-type: none"> Possible damage to outdoor water meters and pipelines; Possible damage to equipment and facilities within the plant area. 	<ul style="list-style-type: none"> Make sure that water meters and pipes are protected from freezing; Implements anti-freeze measures on equipment and facilities within the plant area, and empty unused structures and pipes to prevent freezing.
Transitional risk Policy changes 	<ul style="list-style-type: none"> China is implementing "dual carbon" strategy. New policies related to energy, carbon emissions and environmental protection will be gradually introduced, and the Group may face more stringent energy consumption targets and emission standards. 	<ul style="list-style-type: none"> Pay close attention to national policies, adjust the Group's strategy in a timely manner and accelerate the efforts to achieve net-zero GHG emissions.
Transitional risk Technology innovation 	<ul style="list-style-type: none"> New technologies, materials and processes are bound to emerge as a result of the "dual carbon" policy, and challenges will occur in the acceptance, application and control of these innovative products, including but not limited to input costs, operational difficulties, training and promotion, and stability. 	<ul style="list-style-type: none"> In applying innovative products, select suitable enterprises to conduct trial runs, track and evaluate the outcomes, and then expand the application after the trial runs are successful.
Transitional risk Investment and mergers 	<ul style="list-style-type: none"> Climate change has been recognised as a potential factor in reputational risk, and whether or not a company is active in climate action will change the public perception of the company. 	<ul style="list-style-type: none"> Incorporate corporate climate action into sustainable development strategies, and at the same time enhance publicity to build up reputation and win the trust and support of the public.
Transitional risk Market Regulations 	<ul style="list-style-type: none"> Government regulators will be more stringent on environmental protection requirements for companies, and consumers will have an increasing preference on green and low-carbon products. 	<ul style="list-style-type: none"> Upgrade sewage treatment plants, raise emission standards and achieve energy recovery; Accelerate the development of environmentally friendly industries, such as pipeline direct drinking water.



Huizhou Zhongshui Water Affairs Co., Ltd. organized an emergency exercise on flood prevention and risk management for Fengtian Reservoir Hub



Leizhou Huayang Water Affairs Co., Ltd. conducted safety inspections in preparation of Typhoon Talim



Zhoukou Silver Dragon Water Affairs Co., Ltd. convened a rain, snow and ice disaster prevention and response meeting



Shenzhen Grand Industrial Zone Water Co., Ltd. implemented flood prevention measures for water plants and pumping stations

Capitalizing on Climate Opportunities

Climate risks do not always present a threat, but also potential business opportunities. By accurately identifying climate risks and gaining an in-depth understanding of the changes in market demand, the trend of emerging technologies and the adjustment of the policy environment, the Group is able to plan ahead and seize the first opportunities, and seek new growth points amidst the changes.

Climate Opportunities	Potential Impact and Outlook
<p>Resource Efficiency</p> <ul style="list-style-type: none"> Reduce water consumption and leakage Reduce material consumption 	<ul style="list-style-type: none"> Reduce operating costs and increase productivity Increase automation and informationization

Climate Opportunities	Potential Impact and Outlook
<p>Energy use</p> <ul style="list-style-type: none"> Reduce conventional energy consumption Use of clean energy 	<ul style="list-style-type: none"> Reduced operating costs Accelerate the process of carbon neutrality Raise corporate reputation Mitigate the impact of future fossil fuel price increases
<p>Products and Services</p> <ul style="list-style-type: none"> New business transformation Changes in consumer preferences 	<ul style="list-style-type: none"> Increase new revenues Diversify business operations to enhance corporate resilience Strengthen corporate competitiveness by providing products that meet consumer preferences
<p>Carbon Market</p> <ul style="list-style-type: none"> Participate in the carbon market 	<ul style="list-style-type: none"> Increase new revenues Contribute to the development of new carbon offsetting and carbon neutrality business
<p>Government and Regulation</p> <ul style="list-style-type: none"> Obtain incentives Early compliance with regulatory requirements 	<ul style="list-style-type: none"> Obtain subsidized income Improve corporate reputation
<p>Green Finance</p> <ul style="list-style-type: none"> Issuance of green bonds Enhance corporate ratings 	<ul style="list-style-type: none"> Gain financial support for business expansion Gain favor with financial institutions

PRACTISING SOCIAL CO-DEVELOPMENT

Water can be both hard and soft, while moistening everything gently and silently. China Water produces, manages and operates its water business with "a mind like water", treats employees, customers and communities with "water-like tenderness", and creates value, explores potential and open up new horizons by learning the "wisdom from water", and strive to practice social co-development with all its heart and to the best of its ability, no matter how small or large.

China Water has always insisted on a "people-oriented" talent management philosophy, advocating a fair, just and inclusive workplace culture, providing a comfortable and safe working environment, and realizing a lasting win-win situation for employees, teams and the enterprise through cooperation. Through construction of online learning platform, employee selection and recruitment, executives training, management trainee program, etc., a unique platform for staff training and broad development was created, so that in their continuous self-improvement process, employees can gain a sense of identity and belonging of the Group, thereby creating a professional and efficient, united and cooperative, and a high-quality staff team that possess courage to innovate.

China Water is rooted in the goodness of water, and uses its sincerity to moisturize thousands of households. In order to better serve customers and communities, the Group has developed its own "Fingertip Water" App, continued to improve the business environment, strived to build its "China Water, Nourishing Thousands of Families with Love" service brand, and adopted management measures such as grid-style zonal management and upgrading of laboratories, which have yielded fruitful results. After five years of brand building, brand shaping and brand upgrading, the Group has gained wide recognition in terms of popularity and reputation, and has played a vital role in water security, service enhancement, community support, and promotion of local economic development.

During the reporting period, the economic value created by the Group and the wealth distributed to stakeholders:

Stakeholders	Indicator	(HK\$'000)	
Investors/creditors	Revenue	12,858,515	Economic value created by the Group
Suppliers (products and services)	Cost	8,082,551	
Employees	Remuneration and benefit expenses	1,038,108	Economic value allocated by the Group
Creditors	Finance cost	724,654	
Shareholders	Dividend allocation	457,050	
Government	Income tax	778,301	
Investors/shareholders	Total equity	21,452,542	Economic value retained by the Group

FINGERTIP WATER SERVICE APP

Fingertip Water Service App is a mobile app developed by the Group that carries the service brand concept of "Nourishing Thousands of Families with Love" and integrates a variety of water services functions, with an aim to enhance service efficiency, expand the dimension of application, improve user experience and strengthen community connection. The Fingertip Water App is designed with the concept of "services at your fingertip without needing to leave home," with convenience as the fundamental starting point, and consists of six sections, being payment enquiry, business application, customer service hotline, water services headlines, water services vision and life at the fingertip, in which users can rely on their mobile phone to conveniently check water usage, pay water bills, conduct businesses, issue invoices, know the water quality, receive notifications and obtain news, and enjoy timely, comprehensive and continuous access to the Group's quality services. As of March 2024, the Fingertip Water App has been launched in 56 cities with a user base of over 3 million.



To protect intellectual property rights, the Fingertip Water App has been awarded a nationally recognised computer software copyright registration certificate (B6.3). In order to protect the security of user information, users of the App are required to sign the "Fingertip Water User Agreement" during registration, which includes the "Fingertip Water User Privacy Policy" which specifies how user's information is collected, used, stored, updated, deleted and protected (B6.5).

EMPLOYMENT

The Group adheres to the value and pursuit for "customer satisfaction, staff satisfaction, government satisfaction and shareholder satisfaction", establishes the idea of "openness, inclusiveness, motivation and achieving win-win", endeavours to build a harmonious employment relationship, and provides its staff with a comfortable working environment and good opportunities for development, so as to build a loyal, stable, united and innovative team of staff for China Water.

Employees



The Group protects and safeguards the interests of its employees by strictly adhering to the Labour Law of the People's Republic of China, and has entered labour contracts with 11,579 employees, representing a 100% contract signing rate.

Remuneration and benefits



The Group implements a performance-based wage system and follows the principles of fixing "work role by position, salary by ability, reward by performance and remuneration by value contribution", advocating for the linkage of staff remuneration to the Company's operating efficiency, establishing a labour value concept of benefit-sharing and risk-sharing, and leveraging on a sound performance management system to ensure fair and equitable staff remuneration.

The Group has established a comprehensive welfare protection system, paying social insurance and housing provident fund for employees in full and in a timely manner in strict accordance with the relevant national regulations. In addition to a fully implemented paid leave system, including but not limited to annual leave, maternity leave and family leave, it also provides various allowances and subsidies for transportation, communication, business travels, festivals and working meal.

Anti-discrimination



The Group strictly complies with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Women's Rights and Interests, and has formulated and issued the "Regulations on Labour

and Human Rights Management of China Water Affairs Group Limited", which explicitly implements an equal employment policy, eliminates all forms of discrimination in employment, and treats all employees equally, regardless of gender, ethnicity, marriage status or religious beliefs.

Employee distribution by region (B1.1)

Region	Gender ratio	Male employee		Female employee	
		Number	Ratio (%)	Number	Ratio (%)
North China		664	5.7	404	3.5
Central China		4,188	36.2	3,001	25.9
East China		449	3.9	277	2.4
South China		922	8.0	448	3.9
Southwest China		451	3.9	242	2.1
Northwest China		26	0.2	26	0.2
Northeast China		409	3.5	72	0.6

Note: Local employee exceeds 90%

Annual employee turnover by gender and geographical distribution (B1.2)

Region	Gender ratio	Male employee		Female employee	
		Number	Ratio (%)	Number	Ratio (%)
North China		11	1.66	3	0.74
Central China		56	1.34	40	1.33
East China		9	2.00	8	2.89
South China		16	1.74	7	1.56
Southwest China		11	2.44	9	3.72
Northwest China		0	0.00	0	0.00
Northeast China		2	0.49	0	0.00
Total		105		67	

Note: Employee turnover ratio = number of employee turnovers in the region / total number of employees in the region

Employee structure by gender and age (B1.1)

Age group	Gender ratio	Male employee		Female employee	
		Number	Ratio (%)	Number	Ratio (%)
Below 25		300	2.6	208	1.8
25 to 29		737	6.4	508	4.4
30 to 39		1,736	15.0	1,739	15.0
40 to 49		1,960	16.9	1,703	14.7
50 and above		2,376	20.5	312	2.7
Total		7,109	61.4	4,470	38.6

Employee distribution by position (B1.1)

Employment type	Gender ratio	Male employee		Female employee	
		Number	Ratio (%)	Number	Ratio (%)
Senior management		775	79.6	199	20.4
Mid-level management		1,523	71.6	603	28.4
Technicians and operation workers		4,200	58.1	3,035	41.9
Others		611	49.1	633	50.9

Note:







- (1) Senior and mid-level management include relevant employees in the headquarter and subsidiaries of the Group;
(2) Out of the 11,579 employees, less than 0.5% were from overseas or from the region of Hong Kong, Macau and Taiwan of the PRC; 395 employees were dispatched labour.

Annual employee turnover by age (B1.2)

Age group	Turnover	Total amount	Ratio (%)
Under 25	29	508	5.71
25 to 29	30	1,245	2.41
30 to 39	60	3,475	1.73
40 to 49	34	3,663	0.93
50 and above	19	2,688	0.71
Total	172	11,579	1.49

Care for Employees

Employee satisfaction and loyalty are the key to the success of any enterprise. The Group has always adhered to the “people-oriented” concept in employment, focusing on humanized management of employees and providing comprehensive support to employees, thereby realizing a win-win situation for both the Group and its employees.

-  **Adequate communication** Regularly convene employee seminars to listen to employees’ demands and opinions, fully understand the working and living conditions of employees, and solve their worries.
-  **Colorful team building** From time to time, we organize team building activities such as excursions, hiking, visits and sports events to enhance group cohesion.
-  **Festivals greetings** Leaders and executives at all levels rush to the front line to send care and greetings to the employees who are working hard at their positions during festivals.
-  **Health and welfare** Regularly arranging medical checkups for employees and paying attention to their health conditions.
-  **Help one another in good faith** When an employee or his/her family member suffers from a serious illness, the company will provide a certain amount of assistance to help him/her overcome the difficult times.
-  **Special care** On International Women’s Day, we organize a wide variety of activities for female employees, such as flower arrangement, excursions, health seminars, etc., as well as give out gifts.



Health and Safety (B2.3)

Always adhering to the safe production concept of “safety first and prevention”, the Group strictly abides by the “Law of the People’s Republic of China on Safety Production”, “Law of the People’s Republic of China on Prevention and Control of Occupational Diseases” and other relevant laws and regulations. Under the prevailing principle of “one post, two responsibilities”, we take up safety management tasks in our daily operations. We are committed to the safety management system of “universal safety responsibility management”, “major risk classification and control” and “continuous improvement and rehearsal of emergency plans”. The Group has in place “Safe Production Regulation Standards” that

require each level within all its subsidiaries to enter into the accountability letter for safety targets, specify the person responsible for safety management and organise regular inspection and rectification of potential hazards. Operating procedures and operation guidelines are continuously optimised during routine production. Specific plans are put in place to conduct safety training sessions and tests on employees together with full range of labour protection supplies to ensure that they are familiarised with the management requirements and operating procedures. As of March 2024, the Group did not record any material safety production liability incident for three consecutive years (B2.1/B2.2).

Indicators	2022	2023	2024
No. of employees involved in fatal incidents	0	0	0
No. of employees involved in work injury	2	4	10
Ratio of employees involved in work injury (%)	0.018	0.035	0.086
No. of days lost due to work injury	108	105	514

Note: The Group defines a major production safety liability incident as ‘an incident resulting in less than 3 deaths or less than 10 serious injuries’, which is more stringent than the national classification standard for major safety incidents

Yuncheng Silver Dragon Water Affairs Co., Ltd. organised an emergency drill on hydrochloric acid leakage

On 26 June 2023, Yuncheng Silver Dragon Water Affairs Co., Ltd. organised an emergency drill on hydrochloric acid leakage at Zhenxin Zhuang Water Plant. The exercise was conducted from a practical learning perspective whereby a hydrochloric acid leakage accident was simulated. Combining with the emergency response plan, the exercise would proceed in an orderly manner starting from identifying the accident, performing level-by-level reporting, activating the response plan, responding to the emergency, organizing the evacuation, performing emergency repair and at last, lifting the alert. During the exercise, the staff on duty identified the risk, stopped the machines and immediately reported to the relevant person in charge. The person in charge of the water plant activated the “hydrochloric acid leakage

emergency plan”, pursuant to which emergency response personnel were directed to quickly go to the scene to perform preliminary handling procedures and emergency measures. Afterwards, the emergency personnel put on protective gears and carried repair tools into the scene to find the hydrochloric acid leakage point and successfully made repaired the leakage, and from there on the accident has been effectively controlled. After testing the air around the hydrochloric acid leakage point, the water supply was resumed after approval was obtained, and the site alert was lifted. Through this exercise, the staff has enhanced their practical experience and improved their coordination skill in dealing with emergencies, and the company’s ability to deal with emergencies was further strengthened.



Training and Development

A workforce that keeps pace with the times is fundamental to the sustainable development of an enterprise. With the motto of "Practising the Four Virtues – Virtuosity, Kindness, Perseverance and Good Conduct", the Group has established a training and development mechanism which encompasses the characteristics of China Water, focusing on the cultivation of multi-skilled talents and encouraging employees to apply what they have learnt, to solve problems with the knowledge gotten from learning, to unite their knowledge with their actions, and to create value.



China Water Online Academy



The "China Water Online Academy" is a comprehensive online platform developed by the Group that integrates training and learning, interactive communication and assessment management, to provide internal and external resources of "high quality, full coverage and multiple forms" for all employees. Through credit management, the human resources department can formulate learning plans for employees at all levels, and employees can also perform self-learning and take additional courses. As of March 2024, a total of 384 courses have been launched on the Online Academy, with a 100% training coverage rate. The Online Academy has also enabled the Group to progressively reduce time-consuming and labour-intensive on-site centralised training which is in line with the green and low-carbon development philosophy.



Organizing the selection and recruitment of professional and technical talents



Professional and technical talents are the key force in promoting the sustainable development of the company and realising long-term prosperity. In July 2023, the Group issued the "Opinions on Strengthening the Construction of Professional and Technical Talents" and commenced the selection and recruitment of professional and technical talents. A total of 71 professional and technical personnel, with an average age of 37 years old, were promoted and appointed to different managerial positions through recommendation from their superiors, self-recommendation, written tests and interviews. At the same time, the "Provisional Measures for the Administration of Probationary Period of Promoted Personnel" have been issued to closely monitor the performance of promoted personnel in discharging their duties, and they will be transferred to regular positions on the basis of their merits after a period of review.



Organizing training courses for young executives



In September 2023, the Group organised a training course for young executives on the theme of "Practising the Four Virtues and Being a Competent China Water Manager" at the beautiful Fairy Lake in Xinyu City, Jiangxi Province, with a total of 59 managers attending the training and the General Manager of the Group attending in person to teach the course, with the aim of guiding young executives to know their positioning, determine their direction, gain confidence and master the knowhow so as to comprehensively enhance their vocational qualities and management skill, strive to become the promoter of the cultural heritage, strategic implementation and management innovation of China Water.



"Water Star" management trainee program



The "Water Star" management trainee program highlights the Group's emphasis on campus recruitment, believing that the arrival of young students will definitely inject fresh vitality into the development of the Group. As of March 2024, the Group has recruited 54 fresh graduates, all of whom have been placed in suitable positions. The Group plans to promote and appoint management trainees with outstanding performance through 3 to 5 years of training, so as to provide them with a broader platform for development.



Training for employees (B3.1/B3.2)

Employment Type	Gender	Average training hours (hrs)	Percentage of employees trained (%)
Senior management	Male	95.3	100%
	Female	79.4	100%
Mid-level management	Male	94.9	100%
	Female	98.5	100%
General staff	Male	69.3	100%
	Female	70.6	100%

Labour Standards

The Group strictly complies with the “Labour Law of the People’s Republic of China”, the “Labour Contract Law of the People’s Republic of China”, the “Social Insurance Law of the People’s Republic of China” and other laws and regulations. In addition, with reference to the relevant rules of the International Labour Standards (“ILS”), the “Labor and Human Rights Regulation of China Water Affairs Group Limited” was formulated and issued as our most fundamental human resources policy, so as to safeguard the rights and interests of our workforce in earnest.

The Group respects the right of workers to choose their profession freely. Labour contracts are entered into on an equal and voluntary basis, and any form of forced labour is prohibited. The Group does not require employees to provide any collateral for employment. Employees are entitled to resign from work freely in accordance with the law.

The Group strictly complies with the “Law of the People’s Republic of China on the Protection of Minors” and the “Provisions on the Prohibition of Using Child Labor”, and does not use child labor (aged below 16) in any workplace or work process. Employees are subject to rigorous screening during recruitment, with

identity information verified prior to employment and, if necessary, approved by the local public security bureau and the bureau for labour and employment (B4.1).

The Group stipulated the working hours not exceeding the national standards, i.e. no more than 40 hours per week. Regulations for overtime work of employees are put in place. Any overtime work should be unanimously agreed upon with employees and compensated. No physical assault, mental oppression or verbal abuse of employees is allowed. The Group does not discriminate against employees at work because of their age, gender, race and religion.

Each subsidiary of the Group has established a labour union as required. Employees may join a union of their own volition. Representatives of a union may negotiate with the respective company in respect of matters relating to their interests such as employment, wages and benefits, training and development, etc.

Human resources department and audit department have been established under the headquarters and in each subsidiary of the Group to regularly review, rectify and deal with violations of labour standards. During the reporting period, no violation of labour standards was identified (B4.2).



SUPPLY CHAIN MANAGEMENT

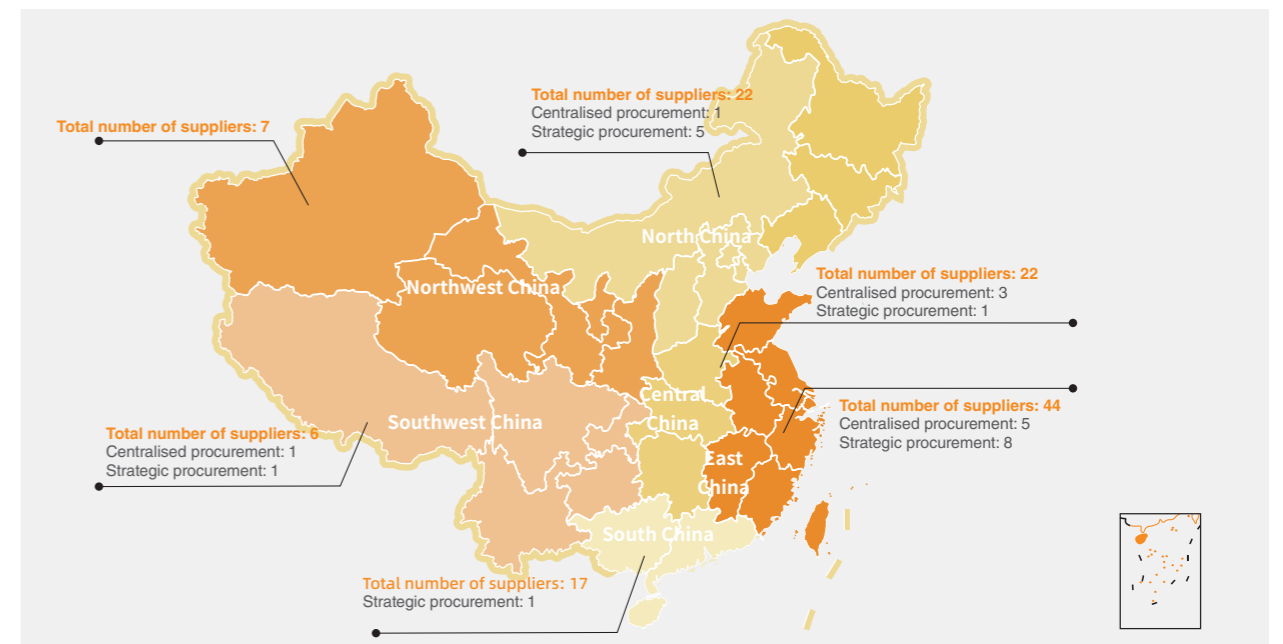
As time advances and the demand to enhance quality and efficiency increases, procurement is no longer solely a means of service for protecting internal material, but also a core aspect of enterprise supply chain management. The Group fully leverages on its advantages in terms of scale and cross-region expansion, and carries out centralized and strategic procurement of bulk commodities. Through its professional procurement department, the Group conducts demand analysis, sets standards, and evaluates and selects suppliers. The procurement process strictly complies with the Law of the People’s Republic of China on Government Procurement, the Law of the People’s Republic of China on Tendering and Bidding, and the Contract Law of the People’s Republic of China, etc., supplier management is implemented in accordance with the “Guiding Opinions on Centralised and Strategic Procurement in China Water” and the “Measures for the Administration of Procurement of Construction, Goods and Services (for Trial Implementation)”, and the synergies of efficiency, management and product quality are shared with its supplier partners (B5.2).

The Group closely monitors the sustainability performance of its suppliers, and incorporates ESG rating criteria into the supplier inspection, admission, management and evaluation process. We identify suppliers’ ESG risks through exchanging visits, factory inspections, regular product sampling and collecting feedback from subsidiaries, and reports to the management on significant risks (B5.3). During the reporting period, the Group’s bulk commodities segment has a total of 26 centralised/strategic procurement co-operative suppliers, with 16 of them having published ESG reports or social responsibility reports.

The Group makes reference to the ESG disclosures of suppliers during the supplier inspection stage, focusing on aspects such as environmental issues, product responsibility, occupational health and safety and ISO system certification as basis of evaluation and screening, so as to force them to research and develop green technologies, choose green materials and extend the application of clean energy. In the procurement process for the construction and operation of projects, the Group tends to select suppliers with outstanding achievements in energy saving and emission reduction, with a view to injecting impetus into the creation of a sustainable supply chain and opening up a new scenario of win-win co-operation (B5.4).



Distribution of suppliers (B5.1)



PRODUCT RESPONSIBILITY

Adhering to the core value of “Water-oriented, Kindness to Society,” China Water considers the quality of products and services as its heart and implements product quality management in strict accordance with national laws and regulations, industry codes and internal control standards.

The quality of tap water provided by the Group’s water supply subsidiaries is in line with the Standards for Drinking Water Quality (GB 5749-2022), while the standard for water supply services provided was prescribed under the Customer Service for Public of Urban Water Supply (GB/T32063-2015); the discharge generated by its sewage treatment subsidiaries meets the Standard of Pollutants for Municipal Sewage Treatment Plant (GB 18918-2002); and the pipeline direct drinking water supplied by its direct drinking water subsidiaries meets the Standards for Clean Drinking Water Quality (CJ 94-2005).

During the reporting period, the Group did not record any product recall due to product quality, safety and health reasons (B6.1).



Enhancing Water Quality Safety Management

China’s national “Standard for Drinking Water Quality” (GB 5749-2022) came into effect on 1 April 2023. The new standard has imposed higher requirements on the quality of water supplied to cities and towns, with the addition of a number of new indicators of disinfection by-products with higher detection rates, and more stringent requirements on the water treatment process and testing laboratories. In order to deepen the understanding of the new national standard, further enhance the awareness of water quality safety responsibilities and improve the level of water quality management in a practical manner, the Group organised an on-site training on water quality safety management in Xinyu City, Jiangxi Province, focusing on analysing and explaining the differences between the old and the new national standard, with the training also covering topics such as laboratory construction, three-tier testing system for water quality, response to water quality emergencies, and the management of the quality of water for direct drinking water and secondary water supply, etc., and was attended by all the relevant leaders and water quality inspectors of the water supply companies. In addition, the “Notice on Strictly Controlling the Indicators of Disinfection By-Products of Water Supply” was also prepared and published to ensure the safety of water quality.



Construction of Laboratory

A laboratory with scientific configuration, comprehensive equipment, stringent management and professional staff is the foundation of water quality safety. The Group has classified laboratories into three levels in its internal “Laboratory Technical Standards”: Grade I laboratories are required to obtain CMA quality certification and meet 97 requirements in relation to analytical testing capabilities; Grade II laboratories are required to meet 43 requirements in relation to indicator testing capabilities in tables 1 and 2 of the “Standards for Drinking Water Quality” (GB 5749-2022); and Grade III laboratories are required to meet 22 requirements in relation to indicator testing capabilities in tables 1 and 2 of the “Standards for Drinking Water Quality” (GB 5749-2022). In order to better implement the new water quality standards, the Group has accelerated the pace of laboratory construction and plans to add two new Grade I laboratories, while requiring all water supply companies in prefectural cities to meet the standards of Grade II laboratories. As of March 2024, the Group had 2 Grade I laboratories and 9 Grade II laboratories, which carried out independent testing or commissioned testing in strict accordance with the range of standards as set out in the “Standard Examination Methods for Drinking Water” (GB/T 5750-2023) (B6.4).



Continuous Revision and Refinement of the “China Water Operation Management Standards”

The Group has established a standardized management system with the “China Water Operation Management Standards” as its key component, which covers management systems, operating procedures, operational guidelines and record forms. The system also includes three assessment standards, namely the “Water Production Operation Management Standards,” “Water Supply Operation Management Standards” and “Safety Production Management Standards,” generally covering all aspects of water supply operation management. In recent years, with the update in industry standards and norms, the Group has kept abreast with the changes and continued to revise and refine the “China Water Operation Management Standards,” completing the revision of two assessment standards during the year, and at the same time initiating the compilation of the water supply incident form, which is an important auxiliary measure of the entire standardization system. Through the utilization of form management, workflow can be clearly defined, operation error rate can be reduced, and product quality can be further assured.



Expanding the Pilot Scheme of Grid-style Water Supply Zonal Management

Grid-style water supply zonal management is a new management mode that uses grids as the basis of regional scopes, implements incident-based management, establishes a grid responsibility system and combines with an information management platform to achieve upward and downward linkage, information sharing and resource integration. During the year, the Group further expanded the pilot scheme to 10 water supply companies. With the adjustment of the management structure in accordance with the grid-style management requirements, the companies have achieved initial successes in the four areas of engineering, pipeline network, sales fees and customer services. Customer satisfaction has been enhanced, the leakage ratio of the pipeline network has improved, staff within the grids have improved their business skills and the operating costs of the companies have been reduced to a certain extent.



The Service Brand of “China Water, Nourishing Thousands of Families with Love”

It has been more than five years since the Group put forward the service brand strategy of “China Water, Nourishing Thousands of Families with Love” in 2018, and the Group has achieved fruitful results in the brand creation stage, brand shaping stage and brand upgrading stage. The year 2023 will coincide with the 20th anniversary of the establishment of China Water Group, and new requirements, standards and challenges for the building of service brand have been put forward at this new stage and period.



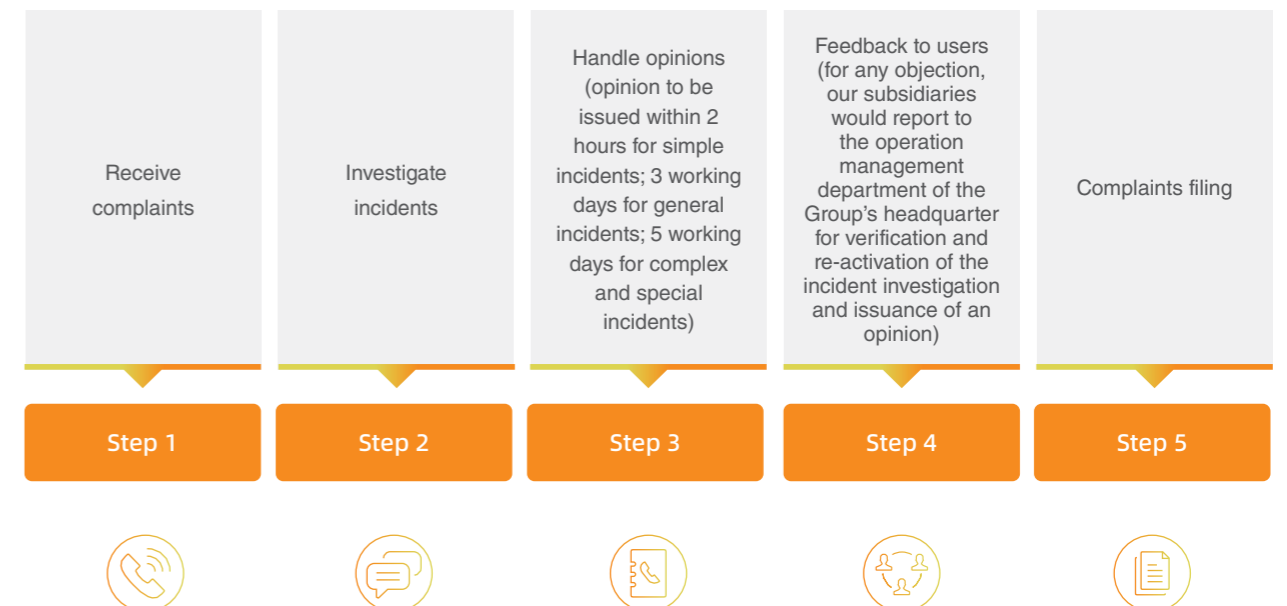
Providing excellent service where customer comes first

The Group’s customer service centre has implemented a commitment system for field services and a “one-stop service” standard, with clear transparencies for all business processes, business descriptions, fee rates and processing times, so that users have less to worry about and fewer visits to make; it has set up a 24-hour hotline, so that any requests from users can be responded to in a timely manner and properly resolved; and it conducts user satisfaction surveys on a regular basis through questionnaires, actual visits, telephone call-backs, setting up suggestion boxes, and holding seminars to collect public opinions. Complaints are gathered on a regular basis, with the causes objectively analysed and corrective measures implemented. During the reporting period, the Group received a total of 3,276 complaints from customers, with a satisfaction rate in complaint handling of 100% (B6.2).



Complaint Handling Process (B6.2)

User complaints: telephone complaints (call the 24-hour service hotline provided by our subsidiaries), letter complaints (obtain the company address by calling the service hotline or via Fingertip Water App), on-site complaints (obtain the address of our customer service center by calling the service hotline or via Fingertip Water App), complaints via Fingertip Water App (one-click dialing to complain after logging in)



 **Unite knowledge with actions through internal and external training**

Internally, we established a sound service performance system, organised training related to service brands such as business etiquette, and held a service brand story competition; externally, we unified our service image, upgraded our customer service centers in accordance with the “China Water Visual Identity System Manual” and “China Water Interior and Exterior Image Identity System Manual”; strengthened publicity effort, and enhance the reputation and influence of our “China Water, Nourishing Thousands of Families with Love” service brand.



 **Star-rated water plants that embrace feelings**

Since 2015, the Group has been implementing a star-rating-based water plant management system and organising open days from time to time, inviting the public, including primary and secondary school students, to visit the production works, testing process and distribution facilities of tap water, so as to understand and monitor the quality of the products of China Water in all aspects.



ANTI-CORRUPTION

The Group attaches utmost importance to building a corruption-free culture and strictly complies with the Criminal Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China and the Company Law of the People’s Republic of China, and other laws and regulations. By continuously refining our finance, construction, procurement, investment and audit systems to regulate group and individual behaviours, we built a strong moral and disciplinary defence for our staff. The Group upholds zero-tolerance policy towards abuse of power of duties and position for personal gain which damages the interest of customers, suppliers and other third parties. During the reporting period, no litigation relating to corruption was identified by the Group (B7.1).

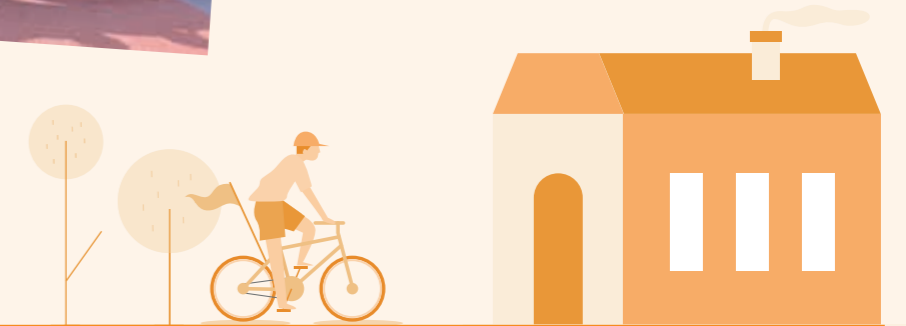
The Group has formulated the “Regulations on the Management of Clean Practices of China Water Affairs Group Limited” and established the audit committee and audit department to organise anti-corruption inspections in a comprehensive and systematic manner. In addition, we provide our whistleblowing hotline and mailbox address to the public. With reference to the Supervision Law of the People’s Republic of China and the “Rules on the Handling of Reports and Complaints by Discipline Inspection and Supervision Agencies”, the Group handles all reports in accordance with the applicable laws and regulations, strictly implements confidentiality measures, strives to protect the legitimate rights and interests of whistleblowers, and deals with the leakage of information about whistleblowers or reports in a serious manner (B7.2).

During the reporting period, the Group conducted anti-corruption training for all directors, supervisors, chief financial officers and senior management above the level of deputy general manager through executive meetings and monthly working meetings, with each person receiving 6 hours of training. Anti-corruption courses were also arranged at the China Water Online Academy and training presentations were given to all staff (B7.3).



COMMUNITY CONTRIBUTION

The Group provides stable and sustainable employment opportunities for the community, gives priority to local staff and does not lay off staff easily at any time; provides free water supply, maintenance or discounts on water prices to special and underprivileged groups in the course of its operations; and actively organises and carries out a wide range of community activities, including but not limited to "service in the community", "service in the rural areas", charitable donations, voluntary blood donations, nursing home visits, visits to army veterans, and caring for left-behind children, etc., and have done our best to convey goodness and hope to the community to build up a closer and symbiotic relationship with each other (B8.1/B8.2).



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Note 1: Not meaningful

REPORT OVERVIEW

This report sets out a systematic review and overview on China Water Affairs Group Limited's implementation of its corporate governance initiatives and performance of its environment and social obligations.

Reporting period:

1 April 2023 to 31 March 2024.

Reporting scope:

Consistent with the company and financial reporting of China Water Affairs Group Limited where applicable.

Basis of preparation:


Prepared in accordance with the ESG Reporting Guide of Appendix C2 to the Main Board Listing Rules of the Hong Kong Stock Exchange; with reference to the GRI Standards 2021 issued by the Global Sustainability Standards Board.

Publication:

This report is prepared in both Chinese and English, which is published on China Water's official website.


<http://www.chinawatergroup.com>

We sincerely invite feedbacks and recommendations from various parties (readers) regarding the report and the environment, social and governance initiatives of China Water. Please contact us via the following means:

 Tel: 852-3968 6666

 Email: info@chinawatergroup.com

INDEPENDENT ASSURANCE REPORT AND GREENHOUSE GAS VERIFICATION STATEMENT



ASSURANCE STATEMENT

SGS-CSTC'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE CHINA WATER AFFAIRS GROUP LIMITED'S 2024 ESG REPORT

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS-CSTC (hereinafter referred to as SGS) was commissioned by China Water Affairs Group Limited (hereinafter referred to as "China Water") to conduct an independent assurance of the Chinese version of China Water's < ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT> for 2024 (hereinafter referred to as "the Report").

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all China Water's Stakeholders.

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the governing body and the management of China Water. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all China Water's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance and standards, which including:

- The principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) as:
 - GRI 1: Foundation 2021, for report quality
 - GRI 2: General Disclosure 2021, for organization's reporting practices and other organizational detail
 - GRI 3: Material Topics 2021, for organization's process of determining material topics, its list of material topics and how to manage each topic
- and the guidance on levels of assurance contained within the AA1000 series of standards.

The assurance of this report has been conducted according to the following Assurance Standards:

- SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)

The Assurance has been conducted at a moderate level of scrutiny.

SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below, and evaluation of adherence to the following reporting criteria:

Reporting Criteria	
1	The <Environmental, Social and Governance Reporting Guide> by HKEX
2	GRI Standards 2021 (Reference)

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, on-site interviewed with relevant employees at the head-office of China Water, which is located at 14~15/F, Building 20 Section 16 ABP, Fengtai District, Beijing, PR. China.

LIMITATIONS AND MITIGATION

The data drawn directly from independently audited financial accounts and carbon emissions data have not been checked back to source as part of this assurance process.

The on-site verification was only at the head-office of China Water, relevant data and information traceability were only focused on the group level and the two sampled subsidiary companies.

This verification only conducted interviews with staff of China Water, and access to relevant materials, and external stakeholders were not involved.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in multiple countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from China Water, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised of CCAA registered ISO 9001, ISO 14001 and ISO 45001 auditor, SGS recognized ISO37001, ISO37301 and CSR/ESG lead auditor.

VERIFICATION OPINION

On the basis of the methodology described and the verification work performed, the specified performance information in the Report, including the scope of assurance is accurate, reliable, and has been fairly stated.

THE CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion, The Report of China Water for 2024 is presented basically according to the KPIs Requirements of the < Environmental, Social and Governance Reporting Guide> in the appendix C2 of the < Rules Governing the Listing of Securities on the HKEX>.

REPORT PRICIPLES

MATERIALITY

The substantive research and the analysis of stakeholders' concerns had been disclosed in The Report, and through materiality analysis, the impact of the environment, society and governance concerned by relevant parties is reported on a key basis, which matched with the principle of materiality.

QUANTITATIVE

China Water had provided statistics and analysis on key quantitative performance indicators and outlined their impact and purpose in the Report. The report compared data from some key performance projects over the past three years to assist stakeholders in evaluating their management performance better.

BALANCE

The Report basically matched with the principle of balance, the environment, social and governance subjects had been disclosed truthfully and impartially.

CONSISTENCY

A consistent methodology for disclosing relevant subject had been used by China Water, including statistical methodology and caliber for key quantitative performance indicators, some appropriate notes and explanations had been provided in the Report, so that the stakeholders can make clear comparisons.

GENERAL DISCLOSURE

The China Water `s disclosure of applicable subject in the Report matches with the requirements of general disclosure of <Environmental, Social and Governance Reporting Guide>.

KEY PERFORMANCE INDICATOR DISCLOSURE

China Water had disclosed the key performance indicators about the economic, environmental, and social subject which applicable to the <Environmental, Social and Governance Reporting Guide>.

FINDINGS AND RECOMMENDATIONS

Detailed report of the good practices, findings and recommendations for continuous improvement were presented in the SGS internal management report and submitted to China Water.

Signed:



For and on behalf of SGS-CSTC

David Xin
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July 29th, 2024
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