

*PASSING ON THE LOVE
WITH CARING,
UNIQUE CORPORATE
SOCIAL RESPONSIBILITY
INITIATIVES*

Everbright draws on its expertise and resources to create deep, meaningful relationships and a sustainable environment with shareholders, business partners, employees and communities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

This is the first Environmental, Social and Governance (ESG) Report (“Report”) of China Everbright Limited (“CEL”) (stock code: 165.HK), which encompasses the environmental, social and governance performance of CEL’s headquarter in Hong Kong and our regional offices in Beijing, Shanghai, and Qingdao in Mainland China. CEL has published Corporate Social Responsibilities Report since 2011 and from this year onwards, the information on our corporate social performances are consolidated in this Report.

This Report was prepared with reference to the “Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Main Board Listing Rules of Hong Kong Stock Exchanges and Clearing Limited. This Report covers operations of our Hong Kong headquarters and regional offices in Mainland China for the period from 1 January 2016 to 31 December 2016¹.

This Report is also available in Traditional and Simplified Chinese. Electronic version of the Report can be accessed on our website: <http://www.everbright165.com>.

We welcome your comments and feedback on our Report and our sustainability performance. Please email us at media@everbright165.com.

CEL’s Approach to ESG Management

Based in Hong Kong and with strong backing of Mainland China, CEL has ridden years of continued growth to become a leading cross-border investment and asset management platform among Chinese-funded companies. Despite the volatility of international and domestic financial markets in recent years, CEL has capitalized on a solid foundation and visionary strategies to maintain stable operation and achieve strong growth in AUM, expanding its reach overseas beyond Hong Kong and the Mainland China. During this time, the Group has driven maximum benefits and built long-term relationships based on mutual trust with various stakeholders, including shareholders, investors, clients, business partners and employees.

CEL’s environment, social and governance performance is outlined in the following chapters of the Report:

Chapter 3 and Chapter 4: Our Clients and Collaborating Partners; Our Shareholders and Investors

In order to enhance communications and interactions with our fund investors and business partners, 5 Everbright Investment Conferences were held from 2012 to 2016, attracting more than 1,700 attendees in total, including institutional investors and business partners from around the world. Since 2014, CEL has also invited key journalists from Hong Kong and the Mainland, enabling the wider community to understand the business development of the Group. During the reporting period, the Group has participated in investor forums, one-on-one conferences and teleconferences to maintain strong communication channels and build a close contact with shareholders and investors across the globe. In addition, CEL has organized annual general meeting (“AGM”) for direct communication between the Group’s management and shareholders at the AGM.

¹ In this report, we focus on our asset management and investment operations in Hong Kong and Mainland China.

Chapter 5: Our Employees

CEL sees its employees as its most important asset. In 2016, while promoting equality and non-discrimination principles, the Group was also dedicated in providing a healthy and safe working environment for its 270 employees. The Group has devoted large amount of resources in providing different learning opportunities, encouraging employees' to pursue further career development. During the reporting period, the Group has organized 6,605 hours in total for employee training, including 19 broad-based internal training sessions. Besides organising training sessions for employees, the Group has also established a guideline for directors' training, for all directors to attend the training activities, professional seminars, conferences and forums organized. To further enhance camaraderie among employees, the Group has also set up a volunteer team, encouraging employees to engage in charitable initiatives and to contribute back to the society. In 2016, the team has participated in different charitable activities, such as the "Sowers Action Challenging – Charity Hiking" and the "Oxfam Trailwalker 2016".

Chapter 6: Our Community

As a CSR-committed company, CEL is a strong supporter of charitable, educational and social projects. The Group has sponsored "China Everbright Voice of the Stars Story-Telling Scheme", "Everbright Teachers' Heritage Discovery Tour 2016", "Lifeline Express International Sight Saving Mission", fund-raising concert by Young Artists Development Foundation and the Exchange Tour along the "Belt and Road" countries organized by Future Star Federation of Student. In addition, the Group also leveraged its corporate strengths to contribute back to the society by the establishment of China Everbright Charitable Foundation (CECF) after the global financial crisis in 2008 to support a series of community projects.

Chapter 7: Our Environment

CEL understands the importance of sustainable development and environmental protection. CEL has been closely monitoring on our greenhouse gases emission and our waste generation. In the reporting period, a total of 800 tonnes of greenhouse gases and 45,527 kg of waste were generated with an intensity of 166 kg of waste per employee. The Group has instituted various energy-saving and conservation initiatives, looking into employees and office equipment to reduce energy consumption and considers every-saving features when sourcing for office equipment. CEL is dedicated in maximizing the Group's operational efficiency while minimizing the environmental impacts created through greenhouse gases management, energy conservation, waste management and recycling, material purchase, resources utilisation and green activities.

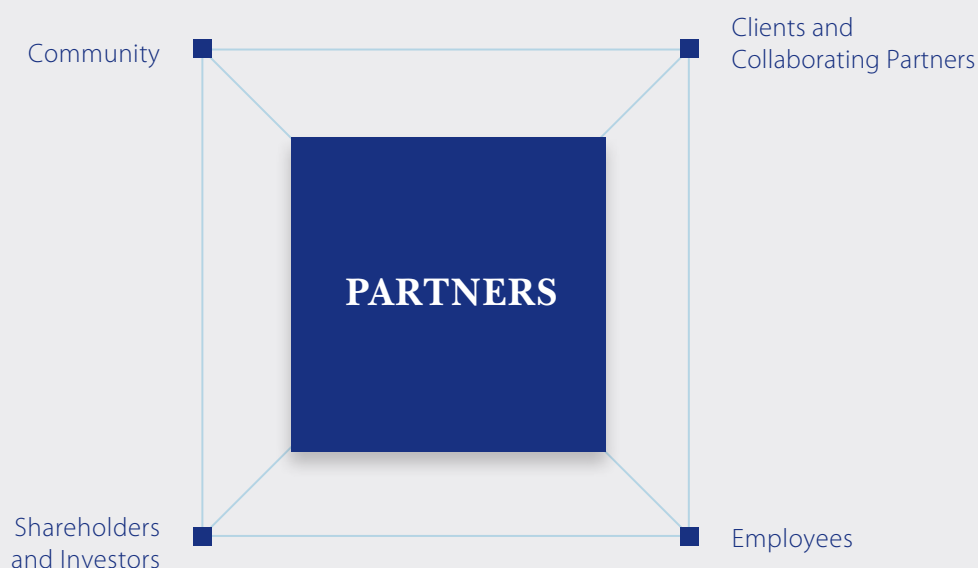
As recognition to the Group and China Everbright Charitable Foundation's work, CEL has been awarded with "Caring Company" and "Caring Organisation" for 6 consecutive years, so as to acknowledge the Group's effort and involvement in corporate social responsibility. In 2016, CEL has also attained Gold Award in three categories of Governance, Social Responsibility and Investor Relations at "The Asset Corporate Awards 2016" and the "Hong Kong Corporate Governance Excellence Awards" from the Chamber of Hong Kong Listed Companies (CHKLC), recognizing the Group's effort relating to corporate governance, corporate social responsibilities and the well-established communication channels with its stakeholders.



Our Clients and Collaborating Partners

CEL's cross-border asset management platform connects the thriving mainland China and Hong Kong markets, both possessing huge potential. In recent years, the Group has also actively sought overseas investment and cooperation opportunities. In order to strengthen confidence of fund investors and business partners, the Group employs a proven mechanism in risk management, protecting mutual capital and benefits, and personnel retention. CEL seeks to establish a long term and trusting relationship with clients and partners.

LONG-TERM TRUSTING PARTNERSHIP WITH FOUR GROUPS OF STAKEHOLDERS



Before seeking external funding, the Group invests a certain amount of seed capital in each fund to demonstrate its confidence and commitment. During the capital commitment period, investment teams are required to invest a certain ratio of the Group's proprietary funding as risk capital, ensuring the same level of interest from both the fund management teams and investors. An independent investment assessment (or similar entity) is also established for each fund to maintain sound operations and protect the interests of external investors. When funds are investing in or exiting from specific project, the interest stake held by the fund management team is also in line with the holdings of other investors. This ensures that the fund management teams exercise a prudent, pragmatic approach underscored by proper risk awareness when making investment decisions.

In the last decade, the financial sector was heavily impacted by market turbulence from the global financial crisis. The collapse of large financial institutions led to a review of fundamental thinking about the equilibrium between rapid business expansion and risk control. By leveraging its sound corporate governance and risk management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

system (please refer to the Corporate Governance Report and the Risk Management Report in our 2016 Annual Report for details), the Group has managed to achieve fast yet steady growth in notably bearish investment environment, while capturing opportunities by expanding its business horizons as markets recovered. In order to enhance communications and interactions with fund investors and business partners, the Group held its first Everbright Investment Conference in 2012, which received positive feedback from attendees as well as CEL's various business units. The conference has been held every year since then, which took place in Sanya, Shanghai, Xiamen, Chongqing and Qingdao respectively, has attracted more than 1,700 attendees totally including institutional investors and business partners from around the world. Attendees learn about the latest development in CEL's macro asset management platform, the Group's strategies and prospects, its fund operations, and its business developments and advantages. They also take advantage of the opportunity to explore synergistic collaborations across sectors and areas. Since the 2014 edition, CEL has also invited key journalists from Hong Kong and the Mainland, enabling the wider business and financial community to learn the latest news about the Group through leading media outlets.



Our Shareholders and Investors

To enhance corporate transparency, the Group places significant emphasis on maintaining strong communication channels and close contact with shareholders and investors. In 2016, the Group has participated in 13 investors forums organized by CICC, HSBC, Citibank, JP Morgan, DBS etc., and arranged roadshows in the U.S. and U.K. with CICC and JP Morgan after announcements of our annual results to timely engage with overseas investors. The Group has participated and organised 164 one-on-one conferences and 80 teleconferences to bring forth its strategies and performances through exchanging in a sustainable, genuine, accurate and complete manner with nearly 400 institutional investors and analysts from across the globe. Highlights of these conferences are available under the "Investor Relations" section of the Group's website. As of December 2016, 18 analyst reports about the Group have been published by 6 well-known institutions, and research reports have been published by 2 other institutions. The Group also summarised investor relations report for the Board's review on regular basis. The report, which is generated from the analysis of a series of investors relation work carried out through multiple surveys on shareholder profile throughout the year on shareholdings and patterns, included external communications, investor feedback and changes in stock price, allows the Board to better understand investors' opinions and suggestions regarding CEL's development strategies.

For the ease and convenience of investors and shareholders, CEL has continuously optimized and upgraded its website (www.everbright165.com) since 2013. In addition to giving the site a clear, compelling design and layout, the Group also enriches the content of the "Investor Relations" section by providing practical tools such as interactive financial data and stock charts. Regarding disclosure of information, visitors can keep abreast of the latest developments at CEL by subscribing to receive alerts to new announcements, circulars and press releases. In 2014, the Group upgraded its website's back-end configuration, strengthening its login function for funds to allow closer communication and information sharing between fund management teams, clients and investors. In view of the growing popularity of mobile communication apps, CEL launched its WeChat public account 2015 (WeChat ID: chinaeverbright) in 2015, providing another convenient diversified information channel for stakeholders and the public.



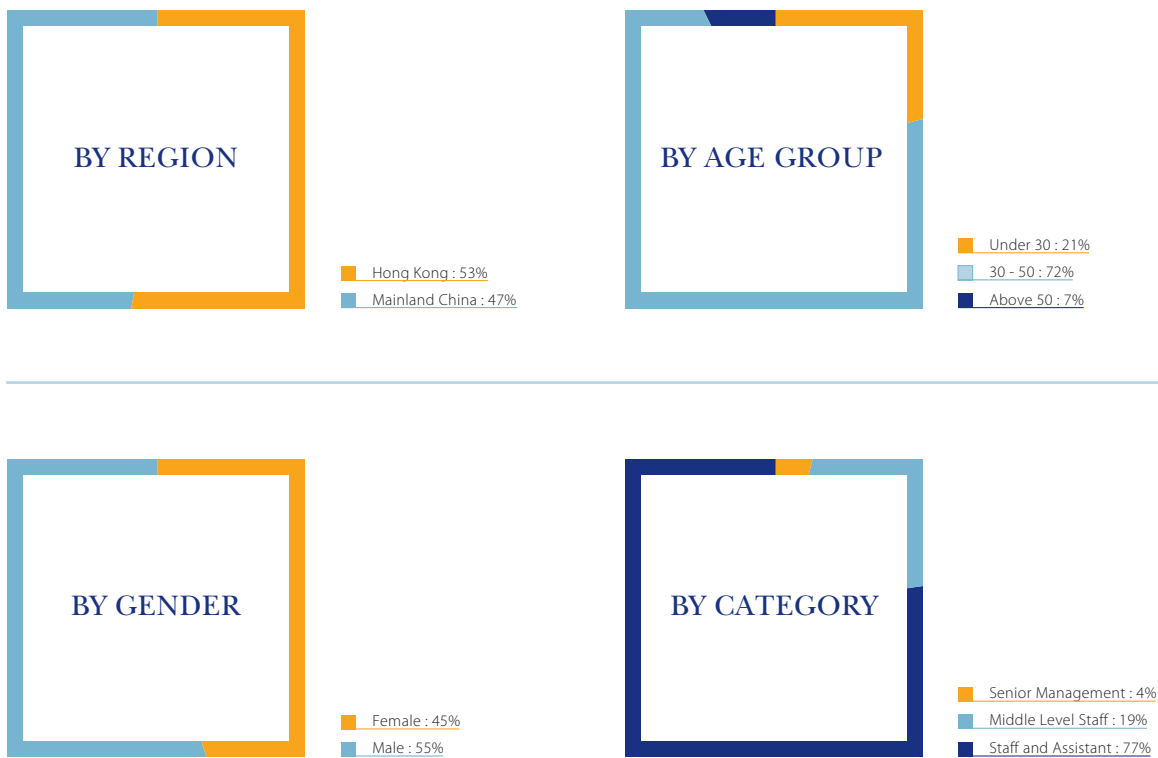
In addition, the Group's management communicates directly with shareholders at the annual general meeting. The group also holds press conferences and analyst briefings twice a year, after its interim and annual results are published. These presentations are recorded and made available as webcasts on CEL's website for viewing at any time by the public.



Our Employees

CEL sees its employees as partners and considers them its most important asset. The group recruits top-notch talents from the financial sector and builds its distinguished management team on the principle “Create Value to Share Value”. Employees are able to share the fruits of the Group’s success, creating economic value and enhancing work efficiency.

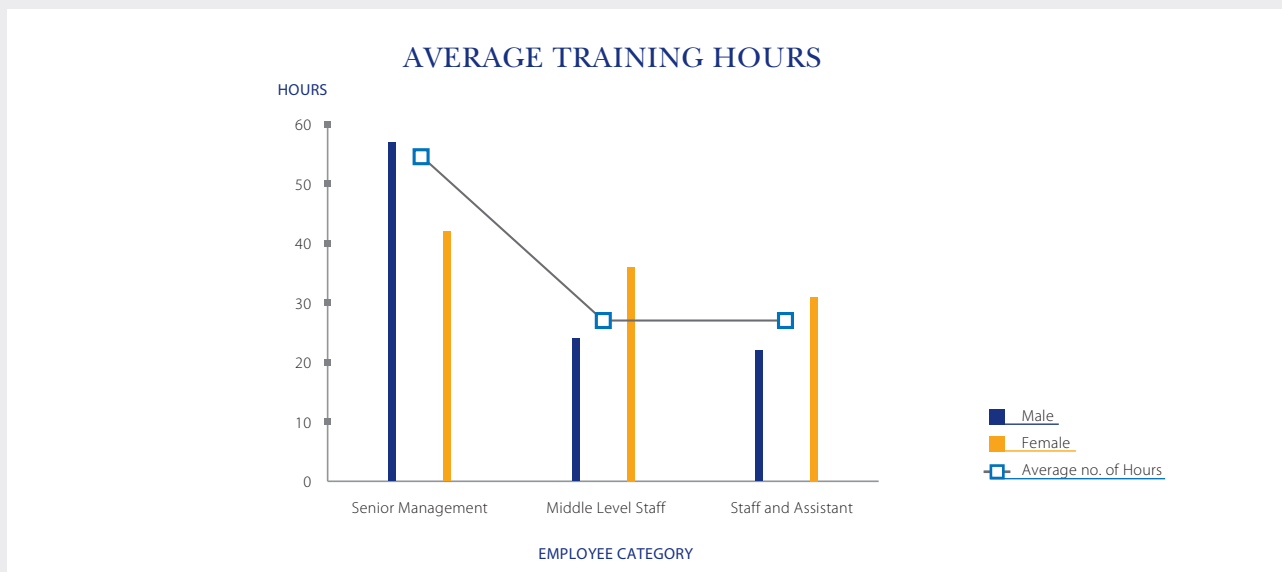
The Group is dedicated in promoting equality in the workplace and has employed employees from different age group. In the reporting period, the Group has 274 employees in total, 144 of which are employed in Hong Kong and the male to female ration is approximately 1:1.



Employee Training and Development

In terms of strengthening individual competencies, CEL provides a comprehensive package for its employees’ career development. This includes study allowances, paid study leave, and regular training programme to boost skills sets and team spirit. The Group sustains its core values and culture with its employees, its most valuable asset and resources.

According to the Group’s “Training and Development Policy”, all new joiners have a 30-hour annual training target, while existing employees’ target is 20 hours. In order to further standardize employee development programmes, the Group has developed a training system, which sets an annual training target hour with respective to the years of service of employees, and taking it into consideration during appraisals. This encourages employees’ involvement in both internal and external training activities, boosting their personal skill sets to be in line with the Group’s development strategies, hence increasing the Group’s competitiveness in the industry. In 2016, the Group has organised 6,605 hours in total for employee training, including 19 broad-based internal training sessions, covering business ethics, anti-money laundering, taxation, risks, macroeconomic trends, soft skills and other topics. All staff were required to join the trainings.



The Group also puts strong emphasis on directors' training. An induction system for new directors, which includes a description of directors' duties, the Listing Rules, introduction of corporate governance structure and the businesses of the Group. A guideline on directors' training and the "monthly circulars" for all Board members, contents includes Company's performance, monthly financial statement, investor relationship reports, industrial and regulatory updates etc, which allows the directors to perform their duties under Listing Rules 3.08 and Chapter 13 continuously. In addition to regular trainings organized by the company, Board members are also actively engaged in professional seminars, conferences and forums.



The group also arranges exchange visits for staff every year so that employees in Hong Kong and the Mainland have a chance to enrich their experiences and exchange views. In 2013, for example, CEL held an Outward Bound event in Qingdao for middle and senior management. China-based employees are provided training exchange opportunities in Hong Kong. From 2014 to 2016, the Group held exchange visits and training activities in Shanghai, Qingdao and Shenzhen for employees from Hong Kong to boost their knowledge of Mainland businesses, and enhance communication and cooperation between teams. In line with its growing overseas activities, the Group organized an overseas training for outstanding employees in 2015. In addition, the Group held an "Investment Salon" where internal specialists were invited to give speeches on financial investment and help colleagues better understand the scope of investment in different industries.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

New staff members receive a clear overview of the Group through regular training sessions on human resources, brand culture and risk management systems. The Group also arranges meetings to facilitate conversation between senior management and new staff, which not only enables better understanding of employees and their views, but also enhances contact and interaction.



Health and Safety

CEL employs different occupational health and safety precautions. In order to provide a healthy and safe working environment, the Group has formulated occupational health and safety policies ensure their well-beings in the workplace.

The Group operates in accordance with the Occupational Safety and Health Ordinance in Hong Kong and Labour Law of the People's Republic of China in the Mainland, respectively, to ensure equipment and systems are properly maintained, and are used under organized, clean and safe conditions. Employees in regional offices are required to execute precautionary and reasonable measures to ensure not only their own personal health and safety, but also the safety of others who may be affected. If an injury or accident occurs within the Group's premises or at other locations for business purposes, staff must report the incident to his or her Department in-charge and Human Resources Department, regardless of how minor the injury or accident may be. Employees are responsible to fully assist in the investigation of accidents.

Communication and Connection

CEL places appreciable emphasis on maintaining productive information exchange and interaction with its employees via various formats. The group uses an internal email system, "Partner Express", as the vehicle for publishing company news and real-time information. Institutional investors and media receive relevant content in the form of presentations and press releases. The "Partner", CEL's bimonthly electronic periodical, integrates key business information, branding development and scenes of employee life together in one handy publication, which is disseminated via online media to keep colleagues in the Mainland and Hong Kong in close contact. The group also publishes hard copies of the "Partner" by consolidating all the experiences of the past year into a single book, which accommodate the varied reading habits of employees. In order to offer more convenience for employees and improve work efficiency, CEL is also developing an online collaborative Office Automation Platform with comprehensive functions and mobile apps, It is the Group's wish that this platform will allow employees to access company information and conduct administrative work from anywhere, whether they are in or out of the office.



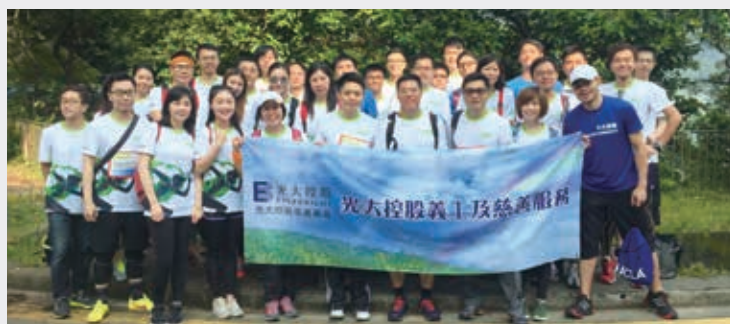
To increase the awareness of corporate justice, the Group has established a Whistleblowing Policy, which serves as both an effective internal control mechanism and a guidance for employees to report any unjust behaviours. This policy is audited by the Board and its Audit & Risk Management Committee (“ARMC”) has overall responsibility; whereas the day-to-day responsibility of overseeing and implementation has been delegated to the Chief Risk Officer (“CRO”) and Company Secretary of the CEL.

Volunteering Services

In 2012, CEL set up a volunteer team that gives staff the chance to contribute to society by participating in charitable initiatives. This programme also serves to further enhance camaraderie among employees. Over the past few years, CEL’s volunteer team has visited nursing home, special child-care centres and shelter workshops, participated in the Everbright Project and meal boxes making for the elderlies. These activities were well received and supported by colleagues. In 2016, CEL was awarded the volunteer team with “Drive for Corporate Citizenship Volunteer Team” logo from Hong Kong Productivity Council.



CEL management and employees have entered teams in the “Sowers Action Challenging – Charity Hiking” for four consecutive years. The Group won the “Gold Award in Corporate Participation” thanks to employees’ enthusiastic participation. On 18th to 19th November, 2016, the Group’s Chief Executive Officer, Mr. Chen Shuang, has led a team in the 2016 Oxfam Trailwalker, Hong Kong’s largest fund-raising hiking activity. The team managed to complete a 100km hiking trail in 29 hours and 51 minutes and raised a fund of HKD 300,000. CEL will continue to organize regular volunteer activities so that it can continue to grow in its service to the community.



Work-Life Balance

The overall effect of these staff initiatives in the past few years – including timely information-sharing, diverse company activities, staff welfare programmes and incentives – is to help build a closer partnership with employees. These efforts have also resulted in meaningful contributions to the Group's business success in terms of establishing its own fund teams, and retaining and recruiting the best talent.



Since 2015, the Group has named September as its "Work-Life Balance Month". Cultural and recreational activities such as providing discounted tickets to ballet performance, organising indoor war-game competition, booking of badminton courts, forming of a basketball team in industry basketball league etc., are designed to meet different needs of employees and encourage work-life balance. To further promote work-life balance, CEL also hosts an annual family day, where family members of our employees are invited.

Awards

Since 2015, for two consecutive years, the Hong Kong Productivity Council and the Promoting Happiness Index Foundation has jointly awarded a “Happy Company” label to CEL in recognition of its commitment to building a caring corporate culture and representing staff quality of life. This was evidenced by the Group’s conscientious efforts to create a pleasant working environment for employees. In addition, CEL was awarded with outstanding achievement in the Employers Retraining Board Manpower Developer Award Scheme, recognizing the Group’s effort in talent development, and was also named as 2015/16 Family-Friendly Employers by the Home Affairs Bureau and the Family Council, praising the company’s effort in promoting core-values relating to work-life balance, allowing employees in achieving a balance between work and family.



Our Community

As a CSR-committed company, CEL is a strong supporter of disaster and poverty relief. The Group also contributes long-term support to many social service projects, most of which are unique, sustainable in nature, and benefit those who are often overlooked in society and given limited resources and support. For example, in 2009, before many of the social problems faced by the middle class emerged, CEL sponsored the Caritas Family Crises Supporting Centre and jointly launched “The Everbright Project” to provide community services specifically targeting Hong Kong’s middle class. The Group then lent its full support to Social Workers Across Borders in 2012-2014, and it established “Project Companion – Professional Social Workers in Greater China Scheme” (“Project Companion”) with the aim of training professional social workers and providing post-disaster counselling in the Mainland. CEL has sponsored the Hong Kong Federation of Education Workers since 2013, and it also launched the “Everbright Teachers Heritage Discovery Tour”, a programme providing Hong Kong educators with the opportunities to visit various cities in Jiangsu Province. After the

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

visit, teachers talked to students about what they saw and heard during their travels, enriching the students' National Education curriculum and deepening their love for their country. Since 2016, CEL has also been the title-sponsor of the collaboration project with Endeavour Education Trust – the "China Everbright Voice of The Stars Story-Telling Scheme", aiming to cultivate a better understanding and greater awareness of Chinese history among the young people in Hong Kong. The middle class, social workers and teachers share a common trait: They are all individuals who work hard and make huge contributions to society, yet they are often overlooked. In 2008, the Group has established China Everbright Charitable Foundation (CECF), a recognised charitable organization by the Hong Kong government. Through CECF, the Group hopes to initiate more projects that are beneficial to both Hong Kong community and the development of the Mainland.

"Everbright Teachers' Heritage Discovery Tour": A programme for Hong Kong teachers to visit the Mainland

In addition to social welfare services, the China Everbright Charitable Foundation also focuses on education. At the end of 2012, CEL collaborated with the Hong Kong Federation of Education Workers to jointly launch the "Everbright Teachers' Heritage Discovery Tour", a national education programme providing Hong Kong teachers with a chance to visit heritage sites and understand new development in China. Focusing on a different cultural topic every year, the programme brings 40 to 50 Hong Kong teachers to the Mainland to exchange ideas with local educators and visit ancient historic sites, which helps enhance the teachers' knowledge of Chinese history in culture.

The 5-day "Everbright Teachers' Heritage Discovery Tour 2016" was organised in late July, with the theme of "New Township Enterprises – Hua Xi Village". Teachers from Hong Kong experienced the Chinese educational culture in a visit to Fudan University, a world-class academic institution in China. In addition, through visiting the historical heritages such as Hua Xi Village, Donglin Academy, the Beijing-Hangzhou Grand Canal, former residence of Xu Beihong, etc., the programme provides an opportunity for Hong Kong teachers to experience and learn Chinese culture and history. From 2013 to 2016, participating teachers visited Nanjing, Jiangyin, Taicang, Wuxi, Suzhou, Zhangjiagang, Shanghai and other cities to develop a better understanding of local culture. After these visits, participating teachers are required to prepare a lesson plan to share their experiences with their students.



“China Everbright Voice of the Stars Story-Telling Scheme”: A project to promote understanding and greater awareness of Chinese History among young generation in Hong Kong

To help cultivate a better understanding and greater awareness of Chinese history among Hong Kong’s young people, CEL launched the “China Everbright Voice of The Stars Story-Telling Scheme” in 2016. Title-sponsored by CEL, the project is run by Endeavour Education Centre Limited with a mission to provide opportunities for local youths to learn more about China’s history and culture, and acquire a more solid understanding of the country’s development. Through different avenues and platforms, and by organising a diverse range of activities, the project aims to help the younger generation develop a historical perspective and sense of belonging to China, as well as cultivate a positive attitude towards learning so that youths will contribute to the future development of Hong Kong and China. The project reprinted “Illustrated Chinese History for Children”, a set of 14 books published in Taiwan, for distribution as gifts to over 900 primary and secondary schools in Hong Kong. The books are intended to engage students with interesting stories and cultural anecdotes from China’s past. In addition, celebrities were invited to make audio recordings of excerpts from the books for broadcasting on Endeavour Education Centre’s website in a story-telling format. An online quiz is also organised, with prizes to pique the interest of students and their parents in reading these books together – an activity that will promote closer family ties.



“Lifeline Express”: A mobile eye-train hospital providing free surgical operations for cataract patients in remote, poverty-stricken areas in the Mainland

Over the past couple of years, CEL has formed a close partnership with Lifeline Express, becoming one of the largest funding sources helping the charity treat cataract patients in poverty-stricken areas in the Mainland. CEL has served as the sponsor of Lifeline Express’ annual fundraising dinner for five consecutive years. It has made substantial donations in support of the Lifeline Express Charity Golf Day fund raising events. From 2014 to 2016, the Group arranged a parent-child group to visit the eyetrain hospital and cataract patients in Shandong, Heilongjian and Guizhou, providing help for paramedics and bringing love to patients. In 2016, with the support from CEL, Lifeline Express has, for the first time, travelled outside of China to Sri Lanka, providing treatments to the blind.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Other Community Projects and Donations

Over the past few years, CEL has supported disaster relief efforts following the Sichuan and Qinghai earthquakes, Victims of the typhoons in Taiwan, and people living in impoverished areas in the Mainland. The Group has also helped the Central Conservatory of Hong Kong Foundation and the Jackie Chan Charitable Foundation organize fundraising events. In 2016, the Group has supported numerous community projects relating to childcare and teenagers, including the sponsorship of the fundraising concert hosted by the Young Artists Development Foundation to provide professional painting training for Hong Kong teenagers with financial difficulties and little access to quality education. In addition, CEL has sponsored the “YO Dancical” by Youth Outreach, an organization that is committed in turning at-risk teenagers into positive teenagers. The Group has also funded the “Daddy Daughter Ball” hosted by The Child Development Centre to help children with special educational needs in Hong Kong. Furthermore, through supporting Future Star Federation of Student’s “Future Star’s Exchange Tour along the “Belt and Road” Countries”, which aims at promoting the exchange between teenagers from Hong Kong and the Mainland to allow



university students from Hong Kong gain a deeper understanding of the countries along the “Belt and Road”. CEL was also the title-sponsor of Hong Kong Ballet’s Swan Lake, contributing to the development of local culture while offering tickets to children in low-income families to experience ballet performances at the same time through donating to its Accessibility Fund. Since its establishment, the Everbright Charitable Fund’s donations to all these charitable activities have exceeded HK\$25 million.

Contributing to Socioeconomic and Cultural Activities

CEL is deeply involved in promoting socioeconomic and cultural activities through the knowledge and influence of the profession sector. The Group’s management holds a number of honourable positions in the financial industry, including Honorary Chairman of the Chinese Financial Association of Hong Kong; Vice Chairman of the Chinese Securities Association of Hong Kong; the ninth Rotating Chairman of China Mergers and Acquisitions Association, the Standing Committee Member of the Center for China and Globalization and the visiting professor of East China University of Political Science and Law. Since 2013, Mr. Chen Shuang, Chief Executive Officer of the Group, has served as a non-official member of the Financial Services Development Council of Hong Kong (FSDC), which has made many practical recommendations to the Hong Kong Government in relation to the internationalization of renminbi and development of the Hong Kong financial market. Together with other members of the FSDC’s Mainland Opportunities Committee, they released a report entitled “Chinese Enterprises “Going Global”: Opportunities and Hong Kong’s Policy Responses”. This report analyzed the business opportunities for Hong Kong resulting from growing trends of Chinese enterprises going global and put forward 16 suggestions for policy reform to the HKSAR government.

Our Environment

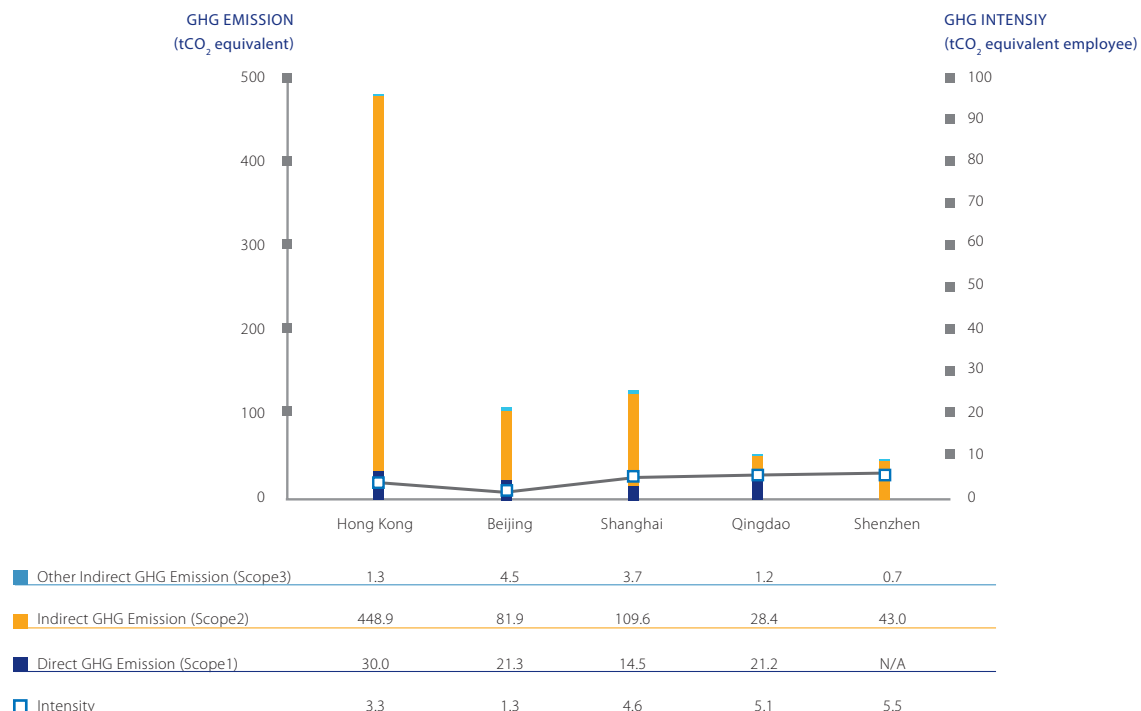
CEL understands the importance of sustainable development and environmental protection, and has been investing in environmental protection and renewable energy enterprises since 2006, including Goldwind Science and Technology Co., Ltd, CECEP Wind Power Corporation Co., Limited, Beijing Jingneng Clean Energy Co., Limited, Chongqing Taike Environmental Protection Technology Co., Guodian Northeast China Environmental Protection Industry Group Co.,Ltd., Zhenjian Prosperous Environmental Protection Co., Ltd, Beijing JeeGreen Technology Development Co., Ltd, Anhui Yuanchen Environmental Protection Polytron Technologies Inc., Shenyang Shenyang Water Affairs Co., Ltd, Dalian Wastewater Treatment Project., etc. The group also supports the overall development of the environmental protection sector.

In our offices, CEL has identified energy and paper usage, and waste generations as its key environmental impact. Therefore, the Group has instituted various environmental protection policies, aiming to minimize its environment impact while sustaining its operational efficiency at the same time.

Greenhouse Gases Emission and Management

Effective management of greenhouse gases (GHG) emission is one of the pressing topics in environmental protection. CEL closely monitors its GHG emissions in its operations. The GHG emissions reported are calculated according to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong"¹. The emission intensity will be used as a reference for the Group in monitoring GHG emission performance in the future.

GHG EMISSION IN 2016



¹ The calculation is referenced to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition)". Emissions factors for electricity purchased is referenced to the information released by HEC in 2016 and "Regional Baseline Grid Emission Factor in China 2015". Direct GHG emissions (scope 1) include fuel consumption; indirect GHG emissions (scope 2) include electricity consumption; other indirect GHG emissions (scope 3) include paper waste disposal.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Energy Conservation

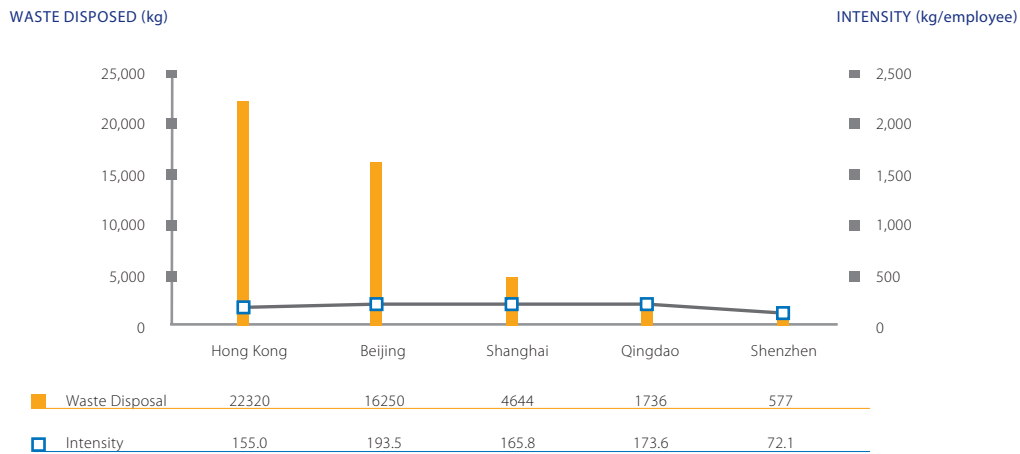
Energy consumption is an important factor causing environmental distress. CEL has initiated different measures to reduce energy usage. In order to cultivate awareness in environmental protection among employees, the Group has a strict requirement on employees' conduct, so as to reduce energy use in day-to-day operations. Our staffs are encouraged to conserve energy by turning off their computers and monitors after working hours through the Group's office policy. In addition, the Group purchases printers with energy conservation functions, where the machines will be switched into energy-saving mode automatically when not in use, to reduce energy usage. Notices on turning off computers and monitors before leaving the office are sent out to all staffs before long holidays. When renovation is being carried out in the office, the supply of air-conditioning will follow the building management's hours and a timer for air conditioning switches will be set.

Energy Consumption in 2016

	Consumption	Intensity
Electricity Consumption	944,913 (kWh)	3,449 (kWh/employee)
Fuel Consumption	32,151 (kl)	117 (kl/employee)

Waste Management and Recycling

CEL understands the importance of waste reduction; the Group has been closely monitoring the amount of waste disposed and the intensity to assess its performance. During the reporting period, a total of 45,527 kg of waste has been generated, with an intensity of 166 kg per employee.

WASTE DISPOSAL IN 2016

Waste is mainly generated from office operations. Cultivating a habit of recycling among employees is the key in our environmental protection initiative. A recycling box for paper is placed next to every the printers to make paper cycling easier for all employees. Employees are also encouraged to recycle toner cartridges. Recycling of toner cartridges is currently only available in Hong Kong office.

3,242 kg of paper and 22 cartridges² were recycled in the reporting period.

² Excluding offices in Mainland China.

Material Use

In order to lessen the burden on our environment, CEL pays special attention when sourcing materials. As printing paper ranks the top out in our material consumption, the Group has a strict requirement in choosing printing paper. Both Hong Kong and the Mainland offices use FSC-certified paper from responsible forest resources which dissuades deforestation. CEL's annual report is also printed on FSC-certified paper. To reduce our impact on the environment in our supply chain, the Group chooses environmentally responsible suppliers. Our printing paper suppliers are ISO 14001 certified, proven to possess an effective environmental management system.

During office renovation, the Group ensures compliance with Building Energy Code of the Buildings Energy Efficiency Ordinance and follows Electrical and Mechanical Service Department's guideline in the use of energy saving lightings and environmentally friendly material.

Resource Utilisation

Reducing wastage is one of the Group's operational principles. Efforts have been made in different aspects to conserve resources and reduce waste generation. The Group's online collaborative Office Automation Platform and Mobile app now cover various procedures for daily administration, management and approval, which has greatly promoted the paperless office concept. The Board of Directors and Board of committees have implemented "paperless meetings" to support environmental protection. In addition, the default printing modes for new joiners are set to black-and-white and employees are also encouraged to make photocopies on recycled paper.

Green Activities

Besides implementing environmental friendly measures in the office, the Group has also incorporated environmental protection elements in employees' daily activities, to raise others' environmental awareness while helping those in need.

"Food Angel": "Food Angel Meals" preparation

This year, CEL's volunteer team has participated in Food Angel's meal preparation for elderly in elderly homes. Through supporting Food Angel's Food Rescue and Food Assistance Programme, food wastage can be reduced, and, at the same time, the food can be served to people in need of food assistance. This Food Rescue and Food Assistance Programme gave volunteers an idea about the current food-wasting issues through involving in the collection and distribution of food waste while helping those in search for food assistance.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Environmental, Social and Governance Content Index

China Everbright Limited's 2016 Environmental, Social and Governance Report is prepared with reference to the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Main Board Listing Rules of Hong Kong Stock Exchanges and Clearing Limited. The following table provides an overview on the Subject Areas, Aspects and their General Disclosures, as well as the Key Performance Indicators (KPI), which are either referred to the relevant chapters of the Report or supplemented with additional information.

KPIs	Description	Cross-reference/Comments
<i>Environmental</i>		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws of regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment (Page 57)
KPI A1.1	The types of emissions and respective emissions data.	We do not generate any emissions in our operations.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment (Page 57)
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	We do not generate any hazardous waste in our operations.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment (Page 57)
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment (Page 57)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Environment (Page 57)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

KPIs	Description	Cross-reference/Comments
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw material.	Our Environment (Page 57)
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment (Page 57)
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not applicable Our water supply is provided by the building's management. We will explore ways to collect water consumption data with the management office.
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Environment (Page 57)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment (Page 57)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment (Page 57)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

KPIs	Description	Cross-reference/Comments
<i>Social</i>		
Employment and Labour Practice		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees (Page 48)
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our Employees (Page 48)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	The overall turnover rate is 20%.
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Employees (Page 48)
KPI B2.1	Number and rate of work-related fatalities.	There are no cases of work-related fatalities during the reporting period.
KPI B2.2	Lost days due to work injury.	The total number of lost days is 6 days during the reporting period.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our Employees (Page 48)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

KPIs	Description	Cross-reference/Comments
<i>Aspect B3: Development and Training</i>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees (Page 48)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Our Employees (Page 48)
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees (Page 48)
<i>Aspect B4: Labour Standards</i>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our operations do not involve any child or forced labour. We strictly follows the "Recruitment Policy" in recruiting employees to prevent child and forced labour.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Please refer to General Disclosure.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Please refer to General Disclosure.
<i>Operating Practices</i>		
<i>Aspect B5: Supply Chain Management</i>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Environment (Page 57)
KPI B5.1	Number of suppliers by geographical region.	Not applicable
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Not applicable

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

KPIs	Description	Cross-reference/Comments
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	We strive to safeguard client assets, protect the interests of all stakeholders and at the same time meet our statutory responsibilities as a Hong Kong listed company and parent of a number of regulated entities. Please refer to the Risk Management section in our 2016 Annual Report for more information.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not applicable
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Not applicable
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	All employees are required to strictly follow the "Anti-Money Laundering Policy". We have also formulated a "Whistleblowing Policy" to facilitate an effective internal monitoring system.
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There are no legal cases regarding corrupt practices during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Please refer to the Corporate Governance section of our 2016 Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

KPIs	Description	Cross-reference/Comments
<i>Community</i>		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community (Page 53)
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community (Page 53)
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Community (Page 53)