

Environment and Social Compliance Audit Report

Project Number: 54401-001
Final Corporate Report
April 2021

People's Republic of China: Asia Cube Wastewater Treatment Upgrade Project

Prepared by Stantec Environmental Engineering (Shanghai) Co., Ltd. ("Stantec") for the China Cube Water Company (the "Client") and the Asian Development Bank.

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CORPORATE ENVIRONMENTAL & SOCIAL AUDIT

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CURRENCY EQUIVALENTS

(as of 11 March 2021)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1539
\$1.00	=	CNY6.4991

ABBREVIATIONS

AAOV	Average Annual Output Value
ADB	Asian Development Bank
ADB's SPS	ADB Safeguard Policy Statement
AESR	Applicable E&S Requirements
BOT	Build-Operate-Transfer
CAI	Completion Acceptance Inspection
CAP	Corrective Action Plan
E&S	Environmental and Social
EEB	Ecology and Environment Bureau
EIA	Environmental Impact Assessment
EIF	Environmental Impact Form
EIR	Environmental Impact Registration
ESMS	Environmental and Social Management System
EHS	Environmental, Health and Safety
EHSS	Environmental, Health, Safety and Social
FSR	Feasibility Study Report
GRM	Grievance Redress Mechanism
HR	Human Resource
ILO	International Labour Organization
IR	Involuntary Resettlement
IP	Indigenous Peoples
LAO	Land Acquisition Office
MEE	Ministry of Ecology and Environment
MEP	Ministry of Environmental Protection
PAH	Project Affected Households
PRC	People's Republic of China
SEP	Stakeholder Engagement Plan
TOT	Transfer-Operate-Transfer
WWTP	Wastewater Treatment Plant



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Executive Summary

The Asian Development Bank (ADB) is considering provision of financing to the I Squared Capital (ISQ), an independent fund focusing on infrastructure investment around the globe. In Asia, ISQ owns and manages co-generation of heat and power, renewable energy (solar and wind), telecom, data centre, highway via multiple platform companies.

Established in 2006, Jiangsu Jiaqing Water Development Co., Ltd. (Jiangsu Jiaqing) is headquartered in Nanjing, Jiangsu province, focuses on municipal and industrial wastewater treatment. Jiangsu Jiaqing introduced ISQ as its strategic investor. By the end of 2018, ISQ acquired 100% share of Jiangsu Jiaqing, making Jiangsu Jiaqing its wholly owned flagship platform company in the field of environmental protection industry. In May 2019, Jiangsu Jiaqing changed the company name to China Cube Water Limited (CCW or the Company).

CCW focuses on wastewater treatment projects alongside major rivers in China, such as the Yellow River and Huai River. As of January 2021, CCW operates nine wastewater treatment plants (WWTPs) with a total capacity of 222,500 tons/day, serving over 2 million population in Henan province (6 WWTPs), Shaanxi province (1 WWTP), Heilongjiang province (1 WWTP) and Guangdong province (1 WWTP), PRC. A summary of the WWTPs is provided as follows:

- **Yongcheng No.1 WWTP** - Operating WWTP (started its commercial operation in September 2006 with a designed capacity of 10,000 tons per day), which is owned and operated by a Tier 2 subsidiary of CCW, Yongcheng Huafang Yongqing Water Co., Ltd., Henan Province.
- **Yongcheng No.2 WWTP** - Operating WWTP (started its commercial operation in September 2008 with a designed capacity of 12,500 tons per day), which is owned and operated by a Tier 2 subsidiary of CCW, Yongcheng Huafang Yongji Water Co., Ltd., Henan Province.
- **Yongcheng No.3 WWTP** - Operating and under expansion WWTP with a total designed capacity of 30,000 tons per day, which is owned and operated by a Tier 2 subsidiary of CCW, Yongcheng Huafang Yongjie Water Co., Ltd., Henan Province.
- **Yongcheng No.4 WWTP** - Operating WWTP (started its commercial operation in May 2012 with a designed capacity of 20,000 tons per day), which is owned and operated by a Tier 2 subsidiary of CCW, Yongcheng Huafang Yongrun Water Co., Ltd., Henan Province.
- **Yongcheng No.5 WWTP** - Operating WWTP (started its commercial operation in September 2014 with a designed capacity of 20,000 tons per day), which is owned and operated by a Tier 2 subsidiary of CCW, Yongcheng Huafang Yongze Water Co., Ltd., Henan Province.
- **Yichuan WWTP** - Operating WWTP (started its commercial operation in April 2017 with a designed capacity of 20,000 tons per day), which is owned and operated by a Tier 2 subsidiary of CCW, Yichuan Jiaqing Water Co., Ltd., Henan Province.
- **Xianyang WWTP** - Operating and upgrade completed WWTP (started its commercial operation in August 2014 with a designed capacity of 50,000 tons per day), which is owned and operated by a Tier 2 subsidiary of CCW, Xianyang Jinte Water Quality Purification Co., Ltd., Shaanxi Province.
- **Harbin WWTP** - Operating WWTP (started its commercial operation in October 2017 with a designed capacity of 40,000 tons per day), which is owned and operated by a Tier 2 subsidiary of CCW, Harbin Jiaqing Water Technology Development Co., Ltd., Harbin Province.
- **Gongping WWTP** - Operating WWTP (started its commissioning in early 2019 with a designed capacity of 20,000 tons per day), which is owned and operated by a Tier 2 subsidiary of CCW, Haifeng Jiaqing Minghao Water Co., Ltd., Guangdong Province.

ADB engaged Stantec Environmental Engineering (Shanghai) Co., Ltd. ("Stantec") to conduct an Environmental and Social (E&S) audit at CCW in support of the proposed loan. Between 20 January



2021 and 5 February 2021, Stantec conducted the E&S audit at both the corporate and asset levels of CCW. This report presents the findings of the E&S audit and provides a gap analysis of the Company's current E&S management performance against PRC regulatory E&S requirements and ADB's Safeguard Policy Statement (SPS). Based on the Audit, a Corrective Action Plan (CAP) has been developed and presented in Section 4.

The operations of CCW do not come under any of the items listed in ADB's Prohibited Investment Activities List (PIAL). Based on the most estimated significant impacts from the Company, overall, the operation of the Company is classified as:

- **Category B** for environment;
- **Category B** for involuntary resettlement; and
- **Category C** for indigenous people.

Environment: The potential environmental impacts from the subprojects of CCW are site specific, reversible and are not unprecedented. Environmental impacts from the construction as part of the expansion or upgrade activities and operation of its WWTPs (wastewater, air emission, boundary noise, solid wastes, sludge, odour, biodiversity, and occupational and community health and safety, among others) have been assessed, were found to be typical impacts from construction activities and operating WWTPs in the PRC, and pertinent mitigation measures have been developed and implemented. Thus, categorization for Environment is **Category B**.

Involuntary Resettlement: Land acquisitions for the subprojects of CCW have been undertaken through the local governments based on the laws and regulations of PRC years ago, and there are no significant legacy issues identified. However, it is understood from CCW staff that CCW subprojects may have potential new land acquisition for future expansion projects, hence, it is categorized as **Category B** for Involuntary Resettlement according to the onsite interview and audit.

Indigenous People: The potential impact on ethnic minorities from the subprojects of CCW is considered negligible as the subprojects are located in the Han Chinese dominated areas and there are no directly impacted ethnic minority during the land acquisition process. Thus, the Indigenous Peoples safeguards was not triggered. There are no potential impacts on ethnic minorities. Therefore, overall categorization of the Company's existing subprojects for ethnic minorities is recognized as **Category C**.

Gender and Development: No noncompliance regarding gender and development is identified against PRC regulations for CCW. In addition, according to consultation with both site management and the randomly selected workers during onsite visit, no gender issue was identified.



1. INTRODUCTION

1.1 PROJECT BACKGROUND

The Asian Development Bank (ADB) is considering provision of financing to the I Squared Capital (ISQ), an independent fund focusing on infrastructure investment across the globe. In Asia, ISQ owns and manages infrastructure projects including co-generation of heat and power, renewable energy (solar and wind), telecom, data centre, highway, wastewater treatment via multiple platform companies.

Established in 2006, Jiangsu Jiaqing Water Development Co., Ltd. (Jiangsu Jiaqing) headquarters in Nanjing, Jiangsu province, focuses on municipal and industrial wastewater treatment. Jiangsu Jiaqing introduced ISQ as its strategic investor. By the end of 2018, ISQ acquired 100% share of Jiangsu Jiaqing, making Jiangsu Jiaqing its wholly owned flagship platform company in the field of environmental protection industry. In May 2019, Jiangsu Jiaqing changed the company name to China Cube Water Limited (CCW or the Company).

CCW focuses on wastewater treatment projects alongside major rivers in China, such as the Yellow River and Huai River. As of January 2021, CCW operates nine wastewater treatment plants (WWTPs) with a total capacity of 222,500 tons/day, serving over 2 million population in Henan Province (6 WWTPs), Shaanxi Province (1 WWTP), Heilongjiang Province (1 WWTP) and Guangdong Province (1 WWTP), PRC. Among the WWTPs, Xianyang WWTP, Yongcheng No. 1 WWTP, Yongcheng No. 2 WWTP, Yongcheng No. 4 WWTP and Yongcheng No. 5 WWTP serve residential areas only, whilst Gongping WWTP, Harbin WWTP, Yichuan WWTP and Yongcheng No. 3 WWTP serve both residential and industrial areas.

ADB engaged Stantec Environmental Engineering (Shanghai) Co., Ltd. ("Stantec") to conduct an Environmental and Social (E&S) audit at CCW in support of the proposed loan. Between 20 January 2021 and 5 February 2021, Stantec conducted the E&S audit at both the corporate and asset levels of CCW. This report presents the findings of the E&S audit and provides a gap analysis of the Company's current E&S management performance against the Applicable E&S Requirements (AESRs) as detailed in Section 1.3 below.

1.2 THE ASSETS

As of the time of the E&S audit, the following nine WWTPs (refer to **Table 1-1**) were owned and operated by CCW.

Table 1-1: The Assets

WWTP	Subsidiary	Location	Capacity	Technology	Status
Yongcheng No.1 WWTP	Yongcheng Huafang Yongqing Water Co., Ltd.	Yongcheng City, Shangqiu City, Henan Province	Operation commenced in September 2006 with a designed capacity of 10,000 tons per day	Anaerobic-Anoxic-Oxic (AAO) and Deep Treatment Technologies	In Operation



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WWTP	Subsidiary	Location	Capacity	Technology	Status
Yongcheng No.2 WWTP	Yongcheng Huafang Yongji Water Co., Ltd.	Yongcheng City, Shangqiu City, Henan Province	Operation commenced in September 2008 with a designed capacity of 12,500 tons per day	AAO and Deep Treatment Technologies	In Operation
Yongcheng No.3 WWTP	Yongcheng Huafang Yongjie Water Co., Ltd.	Yongcheng City, Shangqiu City, Henan Province	Operation of the Phase I development commenced in August 2010 with a designed capacity of 15,000 tons per day. Operation of the Phase II development is expected to commence in July 2021 with a designed capacity of 15,000 tons per day	AAO and Deep Treatment Technologies	In Operation / Under Expansion
Yongcheng No.4 WWTP	Yongcheng Huafang Yongrun Water Co., Ltd	Yongcheng City, Shangqiu City, Henan Province	Operation commenced in May 2012 with a designed capacity of 20,000 tons per day	AAO and Deep Treatment Technologies	In Operation
Yongcheng No.5 WWTP	Yongcheng Huafang Yongze Water Co., Ltd.	Yongcheng City, Shangqiu City, Henan Province	Operation commenced in September 2014 with a designed capacity of 20,000 tons per day	AAO and Deep Treatment Technologies	In Operation
Yichuan Industrial Cluster WWTP (Yichuan WWTP)	Yichuan Jiaqing Water Co., Ltd.	Yichuan Town, Luoyang City, Henan Province	Operation commenced in April 2017 with a designed capacity of 20,000 tons per day	Coagulant Sedimentation, AAO and Filtration Technologies	In Operation
Shaanxi Xianyang Guotang WWTP (Xianyang WWTP)	Xianyang Jint Water Quality Purification Co., Ltd.	Gaoxin District, Xianyang City, Shaanxi Province	Operation commenced in August 2014 with a designed capacity of 50,000 tons per day	AAO, Biological Contact oxidation and Filtration Technologies	In Operation / Upgrade Completed
Harbin Daowai District Tuanjie Town WWTP (Harbin WWTP)	Harbin Jiaqing Water Technology Development Co., Ltd.	Daowai District, Harbin City, Heilongjiang Province	Operation commenced in October 2017 with a designed capacity of 40,000 tons per day	AAO and Filtration Technologies	In Operation



WWTP	Subsidiary	Location	Capacity	Technology	Status
Haifeng Gongping WWTP (Gongping WWTP)	Haifeng Jiaqing Minghao Water Co., Ltd.	Gongping Town, Haifeng County, Shanwei City, Guangdong Province	Started its commissioning in early 2019 with a designed capacity of 20,000 tons per day	AAO	In Operation

1.3 SCOPE OF THE CORPORATE E&S AUDIT

The objective of the E&S audit was to determine CCW's E&S performance, institutional capacity and commitment to manage E&S risks and impacts from the construction and operation of WWTP assets and compliance with the following AESRs:

- ADB Safeguard Policy Statement (SPS) (including SPS SR1, SR2, SR3 & SR4), June 2009;
- ADB's Social Protection Strategy, 2001;
- ADB Gender and Development Policy, May 1998;
- ADB Access to Information Policy, 2018;
- World Bank Group's General Environmental, Health and Safety Guidelines, 2007;
- World Bank Group's EHS Guidelines for Water and Sanitation, 2007; and
- Applicable national, provincial and local laws and regulations pertaining to E&S (including land acquisition and resettlement), health and safety and labour in the RPC.

In particular, the scope of the corporate E&S audit is to:

- Review historical, current and potential environmental, involuntary resettlement (IR) and indigenous peoples (IP) impacts, including residual unresolved impacts, from CCW's business operations and confirm safeguards categorizations based on ADB's SPS;
- Assess CCW's ability to manage and address all relevant E&S risks and impacts of its business and operations, in particular, the issues identified in the SPS Safeguard Requirements 1–3;
- Assess CCW's compliance record with applicable laws and regulations that pertain to E&S matters, including those laws implementing PRC obligations under international law;
- Review any prior land acquisition done by the local government for the assets and determine if these were undertaken in compliance with PRC's national laws and ADB's requirements;
- Determine if CCW's operations have any impacts on ethnic minorities and assess whether these have been addressed in accordance with PRC's national laws and ADB's SPS;
- Review the extent to which CCW, its subsidiaries and contractors comply with internationally recognized core labour standards (China has ratified four of the eight ILO Fundamental Conventions);
- Assess and opine on sexual exploitation and harassment risk for workers and communities during construction and operation of WWTPs;
- Review how CCW cascades its E&S Management System (ESMS) to the asset level, including its monitoring and reporting for ensuring each asset are compliant with CCW's existing ESMS and applicable laws and regulations;
- Assess performance and review the implementation of the ESMS at the WWTP level through the E&S audits;
- Review CCW's main stakeholder groups, including beneficiaries of the services and civil social organizations with an interest in the plants, and current stakeholder engagement activities;
- Review CCW's internal and external grievance redress mechanism, identify any past and ongoing complaints issues or feedbacks, review the current status or resolution and determine how it manages corporate and asset-level grievances; and
- Identify any gaps with the lenders' requirements and possible risks to the potential lenders and develop a commensurate time-bound corrective action plan (CAP).



1.4 REPORT STRUCTURE

The remainder sections of this report are structured as follows:

- Section 2: Application Standards and Methodology;
- Section 3: Corporate Assessment;
- Section 4: Corrective Action Plan.

This report is supported by the following annexures:

- Annex A: List of Documents Reviewed
- Annex B: List of Stakeholders Interviewed

1.5 LIMITATIONS

The report was prepared in accordance with a scope of work agreed by ADB. The results of the project are based on conditions at the time of site visits and documents provided by CCW. A change in any of these conditions may alter the findings, observations and report content presented herein by Stantec. A site walkthrough, by nature, is limited in its ability to fully assess potential Environmental, Health, Safety and Social (EHSS) liabilities or concerns associated with a property or operation. Further investigations would be required to identify the presence or absence of potential EHSS liabilities but are beyond detection by performance of the scope of this project. Laws and regulations, if referenced in this report, are provided for information purposes only and should not be construed as legal opinion or recommendation.

The limitations encountered during this corporate E&S audit include the following:

- 1) Due to the time constraints the corporate interview was arranged by CCW via telephone conference instead of face to face interview.
- 2) Site visits were performed at eight WWTPs. Due to the local COVID-19 situation and requirements, no site visit was able to be arranged at the Harbin WWTP. Video conference and desktop document review were performed instead of site visit.
- 3) No interviews to people/households that were impacted by the previous land acquisition and resettlement of the subprojects were arranged by CCW during the audit.
- 4) Due to time constraints, some of the E&S document review (e.g. labour contracts, inspection records) was conducted by random sampling. The sampling process was not designed to be a comprehensive document review, but rather to verify the current status by sampling for risk screening purpose.
- 5) Information provided to Stantec was accepted in good faith and was assumed to be accurate unless written documentation or visual observations contradicted this assumption.
- 6) Data collected during stakeholder engagement are deemed to be accurate to the extent of the information that were provided by those interviewed, which shall not to be used as legal advice.



2. APPLICATION STANDARDS AND METHODOLOGY

2.1 APPLICABLE STANDARDS

This E&S audit was undertaken in accordance with the following AESRs:

- ADB Safeguard Policy Statement (SPS) (including SPS SR1, SR2, SR3 & SR4), June 2009;
- ADB's Social Protection Strategy, 2001;
- ADB Gender and Development Policy, May 1998;
- ADB Access to Information Policy, 2018;
- World Bank Group's General Environmental, Health and Safety Guidelines, 2007;
- World Bank Group's EHS Guidelines for Water and Sanitation, 2007; and
- Applicable national, provincial and local laws and regulations pertaining to E&S (including land acquisition and resettlement), health and safety and labour in the RPC.

In the PRC, wastewater treatment projects are governed by the following key applicable Chinese E&S regulations listed in **Table 2-1**.

Table 2-1: Related E&S Laws and Regulations

Title	General Description
Environment	
<i>Law on Environment Protection (2015)</i>	The law is an umbrella under which relevant laws on air, noise and wastewater emissions, as well as waste management and disposal are integrated. The Law authorizes environmental authorities to establish two types of standards: environmental quality (ambient) standards and discharge/emission standards. Ambient standards are the maximum allowable concentrations of pollutants in water, air or soil. Discharge / emission standards are the maximum allowable concentrations of pollutants' emissions or discharges. The standards provide a basis for the inspection activities of the environmental authorities. The Law on Environmental Protection allocates responsibility for the implementation of environmental protection policies and environmental monitoring to relevant government organizations. Specific details, permits and procedures are stipulated under the relevant State laws for air, water, noise, waste management etc.
<i>Law on Environmental Impact Assessment (2018)</i>	All construction projects are required to comply with a series of environmental protection procedures and policies, principally the following: <ul style="list-style-type: none"> • Environmental Impact Assessment (EIA) Policy; • "Three Synchronies" Policy; and • Pollutant Discharge Permitting.
<i>Management Regulations for Environmental Protection for Construction Projects (2017)</i>	There are three categories of EIA in the PRC, including (a) Full EIA report for projects with significant environmental impacts, (b) Environmental Impact Form (EIF) for project with moderate environmental impacts, and (c) Environmental Impact Registration (EIR) for projects with limited environmental impacts.
<i>Catalogue for Management of Environmental Impact Assessment of</i>	Under this catalogue, for wastewater treatment industry, It is understood EIA report is applicable for the WWTP with the daily treatment capacity over 100,000 tons, the EIF is applicable for WWTP with the daily treatment capacity between 500 tons and 100,000, and the EIR is applicable for the rest WWTP with the daily treatment capacity below 500 tons.



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APPLICATION STANDARDS AND METHODOLOGY

Title	General Description
<i>Construction Projects (2021)</i>	
<i>Measures on Environmental Impact Post-Assessment of Construction Project (2016)</i>	The measure stipulates the legal requirements of Environmental Impact Post-Assessment for required construction projects, and the post-assessment registration requirement.
<i>Catalogue for management of Pollutant Discharge Permit (2019)</i>	According to the amount of pollutants generated and discharged by the enterprises, public institutions or other business operators and the degree of environmental hazards, three types of pollutant discharge permits (key regulatory, simplified regulatory and registration management) shall be implemented.
<i>Law on the Prevention and Control of Atmospheric Pollution (2018)</i>	The Law on the Prevention and Control of Atmospheric Pollution (2018) provides the basis for air quality protection in China. The Integrated Emission Standard of Air Pollutants (1996) specifies the discharge standards for air emissions.
<i>Integrated Emission Standard of Air Pollutants (1996)</i>	
<i>Law on the Prevention and Control of Water (2017)</i>	The Law on the Prevention and Control of Water (2017) is the key law for water pollution control. It applies to the pollution prevention and control of groundwater and all surface water bodies excluding the sea. It contains water pollution prevention and control standards; monitoring requirements and the management guidelines for water pollution prevention and control; measures for water pollution prevention and control; the pollution prevention and control measures for special water bodies including drinking water sources; the treatment of water pollution events; and legal liabilities. For industrial projects, a Water Pollutant Discharge Permit is required from the Ecology and Environment Bureau (EEB) prior to operational discharges to surface water.
<i>Discharge Standard of Pollutants for Municipal Wastewater Plant (2002)</i>	
<i>Integrated Wastewater Discharge Standard (1996)</i>	
<i>Law on the Prevention and Control of Environmental Noise Pollution (2018)</i>	Noise is regulated by the Law on the Prevention and Control of Environmental Noise Pollution (2018). This Law sets out the general requirements for noise control including noise from industrial sites, construction sites and transportation.
<i>Emission Standard of Environmental Noise for Boundary of Construction Site (2011)</i>	The Emission Standard of Environmental Noise for Boundary of Construction Site (2011) and the Emission Standard for Industrial Enterprises Noise at Boundary (2008) are applicable for construction and operational activities, respectively.
<i>Emission standard for industrial enterprises noise at boundary (2008)</i>	
<i>Law on the Prevention and Control of Solid Waste Pollution (2020)</i>	Law on the Prevention and Control of Solid Waste Pollution (2020) stipulates the requirements for general industrial waste, domestic waste, and hazardous waste management including collection, storage, transportation, treatment, recycling and disposal.
<i>Management Regulation for Hazardous Waste Transfer Manifests (1999)</i>	



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APPLICATION STANDARDS AND METHODOLOGY

Title	General Description
<i>Standard for Pollution Control on Industrial Solid Waste Storage and Landfill (2020)</i>	The on-site storage and disposal of industrial solid waste is subject to the Standard for Pollution Control on Industrial Solid Waste Storage and Landfill (2020). The Management Regulation for Hazardous Waste Transfer Manifests (1999) stipulates the documentation and tracking procedures for hazardous waste generators, transporters and disposal operators.
<i>Law on Energy Conservation (2018)</i>	
<i>Law on Cleaner Production Promotion (2012)</i>	
<i>Law on the Prevention and Control of Soil Pollution (2019)</i>	The Environmental Quality Standards for Construction Soil Pollution Risk Control (Trial) (2018), Environmental Quality Standards for Agriculture Soil Pollution Risk Control (Trial) (2018), Law on the Prevention and Control of Soil Pollution (2019) and the Quality Standard for Ground Water (2017) define the quality standards applicable for soil and groundwater depending on the different uses.
<i>Environmental Quality Standards for Construction Soil Pollution Risk Control (Trial) (2018)</i>	
<i>Environmental Quality Standards for Agriculture Soil Pollution Risk Control (Trial) (2018)</i>	
<i>Environmental Quality Standard for Ground Water (2017)</i>	
<i>Methods for Public Participation in Environmental Impact Assessment (2019)</i>	The Methods for Public Participation in Environmental Impact Assessment (2019) prescribes the requirements for public consultation during the process of EIA for a development project. And it requires that public consultation should be conducted while preparing full EIA Report, whilst there is no specific legal requirement regarding consultation with communities for EIF and EIR.
Health & Safety	
<i>Law on Work Safety (2014)</i>	These laws stipulate principles on work safety, occupational health and fire protection issues, including work safety and occupational hazards assessment, facility design and construction, completion acceptance inspection, training, monitoring and medical check-up, facility inspection and maintenance, etc.
<i>Law on Occupational Diseases Prevention (2018)</i>	
<i>Law on Fire Protection (2019)</i>	
Biodiversity	
<i>Law for Wildlife Protection (2018)</i>	Law for Wildlife Protection (2018) and Regulation on Wild Plant Protection (2017) stipulates the requirements for protecting and saving wildlife or wild plant, defines the wildlife or wild plant habitat, and establishes disciplinary measures.
<i>Regulation on Wild Plant Protection (2017)</i>	



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APPLICATION STANDARDS AND METHODOLOGY

Title	General Description
Land Acquisition and Resettlement	
Law on Land Administration (2020)	The Land Administration Law stipulates that where land acquisition is necessary ¹ , compensation shall be made in accordance with the original usage of the acquired land, which shall include a land compensation fee, a resettlement subsidy (if applicable) and a compensation fee for land “attachments” (e.g. various trees and houses) and standing crops. The land compensation fee for cultivated land is six to10 times the average annual output value (AAOV) of the land in the three years preceding the land acquisition. The relevant compensation standards for land “attachments” and standing crops are to be determined by the local government.
Regulations on Implementation of Land Administration Law (2014)	
Labour	
Labour Law (2018)	Labour law (2018) stipulates the rights and corresponding obligations of workers, states that “employees enjoy the rights of equal employment and choice of occupation, the right to receive labour remuneration, the right to rest and vacation, the right to obtain labour safety and health protection, the right to receive vocational skill training, the right to enjoy social insurance and welfare, the right to apply for settlement of labour disputes and other labour rights stipulated by law” and “laborers should complete their labour tasks, improve their professional skills, implement labour safety and health regulations, and abide by labour discipline and professional ethics”.
Labour Contract Law (2012)	
Cultural Heritage	
Cultural Relics Protection Law (2017)	It stipulates project proponents to undertake baseline archaeological surveys to determine the presence and condition of cultural relics where construction works have the potentiality to damage them.
Implementation Regulations of the Law on Cultural Relics Protection (2017)	
Public Consultation and Information Disclosure	
Methods for Public Participation in Environmental Impact Assessment (2019)	It stipulates that construction projects that may have significant effects on the environment should incorporate public comments into the EIA report. Either the Project proponent (or the EIA agency on behalf of the Project proponent) should provide project information to the public and to the local EEB during the process of environmental impact assessment. A summary EIA report shall be provided for public review in hard copy format at a designated location or in electronic format on a public website.
Gender	
Law on the Protection of Women's Rights and Interests (2018)	It stipulates women's rights in social and economic life, including political rights, cultural and educational rights and interests, labour and social security rights and interests, property rights, personal rights, marriage and family rights and interests.
Ethnic Minorities	

¹ The Project Affected Households (PAHs) can reject the land acquisition as long as it is not for the public good projects. The land law applies to all land acquisition activities, as long as it is 'land acquisition/ expropriation'.



Title	General Description
<i>Law on Regional National Autonomy (2001)</i>	It stipulates that regional ethnic autonomy is a basic political system in China. Article 10 emphasizes that the organs of self-government in national autonomous areas shall guarantee the freedom of all ethnic groups in the region to use and develop their own languages and characters, and the freedom to maintain or reform their own customs and habits.

Henan has just released the local wastewater discharge standard in the Yellow River Basin in January 2021, namely the Discharge Standard of Water Pollutants in the Yellow River Basin (DB 41/2087-2021). The discharge limits of COD, NH₃-N, TN and TP of Henan local standard Class I are 40 mg/L, 3 mg/L, 12 mg/L and 0.4 mg/L, respectively. The standard will be effective since 1 March 2021 for new WWTP projects. For existing WWTPs with a capacity ≥ 500 m³/day, the implementation date will be 1 September 2022. Existing WWTP < 500 m³/day can continue to implement local standard Class II, which is equivalent to national standard Class 1 level A. As per this standard, Yichuan WWTP with a capacity of 20,000 m³/day should be in line with the requirement and conduct the corresponding upgrade by 1 September 2022.

In addition, Shaanxi released the Integrated Wastewater Discharge Standard of Yellow River Basin in Shaanxi Province (2018). The discharge limits of COD, NH₃-N, TN and TP of Shaanxi local standard Class A are 30 mg/L, 1.5 mg/L, 15 mg/L and 0.3 mg/L, respectively. The standard shall become effective since 1 April 2020 for all existing WWTPs located in Yellow River Basin in Shaanxi including CCW's Xianyang WWTP. The corresponding upgrade has been conducted at Xianyang WWTP. Please refer to the asset-level audit report of Xianyang WWTP for detail.

2.2 E&S PERMITTING REQUIREMENTS

Both document review and management interviews indicate that CCW is not required to obtain any E&S permits at corporate level for the business.

E&S permits are generally required for specific development projects prior to construction and during operation (see list in Section 3.2). Feasibility study reports (FSRs) and environmental impact assessment (EIA) documents, (there are three categories of EIA in the PRC, including (a) Full EIA report for projects with significant environmental impacts, (b) Environmental Impact Form (EIF) for project with moderate environmental impacts, and (c) Environmental Impact Registration (EIR) for projects with limited environmental impacts) are required by the Law on Environmental Impact Assessment. As per the Catalogue for Management of Environmental Impact Assessment of Construction Projects, CCW projects are required to prepare full EIA reports (for the WWTP with the daily treatment capacity over 100,000 tons) or EIFs (for WWTP with the daily treatment capacity between 500 tons and 100,000 tons) The full EIA reports/EIFs include the WWTP design standard and treatment process to meet the discharge standards required, corresponding environmental issues (air emission, chemical consumption, water and power consumption, wastewater discharge, waste, boundary noise, etc and required measures to be implemented.

The EIA documents also cover the environmental impact during the construction phase of projects. Typical issues are noise, wastewater, dusts, wastes, and the corresponding mitigation measures are stipulated and should be implemented by the project owner and construction contractor. At the time of the site visit, the expansion project of Yongcheng No. 3 WWTP was ongoing (whilst no construction activities were conducted as the site visit date was close to the Chinese New Year Holiday) and the



corresponding E&S matters during the construction period is discussed in the audit report of Yongcheng No.3 WWTP.

2.3 METHODOLOGY

2.3.1 Approach

An integrated approach with four steps was conducted by Stantec as stated below. This approach was subsequently agreed by the ADB.

Step 1: Document Request and Desktop-based Review:

Stantec requested documents from CCW including (i) CCW's ESMS or policies and official commitments related to environmental, health, safety and social safeguards, policies and procedures that would typically be covered by an ESMS; (ii) Information about the system for project planning to manage environmental and social risks; (iii) Information about any departments, divisions and/ or teams in CCW working for E&S safeguards; (iv) Information about the CCW's system to manage environmental and social safeguard impacts and risks of subsidiaries/subproject companies; (v) Information about CCW's training system for staff regarding environmental and social safeguards; (vi) Human Resource (HR) management and procurement policies and procedures plus gender disaggregated information and about CCW's staff at corporate headquarters and subproject assets separated by responsibility level; (vii) Information about CCW's main stakeholder groups, activities through which they are engaged and consulted, and any grievance redress system and its results log; and (viii) Information about the environmental, health, safety and social monitoring and reporting system.

Stantec conducted a review of documentation for both at corporate and subproject levels made available by CCW through intermediaries. Annex A lists the key documents provided by CCW and reviewed by Stantec during this E&S audit.

Step 2: Corporate Level Audit

The Corporate level audit focused on desktop review of available documentation as well as consultations undertaken with CCW's management and key technical staff involved in environment, health, safety, personnel management, procurement and project identification/selection.

Between 20 January 2021 and 5 February 2021, Stantec interviewed (including face-to-face interview and phone call interview) 6 representatives from CCW, covering Board of Directors, Financial, Human Resource (HR), Production Technology Departments. Personnel interviewed by Stantec at the corporate level are listed in Annex B. Stantec would like to thank all those who participated in the interviews and inspection process during the assignment. Their time and cooperation are gratefully acknowledged.

Step 3: Asset Level Audit

Stantec conducted onsite visits to eight WWTP assets and video conference with personnel from one WWTP asset (Harbin WWT) as organised by CCW. During the onsite visits, Stantec's E&S team:

- Reviewed documentation available at the assets. For Harbin WWTP, document was provided by CCW through intermediaries;



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- Conducted selected interviews with site representatives;
- Conducted a limited visual observation of the assets; and
- Reviewed the implementation and compliance status of the E&S mitigation and management measures.

The site visits were conducted between 27 January 2021 and 01 February 2021.

Step 4: Gap Analysis and Reporting

Based on the information obtained during Steps 1-3, gaps against the AESRs were identified at corporate level (refer to Section 3). A CAP setting out the steps that would be required to close the identified gap(s) between the CCW's corporate E&S policies and procedures and with the requirements of AESRs is outlined in Section 4.



3. CORPORATE Audit

3.1 CORPORATE ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

3.1.1 Management Structure

CCW has established a two-level management structure. At each level, their roles and responsibilities are described below:

- **Corporate (Tier 1):** CCW corporate located in Nanjing City, Jiangsu Province (a) develops strategy, policy and management procedures; (b) provides overall direction, guidance and supervision; (c) implements business plans; and (d) makes and facilitates business development decisions.
- **Subsidiaries (Tier 2):** subsidiaries are responsible for day-to-day construction and operation of the assets, as well as coordination with the local governments. The nine subsidiaries are further responsible for (a) coordination with the corporate level for development and expansion opportunities; (b) coordination of regional affairs with governments; and (c) operation of the WWTP assets and implementation of corporate's E&S requirements.

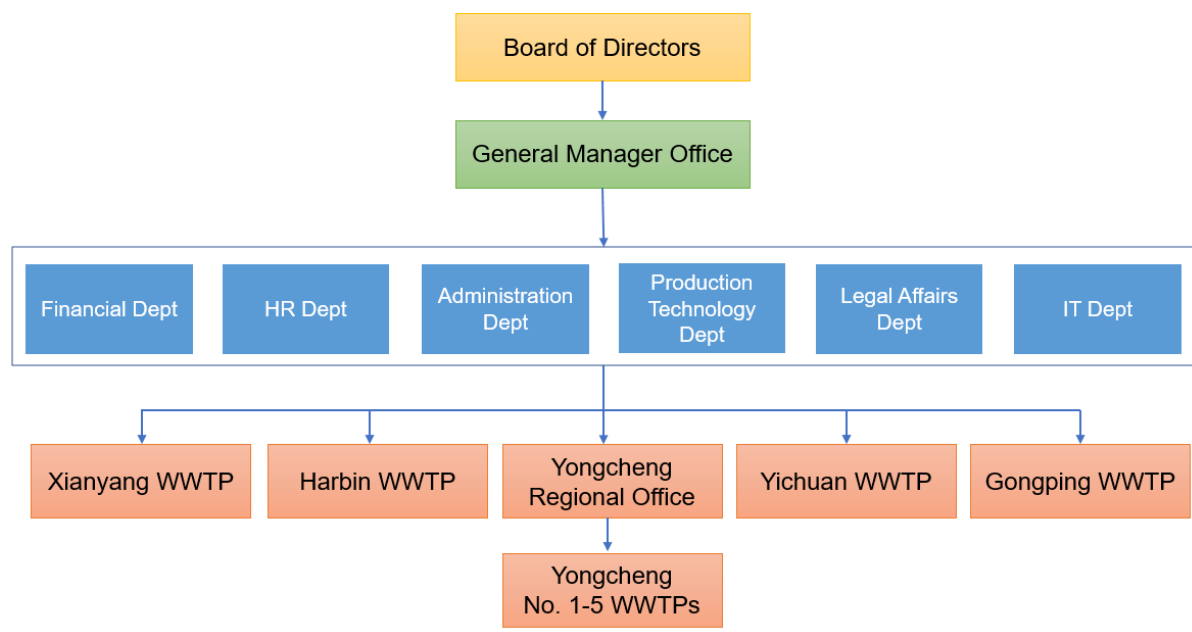
In addition, for the WWTPs in Yongcheng City, Yongcheng Regional Office has been established to take responsibility for overall management of the five WWTPs in Yongcheng city. The key functions of the Yongcheng Regional Office include general performance management, finance, administration, human resources and laboratory for the five WWTPs whilst no separated financial, administrative, human resource and laboratory departments are set up in each of the WWTPs in Yongcheng.

3.1.2 Organizational Capacity

CCW's management capacity (refer to **Figure 3-1**) consists of four hierarchies, including (a) board of directors; (b) senior management team, mandated by the board of directors; (c) functional departments directed by the management team; (d) nine subsidiaries directed by the Production Technology Department. A Yongcheng regional office was established in 2011, which takes responsibility for overall management of five WWTPs in Yongcheng city. There is a total of 15 staff in CCW corporate.



Figure 3-1: Corporate Organizational Chart



Source: CCW as of January 2021.

3.1.3 E&S Management

At corporate level, E&S management is principally embedded in the following departments and committees:

- General Manager Office:** CCW General Manager Office, with 3 fulltime personnel, is in charge of coordinating the affairs among subsidiaries, local authorities (e.g. local EEB and Construction Bureau) and the corporate, following up of the subproject implementation status and approving the operating expenses (Opex) and capital expenditure (Capex) of the subsidiaries. The needs of items in the Opex and Capex are sourced from (1) regulatory requirements; (2) evaluation of the WWTP by both the subsidiary and the Production Technology Department based on the daily, weekly, monthly and annual production reports. The needs of project upgrades/expansions come from the routine communications between the local governments and the subsidiaries, and the triggers could be new standards, current utilisation (80%), etc. During this process, the corresponding subsidiary will be responsible for proposal/plan submission to board of directors of CCW as well as to the local government, whilst the General Manager Office of CCW will take the lead of the commercial process including concession negotiation with the local government.
- Production Technology Department:** This department has four full time personnel (one Chief Operation Officer, one manager and two engineers). Mr. Yuan Jianfeng, who has over 30 years of working experience in the field of WWTP operational management, is the corporate Chief Operation Officer. Mr. Tong Hualin, is the manager of the department. The rest two staff are the specialists. The roles and responsibilities of the Production Technology Department are to:
 - Implement operational and EHS (mostly safety and environmental oriented) related policies, programs, guidelines and other legal requirements;
 - Evaluate operational policies and performance targets and make decisions on operational issues;
 - Coordinate with other departments (such as Legal Affairs Department) to evaluate project investment or expansion and provide technical support during the FSR and EIA processes;
 - Evaluate CCW's operation work plan and supervise the implementation at subsidiary level;



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- Arrange operational and EHS (mostly safety and environmental oriented) training plan; and
 - Review accident investigation reports and subsidiary performance reports.
- **Legal Affairs Department:** CCW Law Affairs Department, with 1 fulltime personnel, is in charge of identifying and keeping track of any legislative requirements and changes to existing laws applicable to CCW's operation, assessing compliance status of each subsidiary and evaluating potential legal and permit risks of each subsidiary.
- **Human Resources (HR) Department:** The HR Department is mainly in charge of labour contract, working hours, remuneration, training, employment, performance review, staff welfare, physical examination, etc.

CCW has no dedicated EHS department/personnel for EHS management, instead, there is an EHS personnel from other platform company of ISQ provides EHS support in the occasions of activities with major EHS concerns conducted by CCW. For instance, in Q3 of 2018, there was a need for underwater work in Yongcheng No.1 WWTP. The EHS personnel, Mr. Lu, was invited to conduct training and provided assistance to the preparation of the work. In November 2020, Yongcheng No.1 WWTP was undergone overhaul and Mr. Lu was invited to review the construction EHS related plans. CCW is considering appointing a dedicated personnel in charge of EHS management within the group.

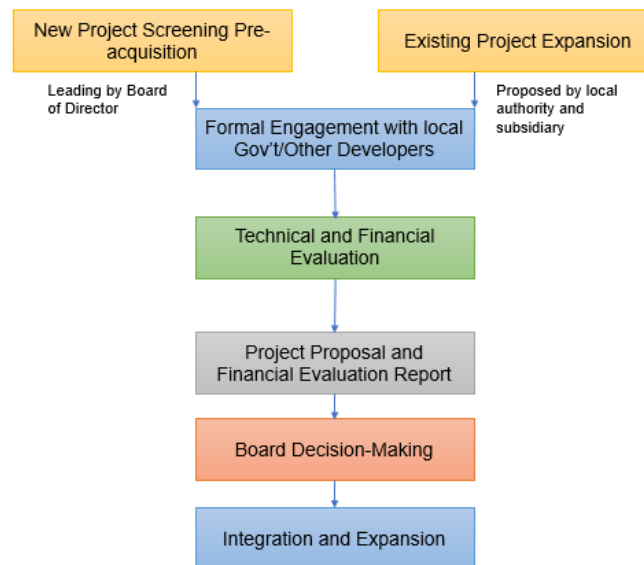
CCW has no functional department at corporate level for management of land acquisition and resettlement, as well as community-related issues. For any land acquisition and resettlement and community issues arising from the assets, the Tier 2 subsidiaries will coordinate and negotiate with the local government/community for a resolution on a case-by-case basis.

It is identified that CCW's management has comprehensive understanding of Chinese EHS requirements but lacks knowledge in international benchmarking standards (such as ADB SPS, World Bank Group EHS Guidelines). The management reported that they are following PRC requirements and approval from top level (ISQ and CCW) will be needed for following new standards. There are no CCW staff with experience on conducting projects following ADB requirements or other international E&S requirements. There are no plans for CCW to establish formalised EHS management system, nor training programs or actions have been developed by CCW to increase its awareness and competence on international standards.

The CCW, led by the CCW Board of Directors, Production Technology Department and Legal Department, together with regional subsidiaries are responsible for new project identification or existing project expansion, generally following the process as per **Figure 3-2**. A preliminary E&S risks screening list or procedure is not in place, but reportedly during the decision-making stage the General Manager Office and the Production Technology Department from the corporate, as well as the subsidiary will check the closest residential areas of any proposed land parcels to avoid potential E&S issues hindering the permit application and future construction/operation, and request the local government to hand over the land after completion of all the land acquisition/resettlement process.



Figure 3-2: The Company's Investment Decision-Making Process



Note: The information in the flow chart was summarized according to management interview.

3.1.4 Corporate E&S Procedures

CCW is an ISO 9001 certified company. The ISO 9001 certificate covering Yongcheng No.1-5 WWTPs was initially issued in November 2015 and is valid until October 2023. CCW recognises the importance of E&S issues to their long-term business success, and as a wastewater treatment company, sustainability is deemed as one of the core values for its business. CCW has established EHS management procedures since 2018. At subproject level, the WWTPs follow corporate EHS procedures, and combine with local requirements.

The EHS procedures cover the followings:

- Site Level Manager Inspection Guidance;
- Safety Committee Guidance;
- Occupational Health Management Procedure;
- Environmental Protection Management Procedure;
- Internal Audit Management Procedure;
- Visitor Management Procedure;
- Accident and Incident Management Procedure;
- Near Miss and Hidden Danger Management Procedure;
- Risk Assessment Management Procedure;
- Special Equipment Management Procedure;
- Personal Protection Equipment (PPE) Management Procedure
- Direct Operation Management Procedure (including PPE, laboratory, LOTO, electricity confined space, Chlorine management);
- Safety Training Management Procedure;
- Emergency Response Procedure;



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- Safety Production Procedure;
- Fire Safety Management Procedure;
- Chemical and Hazardous Stuff Management Procedure;
- Extreme Weather Management Procedure;
- COVID-19 Prevention and Control Plan.

The HR related policies and procedures are well defined and have been comprehensively established in CCW. The labour related procedures cover the followings:

- Recruitment Management Procedure;
- Attendance Management Procedure;
- Overtime Management Procedure;
- Leave Management Procedure;
- Salary Management Procedure;
- Business Travel Reimbursement Procedure;
- Reward and Punishment Procedure;
- Resignation Management Procedure;
- Confidentiality Management Procedure; and
- Prevent Sexual Harassment Procedure.

Key Issues and Findings on E&S Commitments, Policy and Procedures:

- CCW lacks understanding and knowledge on international EHSS requirements such as ADB requirements;
- There is no dedicated personnel or department responsible for the EHS management at corporate level;
- There is no procedures for EHS management for project construction period;
- There is no procedure or preliminary E&S risk screen list in place to formally include the E&S considerations during the evaluation stage of potential expansion/upgrade projects;
- CCW lacks a mechanism for social management especially the involvement and documentation of land acquisition and resettlement process where occurs, neither management of community grievances;
- Social management procedures such as Grievance Redress Procedure and Stakeholder Engagement Plan are not in place;
- The existing EHS procedures are brief ones which do not have enough details for the assets to implement. Based on audits at the WWTPs, the implementation of the EHS procedures is limited.

3.2 IDENTIFICATION AND MANAGEMENT OF E&S IMPACTS

Both document review and management interviews indicate that CCW is not required to obtain any E&S permits at corporate level for the business. E&S permits are generally required for specific development projects. According to the local requirement presented in Section 2.1 and based on the subproject wastewater treatment capacity, it is understood EIA or EIF is applicable for the nine assets. Generally, the key E&S permit obtaining processes for each WWTP are shown as follow:

- Site selection application;
- Feasibility Study Report (FSR);
- Land Use documents;
- Project Establishment Approval;



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- EIA or EIR approval and corresponding Environmental Completion Acceptance Inspection (CAI);
- Pollutant Discharge Permit (PDP);
- Occupational Disease Hazards (ODH) assessment;
- Fire Protection Approval or Registration.

According to management interview, CCW will typically rely on subsidiaries for permitting related matters for the WWTPs. The detailed permit document lists for each subsidiary were established by the Legal Affairs Department. Any permit missing will be reported to the executive team by the Legal Affairs Department, and then the corporate will coordinate with the subsidiary for the missing permit.

Risk Assessment Management Procedure has been developed by CCW for EHS risk categorization, identification, management mechanism and prioritization for project identification. Risk level has been classified as low, medium and high level risk based on CCW procedure with the corresponding control and mitigation measures established. CCW engages third parties to conduct due diligence assessment, covering the aspects of EHS, at pre-acquisition stages. The EHS due diligence assessment covered the typical EHS topics such as permits, EHS performance, and compliance against the key applicable PRC laws and regulations. However, no internal EHS checklist was established for the CCW to check prior to investment decision.

CCW typically do not approve acquisitions of assets with major EHS non-conformance against the applicable PRC EHS regulations. For existing WWTP assets, CCW usually undertakes upgrades and/or expansion. Upgrades mean installation/modification of treatment facilities to enhance the treatment efficiency in order to meet any newly effective national/local standards. Normally upgrades are within the existing project boundaries hence does not trigger the needs of land acquisition but the EIA requirement shall be followed. Expansion means construction of new sets of wastewater treatment facilities in order to meet the local wastewater treatment demand. For Yongcheng No. 3 WWTP, an expansion project was still under construction within the existing project boundaries and does not require extra land acquisition, whilst the corresponding EIA report has been prepared and approved by the local EEB. Should land acquisition is required, during the decision-making stage the General Manager Office and the Production Technology Department from the corporate, as well as the subsidiary will check the closest residential areas of any proposed land parcels to avoid potential E&S issues hindering the permit application and future construction/operation, and request the local government to hand over the land after completion of all the land acquisition/resettlement process.

For assets approved for upgrade/expansion the subsidiary office, with technical support from the corporate Production and Technology Department, prepares the corresponding project setup document, FSR and EIA documents for submission.

For assets requiring civil works, CCW follows the screening and assessment of potential environmental impacts required by PRC's EIA regulations. The type of the EIA document required is also stipulated in PRC's Catalogue for Management of Environmental Impact Assessment of Construction Projects (2021). The topics in an EIA report are comprehensive. For EIF, typically public consultation and alternative analysis are not covered, which is not in line with ADB's initial environmental examination (IEE). In addition, risks on biodiversity/critical habitat are evaluated in EIA full reports but are not evaluated in EIFs. As per the Integrated Biodiversity Assessment Tool, there are no protected areas or key biodiversity areas located within 1 km radius of the subprojects, however, besides EIA full reports, there are no other procedures implemented by CCW to evaluate/screen such risks especially at the pre-project stage.



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No cumulative impact assessment reports are available for the WWTPs. These are not commonly required in the PRC as part of the FSR, EIA report or EIF preparation and approval process, instead, Mass Loading Quotas have been allocated to each of the WWTPs during the EIA process by the local environmental authority based on the local environmental capacity. Impacts resulting from pre-treated wastewater discharge/pollutant discharge are assessed in both feasibility study and EIA and are discussed in detail in the site reports. The corporate office and subsidiary office ensure that the EIA report or EIF is approved prior to commencing civil works as per the PRC regulatory requirements.

The corporate office and subsidiary office engage the construction contractor following the PRC regulations for contracting. Based on the standard contractors' contract, they are required to sign a standard construction site EHS performance agreement, conduct EHS trainings to construction workers, and designated personnel to oversee the safety performance in the construction site. The corporate office coordinates with subsidiary office supervises construction activities, through a construction supervision company, and ensures contractors' compliance with the EHS requirements in their contract/agreement. Depending on the jurisdiction, boundary dust concentration and noise level are supervised by the local authorities. In case on exceedance or non-compliance the project owner, i.e. subsidiary office, will inform CCW corporate and request the construction supervision party as well as the construction contractor to establish and implement corresponding corrective action plans.

At the end of construction and prior to commissioning, the Production Technology Department at the corporate level leads the process of the CAI, with support from the subsidiary offices.

Since there are no regulations in the PRC requiring CCW's subprojects to undertake social impact assessment (SIA), no identification or review of social impacts have been conducted to date for existing CCW subprojects.

Key Issues and Findings on E&S Identification and Management:

- No process is in place for identification of social impacts of CCW's operation.

3.3 MONITORING AND REPORTING ON IMPLEMENTATION OF E&S MITIGATION MEASURES

According to the interview, it was reported that the corporate Production and Technology Department is responsible to communicate and convey the corporate EHS procedures to the heads of subsidiaries, whilst the heads of subsidiaries are responsible to appoint corresponding production departments of subsidiaries to tailor and implement the EHS procedures. However, based on onsite interview and observation, given there are no dedicated EHS resources at both the corporate and subproject levels and there is no formal EHS management system in place and cascaded at the subproject level, as well as the implementation of EHS procedures is considered weak and inadequate. Corresponding EHS issues are presented in the asset-level reports.

According to the interview, at subproject level, all subprojects safety inspections were conducted as follows:

- Subsidiary-level safety overall inspection is conducted by the manager of the Tier 2 subsidiaries on an annual basis. The inspection reports and corresponding mitigation measures are submitted to the Production Technology Department for review.



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- Subproject-level daily safety and operational inspection is conducted by the representative of Operation Department of each subsidiary.

The findings identified during the internal safety inspection are recorded and reported to CCW or subsidiaries management team, depending on the severity. Budgets for corrective actions on safety would be provided. The Production Technology Department of CCW and manager of the subsidiaries will track the implementation of corrective actions. Sampled inspection and correction action records were provided for review during the Audit.

In addition, based on the EIA documents and local authorities' requirements, the subprojects typically follow the following environmental monitoring program:

- A real-time effluent wastewater online monitoring system installed at the wastewater discharge point to conduct pollutant tests on a two-hour basis and the results are connected to the local EEB;
- Local EEB conducts treated wastewater sampling test on a random basis;
- The subproject engages a licensed third party to conduct wastewater test on a monthly basis;
- The laboratory of subproject conducts wastewater test once a day;
- The subproject engages a licensed third party to conduct annual/semi-annual boundary noise and air emission monitoring.

All the aforementioned monitored results are reported to the CCW corporate office via the daily, weekly and monthly reports.

Any accidents or incidents, and potential hazards identified are reported to the corporate through daily, monthly, quarterly or yearly reports. For emergency cases, the subsidiary is required to report to the corporate within 2 hours. According to management interviews, no fatality or major accident has occurred in CCW since the operation commenced.

According to the CCW's management interview, CCW provides pre-job safety trainings to all employees in Production Technology Department, and the HR Department together with the Production Technology Department will develop an EHS (safety oriented, for instance, equipment operation, personnel protection, emergency response, etc.) training plan for the subsidiary. In addition, there are environmental manual incorporating local EHS requirements from the local authorities such as local wastewater discharge limits. Limited social and environmental oriented trainings were provided to the employees in CCW.

Key Issues and Findings on Monitoring and Reporting:

- It is identified via both management review and document review that the Company's current inspection mainly focuses on work safety aspects. There is lack of consideration for environmental and social aspects for all subprojects. Hence, it is considered that safety culture is effective, but environmental and social risk management culture has not been fully established.
- Limited trainings were provided to non-operated staffs.
- During the site visit it was observed that most of the assets need to improve the implementation of the EHS procedures.



3.4 ARRANGEMENTS FOR LAND ACQUISITION AND RESETTLEMENT

Usually, two types of land access, i.e. permanent land acquisition and temporary land occupation are required for wastewater treatment projects. Permanent land acquisition is required for the construction of permanent facilities (such as WWTP and pump house), whilst temporary land occupation is needed for temporary project activities (e.g. pipeline laying) for which the disturbed land can be restored to its original status.

According to CCW management, all the offsite pipelines, as well as the pump houses were/will be constructed, managed and maintained by the local governments. Therefore, no temporary land occupation is directly involved in CCW's subprojects.

For permanent land acquisition, both land use pre-approval and construct land use certificate would be issued by the natural resource authority at either the provincial or state level. The Land Administration Law (2020) stipulates that where permanent land acquisition is necessary, compensation shall be made in accordance with the original use of the acquired land, which shall include a land compensation fee, a resettlement subsidy (if applicable) and a compensation fee for land attachments (e.g. trees and houses) and standing crops. The land compensation fee for cultivated land is calculated at 6-10 times the AAOV of the land, based on the three years preceding the land acquisition. The relevant compensation standards for land attachments and standing crops are determined by the local governments.

The nine subsidiaries of CCW have reached cooperation agreements with local governments. The cooperation includes two modes, namely Transfer-Operate-Transfer (TOT) and Build-Operate-Transfer (BOT) agreements, as follows:

- The TOT mode usually refers to the transfer of the property rights or operating rights of a constructed project for a certain period of time (e.g. the operation period in the TOT signed between Yongcheng No.1 WWTP and local government dated 30 December 2011 is 30 years) by government departments or state-owned enterprises for compensation to investors for operation and management. The cooperation between Yongcheng No.1, Yongcheng No.2, Phase I Development of Yongcheng No.3 WWTPs and the local government is TOT mode;
- BOT is a mode of infrastructure build, construction, and operation. On the premise of reaching an agreement between the government and private organizations, the government issues a concession to the private organization to allow them to raise funds to build a certain infrastructure and manage the infrastructure within a certain period of time. The cooperation with the local government is BOT mode include Phase II Development of Yongcheng No. 3, Yongcheng No.4, Yongcheng No.5, Yichuan, Xianyang, Harbin and Gongping WWTPs.

In urban areas, the majority of the land are state-owned, therefore, it is a process of transferring land title to the project from the government, while in rural area, the government needs to acquire the land from local community for the purpose of a project development. Yongcheng No.1, No.2 and the Phase I Development of No.3 WWTPs were constructed in 2006, 2008 and 2010 respectively by the local government before CCW took over. Therefore, the lands are already state-owned and the local governments just transfer the land title to Yongcheng No.1, No.2 and No.3 WWTPs in its internal process.

The lands of the remaining six WWTPs (including Yongcheng No.4, Yongcheng No.5, Yichuan, Xianyang, Harbin and Gongping WWTPs) were collectively acquired by the governments and allocated



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to the WWTPs. From the management interview at both corporate and subproject level, CCW understands it is government's responsibility to acquire land and undertake resettlement. CCW emphasized during the interview that in their concession contracts with local government, it is government's responsible to hand over 'clean' land to CCW for project development, therefore, they have not and were not involved in land acquisition process.

It should be noted that due to the different requirements of the local government, the land use right certificates are entitled to the local governmental agencies or CCW's subsidiaries, detailed as below:

Table 3-1 The Owners of the Land Use Certificates

WWTP	The owners of the land use certificate
Yongcheng No.1 WWTP	The local government, i.e. Yongcheng Urban and Rural Construction Service Centre
Yongcheng No.2 WWTP	The project company, i.e. Xicheng District Sewage Treatment Plant
Yongcheng No.3 WWTP	The local government, i.e. Yongcheng Urban and Rural Construction Service Centre
Yongcheng No.4 WWTP	The local government, i.e. Yongcheng Urban and Rural Construction Service Centre
Yongcheng No.5 WWTP	The land use certificate is being processed
Yichuan WWTP	The land use certificate is being processed
Xianyang WWTP	The project company, i.e. Shaanxi Jinte Water Purification Co., Ltd.
Harbin WWTP	The project company, i.e. Harbin Jiaqing Water Technology Development Co., Ltd.
Gongping WWTP	The local government, i.e. People's Government of Gongping Town, Haifeng County

Key Issues and Findings on Land Acquisition & Resettlement:

- CCW does not have a designated department responsible for liaising with the local governments on land acquisition and resettlement and keep relevant documentation.
- CCW does not have a risk assessment mechanism for identify and assess the risk and impact related to land acquisition and resettlement prior to taking over an existing project or operational plant.
- No documented resettlement plan or resettlement policy framework has been prepared for managing the displacement during construction and issues in relation to land access.

3.5 IDENTIFYING AND MANAGING IMPACTS ON ETHNIC MINORITIES

There are no specific requirements in the PRC's regulations regarding the inclusion of ethnic background of affected people for assessing and managing impacts resulting from a development project. CCW does not have a procedure or system in place to identify, engage and mitigate the impacts on ethnic minorities. This is largely because CCW follows the PRC's laws and regulations. Due to CCW's awareness to social affairs, they do not perceive this as something of their concerns.



Based on available documents obtained during desktop review and interviews with site management, the nine CCW's existing projects are located in the Han Chinese dominated areas and there are no impacts from their projects that would significantly affect any ethnic minority groups specially those projects are located within local urban areas.

As a best practice, it is recommended CCW to establish and implement an Ethnic Minority Screening Procedure as part of its E&S procedures, so that any development can identify and mitigate the risks and impacts on any ethnic minorities.

Key Issues and Findings on Ethnic Minorities:

- There is no system/ procedure established for the company to manage impact assessment, analysis, engagement especially for dealing with those concerns of ethnic minorities related with land acquisition and resettlement, and other community affairs.

3.6 STAKEHOLDER ENGAGEMENT

As reported, given that the land is provided by local government, CCW does not participate in land acquisition and resettlement process for projects. Therefore, in practice, the involvement of CCW and its subprojects in the community consultation process has been limited to regulatory EIA consultation. However, it is important for CCW to establish relevant processes to conduct stakeholder engagement to screen and identify legacy issues related to land acquisition and resettlement prior to taking over an existing project or operational plant.

According to management interview and document review, no formal stakeholder analysis has been conducted by CCW to date, even though local government bureaus, communities and the investors are viewed as three major stakeholders by CCW. Currently, CCW conducts public consultation mainly based on local regulations and requirement in the EIA report. For instance, for the Yongcheng No.3 WWTP expansion project, Xianyang WWTP, Yichuan WWTP, and Harbin WWTP, EIA reports were prepared and the public consultation section in the EIA report covers information disclosure, stakeholder questionnaire interview, and feedback collection. No Stakeholder Engagement Plan (SEP) has yet been developed by either CCW or the subprojects for managing stakeholder engagement activities. Reportedly, CCW has established procedures to guide the subprojects on how to carry out community affairs. However, no documented evidence was provided to Stantec for review during the process of Audit.

Key Issues and Findings on Stakeholder Engagement:

- There is no system established for the company to manage stakeholder identification, analysis, engagement especially for dealing with those concerns related with land acquisition and resettlement, and other community affairs.

3.7 GRIEVANCE REDRESS

For the internal workers grievances, the Human Resources (HR) Director introduced that CCW has multiple channels for their workers to register their complains. The workers can either contact their



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immediate leaders about the complaints or concerns or send their complains or concerns to the HR Manager's e-mail (can't be anonymous), which will be further handled by CCW's HR department.

Each project company is responsible for any community grievances received during construction and operation. Reportedly, in case community grievances received, the project company will report to local government to seek resolution. However, there is no formal grievance redress mechanism in place (i.e. to set out how to manage, respond to and record grievances), and there were no records of grievances received to date available for review. No specific personnel at subproject level are designated to address community grievances.

There are no related documents for review during the Audit.

To comply with ADB's SPS, CCW needs to develop a formalized Community Grievance Mechanism, as well as Worker Grievance Procedures. The Community Grievance Mechanism should address potential concerns and dissatisfaction raised by the local community regarding social and environmental impacts of its subprojects, and the procedure for CCW to follow to provide an adequate solution. The procedures should enable CCW to promptly respond to the affected groups, be transparent and free of gender discrimination, and adapt to the cultural traditions of the affected communities. Moreover, the procedures should enable the various affected people to express their opinions. CCW will need to appoint designated personnel responsible for grievances redress. The procedures should also be applicable where third parties (contractors and their subcontractors) undertake activities on behalf of CCW and its subsidiaries/subproject companies, or the third parties should have a similar procedure in place.

Key Issues on Grievance Redress:

- There is no system in place to record and track the complaints raised by the local community, employees and construction workers, as well as other stakeholders. Thus, no records of previous grievances are available for review, which is a non-conformance against ADB safeguards.

3.8 LABOR AND SOCIAL PROTECTION

According to interview and document review, CCW has policies covering following content:

- Recruitment;
- Resignation;
- Working hours and leave policy;
- Wage payment and welfare policy;
- Reward and punishment policy; and
- Prevent sexual harassment policy.

It is found that CCW's labour policy is generally in compliance with PRC's regulations, including the PRC Labour Law (2018) and the Labour Contract Law (2012).

The scope of the guidelines and procedures apply for all CCW direct employees at corporate and subproject levels, as well as apply for short-term seasonal workers but do not apply to CCW contractors/subcontractors. HR director introduced that there are no outsourcing workers in either CCW corporate or subprojects.



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CCW direct employees are entitled to five types of social insurances (including pension, medical, maternity, unemployment and work-related injury insurances). The consulted HR manager reported that in consideration of industry situation, monthly wages for CCW staff are higher than the applicable minimum wages in related areas. In addition, CCW provides annual health examination to all employees, which is considered as a good practice beyond the requirement of regulatory requirements. For female staff, CCW provides higher budget to cover women-specific health examination items.

According to management interview, the construction subcontractors are responsible for putting up temporary camp for workers or renting houses nearby for workers during construction period. CCW has not developed special policies regarding subcontractor's living and working conditions.

Key Issues on Labour and Social Protection:

While comparing with ADB standards and ILO labour standards, gaps remain, including:

- The current HR policies does not cover certain aspects such as minimum wage, juvenile worker, prohibition of child worker, prohibition of forced labour, minimum age requirement, prohibition of discrimination, grievance mechanism, and labour union, although CCW does implement them;
- CCW does not review subcontractor's policies or have any requirements for subcontractors to follow or implement labour practices. Therefore, CCW does not carry out any monitoring of subcontractor's labour practices during construction or operation. CCW should include such requirements in the construction contract; and
- CCW does not have an established local labour recruitment policy and does not require or recommend that its contractors hire workers from the local community.

3.9 GENDER AND DEVELOPMENT

There is no indication of gender discrimination from document review, management interview, as well site visit during the Audit. CCW does not have any specific procedures or policies on gender related topics (e.g. equal opportunities, supporting the rights of women and ensuring women's participation in project activities).

Currently, CCW has a total of 171 direct employees, including 15 at corporate and 156 at subproject level. 26% of the staff are female (i.e. 45 female employees).

Both corporate and subsidiary HR managers reported that the male and female workers are treated equally in payment, training, promotion, and development. All employees are entitled to their welfares and benefits according to PRC Labour Law. There are some specific welfares and benefits for female workers, as follows:

- Women have been given the access to maternity leave according to PR regulations. During breastfeeding period, the women have been given flexibility to working times according to the law and confirmed by CCW.
- Women's toilets are separately provided in CCW corporate and its subsidiaries.
- On Women's Day (8 March), CCW would give women workers half day pay leave or small gift /shopping card.



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CORRECTIVE ACTION PLAN

4. CORRECTIVE ACTION PLAN

Table 4-1 summarizes the key E&S gaps identified at the corporate level.

Table 4-1: Corporate Level Recommended CAP

No.	Theme	Description of Issue(s)	Suggested Corrective Action(s)	Suggested Time Frame	Completion Indicator(s)
1	Organizational Capacity	CCW lacks understanding and knowledge on international Environmental, Health, Safety and Social (EHSS) requirements such as ADB requirements.	CCW should identify relevant employees across departments and in various stages of project cycle to receive training in international E&S requirements and standards, such as ADB SPS and IFC EHS Guidelines, or attend related trainings provided by third parties.	1. Prior to first disbursement 2. 3 months after adoption of ESMS satisfactory to ADB	1. Corporate ESMS documentation, EHS Training Program 2. Training records
2	Organizational Capacity	CCW lacks (1) EHS management mechanism although it does have separated departments emphasizing safety management during operational stage; (2) a mechanism for social management especially the involvement and documentation of land acquisition and resettlement process where occurs, neither management of community grievances.	CCW should establish internal management mechanisms, both at the corporate and subsidiary level, to identify and manage (1) EHS risks throughout project lifecycle; (2) social risks from land acquisition, resettlement process and community grievances.	Prior to first disbursement	Dedicated EHS and social management personnel or department as documented in ESMS
3	E&S Commitment,	A formal Environmental and Social Management System (ESMS) and corresponding procedures have not yet	CCW should develop and implement a formal ESMS incorporating existing related procedures/policies, covering not only the headquarters, but also the construction and operations of the	Prior to first disbursement	Corporate ESMS documentation



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CORRECTIVE ACTION PLAN

No.	Theme	Description of Issue(s)	Suggested Corrective Action(s)	Suggested Time Frame	Completion Indicator(s)
	Policy and Procedures	been established and implemented, although environmental, health, safety and human resources related procedures are in place.	subprojects including by contractors; provide training to relevant employees and receive training provided by third parties if necessary.		n, E&S objectives and commitments
4	Identification and Management of E&S Impacts	CCW has not developed an internal E&S risk screening, categorization and review procedures at pre-acquisition and integration stages. There are no tracking system or E&S corrective action plans in place to follow up EHS issues and risks identified during project identification process. In addition, CCW does not have a risk assessment mechanism for identify and assess the risk and impact related to land acquisition and resettlement prior to taking over an existing project or operational plant.	CCW should develop an E&S risk screening, categorization and review procedures, compliant with the requirements of national and local laws and regulations and ADB SPS, as part of the ESMS and a hand-over and risk tracking system for project expansion, modification or upgrade; as well as new project identification and acquisition and cascade the procedures to the subsidiary level ESMSs.	Prior to first disbursement	Corporate ESMS documentation, E&S risk screening, categorization and review procedures
5	Monitoring and Reporting on Implementation of E&S Mitigation Measures	The Company's current inspection mainly focuses on work safety aspects. There is a lack of consideration for environmental and social aspects.	CCW should revise current EHS inspection guidelines and checklist, by adding environmental, occupational health and social checklists based on regulatory requirements, ADB SPS and international industry good practices (as defined in IFC Performance Standards) for all subsidiaries during both construction and operation and ensure that revised EHS inspection guidelines and checklist are cascaded to the subsidiary level ESMSs.	Prior to disbursement	Corporate ESMS documentation, Revised EHS inspection guideline and checklist
6	Arrangements of Land Acquisition and Resettlement	CCW does not share the government's responsibility for land acquisition and resettlement. There are no documented resettlement plans or resettlement policy framework in place for managing the displacement in relation to project land accesses or land acquisitions.	CCW should follow the requirement of ADB SR2 to develop a resettlement policy framework for managing displacement induced by subproject's access to land and land acquisition (particularly rural land). The policy should be applicable to CCW and any third parties undertaking activities on behalf of CCW.	Prior to disbursement	Resettlement policy framework documented in the ESMS



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CORRECTIVE ACTION PLAN

No.	Theme	Description of Issue(s)	Suggested Corrective Action(s)	Suggested Time Frame	Completion Indicator(s)
7	Identifying and Managing Impacts on Ethnic Minority groups	CCW does not have procedures or systems to identify, engage and mitigate the impacts on ethnic minority groups.	CCW should following the requirement of ADB SR3 to establish an ethnic minority group screening procedure to identify, assess, engage, and obtain consent from impacted local ethnic minority communities (if any).	Prior to disbursement	Ethnic minority screening procedure documented in the ESMS
8	Stakeholder Engagement and information disclosure	CCW does not have a proactive and managed stakeholder engagement process in place for subprojects to identify and involve potential stakeholders and address their concerns during design and construction phases.	Based on the existing system, CCW should develop a proactive Stakeholder Engagement Procedure to manage the stakeholder engagement process per ADB SPS requirements, which involves identification of stakeholders, public consultation and disclosure, a mechanism to receive the feedback of stakeholders and provide responses to their concerns and cascade the Stakeholder engagement procedure to the subsidiary level ESMSs.	Prior to disbursement	Corporate ESMS documentation, Stakeholder engagement procedure
9	Grievance Redress	There is no system/ procedure in place to record and track the complaints raised by the local community, employees and construction workers, or any other stakeholders. Thus, no records of previous grievances were available for review.	CCW should develop external grievance redress procedure and establish formal worker grievance mechanism and cascade the procedure to the subsidiary level ESMSs.	Prior to disbursement	Corporate ESMS documentation, External grievance address procedure Worker grievance mechanism
10	Labour and Social Protection	CCW's HR department is not responsible for managing potential labour issues (working hours, overtime payment, occupational health and safety, etc.) associated with subcontracted workers.	CCW should follow the requirements of international standards (i.e. ADB SPS and ILO core labour standards) to establish procedure managing subcontracted workers. All subcontracted workers should be remunerated and receive benefits per national requirements.	3 months from first disbursement	Revised HR Policies and Procedures



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Annex A: LIST OF DOCUMENT REVIEWED

ANNEX A: LIST OF DOCUMENT REVIEWED

No.	Name
1	CCW Organization Chart
2	CCW Roles and Responsibility
3	CCW Asserts Lists
4	CCW ISO 9001 Certification
5	<p>EHS Procedures</p> <ul style="list-style-type: none">• Site Level Manager Inspection Guidance;• Safety Committee Guidance;• Occupational Health Management Procedure;• Environmental Protection Management Procedure;• Internal Audit Management Procedure;• Visitor Management Procedure;• Accident and Incident Management Procedure;• Near Miss and Hidden Danger Management Procedure;• Risk Assessment Management Procedure;• Special Equipment Management Procedure;• Personal Protection Equipment (PPE) Management Procedure• Direct Operation Management Procedure (including PPE, laboratory, LOTO, electricity confined space, Chlorine management);• Safety Training Management Procedure;• Emergency Response Procedure;• Safety Production Procedure;• Fire Safety Management Procedure;• Chemical and Hazardous Stuff Management Procedure;• Extreme Weather Management Procedure;• COVID-19 Prevention and Control Plan.
6	<p>HR related procedures</p> <ul style="list-style-type: none">• Recruitment Management Procedure;• Attendance Management Procedure;• Overtime Management Procedure;• Leave Management Procedure;• Salary Management Procedure;• Business Travel Reimbursement Procedure;• Reward and Punishment Procedure;• Resignation Management Procedure;• Confidentiality Management Procedure; and• Prevent Sexual Harassment Procedure.
7	Labour Contract Sample
8	Sample Re-employment Agreement for Retirees
9	Sample Employee Confidentiality Agreement
10	Approval of Establishment of Trade Union Committee
11	<p>Anti-epidemic related documents:</p> <ul style="list-style-type: none">• Notice of the Normalization Work Plan for Epidemic Prevention and Control;• Staff Temperature Registration Form;• Visitor Registration Form;• Headquarters Epidemic Prevention Work Rules;• Rules for Normalized Epidemic Prevention Work;• Rules for Traveling Epidemic Prevention;• Emergency Response Plan for Abnormal Health Conditions of Employees; and• Mask Collection Record.



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Annex B: STAKEHOLDERS ENGAGED DURING THE E&S AUDIT

ANNEX B: STAKEHOLDERS ENGAGED DURING THE E&S AUDIT

Name	Department	Title
Mr. Gao Jun	Board of Directors	Chief Executive Officer
Mr. Zhu Jiang	Board of Directors	CEO Assistant
Mr. Li Jing	Financial	Chief Financial Officer
Ms. Zhao Xiaoying	Human Resource	Human Resource Director
Mr. Yuan Jianfeng	Production Technology	Chief Operation Officer
Mr. Tong Hualin	Production Technology	Manager

