

新特能源股份有限公司

Xinte Energy Co., Ltd.

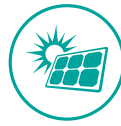
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code : 1799

2017 Environmental, Social and Governance Report



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About this Report

1. Introduction

This report is the second Environmental, Social and Governance Report issued by Xinte Energy Co., Ltd. (“**Xinte Energy**”) or (the “**Company**”). This report mainly discloses the Company’s development, social contributions and environmental protection performance and achievements during the reporting period.

2. Time Scope

This report covers the period from January 1, 2017 to December 31, 2017.

3. Coverage

This report covers Xinte Energy and its subsidiaries.

4. Basis of Preparation

The contents of this report are prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Basic Information about the Company

1. Company Profile

Xinte Energy is a leading global polysilicon producer and developer and operator of wind and photovoltaic (“PV”) resources. It was listed on the Main Board of The Stock Exchange of Hong Kong Limited on December 30, 2015 with a stock code: 1799.

The Company has always been adhering to the “new energy, new life, new future” concept of innovation and development. With its main focus on the new energy industry and scientific and technological innovation, it accelerates its structural adjustment, reinforces its stable development in the domestic businesses, fosters its development in international markets, and becoming a global outstanding provider of green smart energy services.

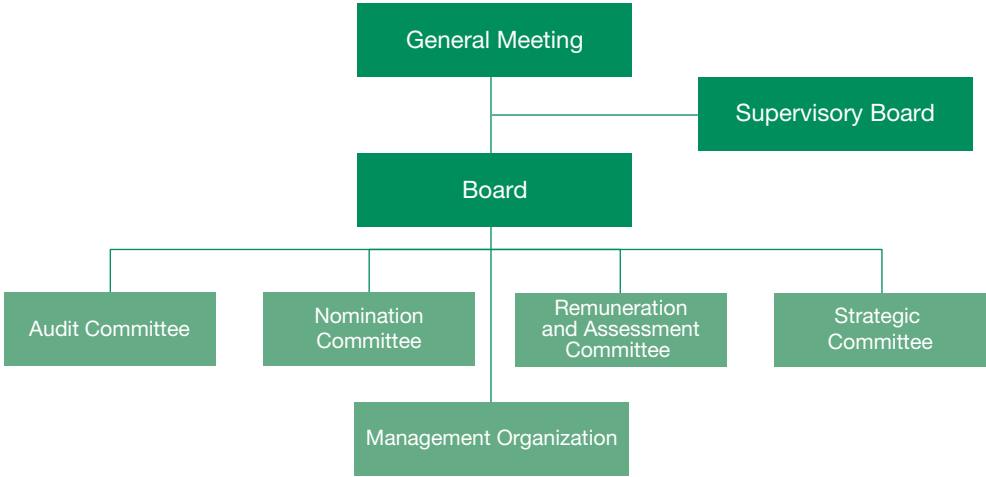
The Company is mainly engaged in polysilicon production and the development and operation of PV and wind power resources. Its business scope covers the upstream and downstream segments of the new energy industry. In terms of upstream polysilicon production, the Company has an annual production capacity of 30,000 tons which ranked as the second in China and fourth in the world. Its overall technology level and production cost and quality have reached a leading and advanced level, both domestically and internationally. With regard to the development of downstream wind and PV resources, the Company is committed to providing full life cycle solutions in terms of project development, design, construction, and operational maintenance, and research and development and manufacturing of new core energy products such as full range helium network inverters. In 2015 and 2016, the Company was rated as the world’s largest PV EPC service provider for two consecutive years. In 2017, the Company’s installed capacity of wind power and PV stations with recognised revenues was 1,529MW, with which it continues to dominate the industry.



Basic Information about the Company

2. Corporate Governance

In strict accordance with the Company Law of the People’s Republic of China, the Articles of Association of the Company, the Listing Rules and other related laws, regulations and regulatory documents, the Company has set up a modern enterprise organisation system and operation mechanism with separation of powers for the general meeting, the board of directors (the “Board”), supervisory board and management, continuously improved its corporate governance system, and optimised its internal control while strengthening its risk management to promote the efficient, scientific and normalised operation and coordinated business development of the Company.



For details on the corporate governance of the Company, please refer to the Corporate Governance Report in the 2017 Annual Report of Xinte Energy Co., Ltd..

Social Responsibilities



The development of Xinte Energy is inseparable from the support from all sectors of the society, the mutual assistance and cooperation amongst stakeholders and the dedication and innovation of employees. Greater impact comes the greater responsibility. The Company always adheres to the sustainable development concepts of responsibility management, value creation, innovation and development, win-win cooperation, safe production, people-orientation and harmonious society, and strives to create values for the society, shareholders, customers, suppliers, employees and other stakeholders.

1. Operation Responsibilities

1.1 Products and Services

1.1.1 Product and Service Quality Management

Product and service quality is the foundation for a company to survive and develop and the basis for all of its marketing activities. Quality standards are a non-adjustable boundaries and the bottom line of a company's existence. The Company has firmly established its high quality consciousness and provided products and services which comply with their customers' requirements and are reliable in quality, so as to strengthen the foundation of the Company.

The Company places high value on product and service quality which strictly abides by laws and regulations such as the PRC Product Quality Law (《中華人民共和國產品質量法》) and PRC Product Quality Safety Law (《中華人民共和國產品質量安全法》), and continuously improves the Company's guidelines and standards in respect of product and service quality so that they are compatible with the laws and regulations. These include the Product Quality Management System (《產品質量管理制度》), Quality Assessment Management System (《質量考核管理



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制度》) and Administrative Measures for Supervision of Works (《工程監察管理辦法》). While improving the product quality and services, it is important to rigorously control the employees' production process and ensure the standard of product and service quality with integrated production process monitoring.

In 2017, the Company adhered to its “customer-centric” principle in quality improvement work. As such, 13 projects are commenced and completed throughout the year in order to effectively enhance the quality of the Company's products. The Company also strictly observed its quality boundaries, assigned personal responsibilities for quality issues and strengthened the process control. In 2017, the Company's annual product quality complaint rate dropped by 22.22% as compared with 2016. By launching “product customisation”, the Company carried out services and quality improvement work according to customer needs. In 2017, the number of customised product contracts increased by 28.24% as compared with 2016.

As a global leader among green intelligent energy service suppliers, the Company continuously improved the qualities of its polysilicon, SVG, inverters and other products in 2017 and strengthened the quality management of services of PV and wind power stations to meet the customers' requirements.

- The Company vigorously promoted quality improvement projects, and focused on solving outstanding problems that affect long-term quality improvement, so as to ensure product quality improvements. In 2017, the proportion of the Company's first-grade polysilicon solar products or above was 97.68%, an increase of 0.55% over 2016.



- In 2017, the Company vigorously promoted the standardisation work of its SVG products and established standards for more than ten originally non-standard products and ensured that while products were fully verified, they also covered most of the customer's needs. This resulted in the first-time commission passing rate of 100% for the year's SVG products, representing an increase of 6.5% year-on-year, and earning its PCCC certification for electrical energy products.





Customer satisfaction is the driving force of the company's development. The Company has been practising its "Customer Satisfaction" service motto to continuously improve its product quality and reward customers' trust with premium quality and services. The Company continuously strengthens its customer services, protects customer privacy, establishes a customer satisfaction survey mechanism, introduces customer revisit activities and strives to create the maximum value for customers by multiple means and channels.

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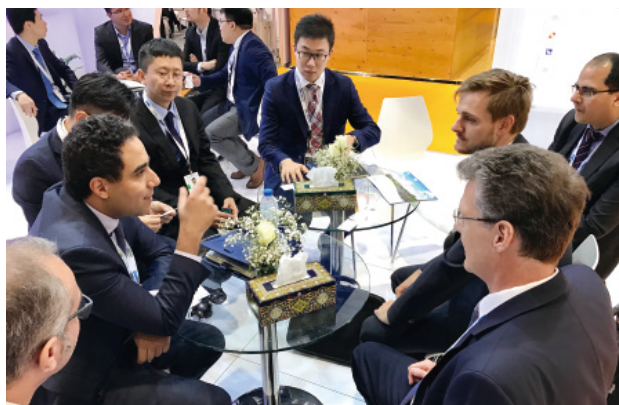
The Company has more than 10 offices in China with its marketing services covering every province in the country, which are responsible for the handling of sales service issues in their locations and the neighbouring regions. The Company requires its offices to have a complete set of office equipment and commonly used spare parts and tools and be equipped with professionals who are familiar with the Company's products, so that any equipment failures within the management areas can be handled in an independent and timely manner. With regard to its sales services, the Company can do the following:

Pre-sale: The Company can improve its price enquiry mechanism. On a weekly basis, the Company's marketing managers provide feedback from their market price enquiries after accurately understanding the market quotations, pricing, and subsequent pricing trends. At the end of each month, they will make reasonable estimates of the markets for the following month, which takes into consideration their forward-looking market prejudgement and the latest status of the different parts of the industry chain, in order to provide pricing references for next month. For customers requiring goods delivery after payment, the Company strictly abides by this contract requirement.

Sale: After the goods arrive at the customer's factory, the Company's designated personnel will check the customer's use feedback in a timely manner. For important customers, the Company will deploy methods such as dispatching special personnel to the factory to help solve the customer's problems from feedback on the use of products as soon as possible.

After-sales: The Company provides warranty for the equipment in accordance with customer requirements. The Company's principle is to pursue maximum customer satisfaction. The after-sales service hotline is open 24 hours, and the technical service hotline provides technical support 24 hours a day. With regard to customers' demands, the Company responds immediately to customers' phone call. The business manager can arrive at a customer's site within four hours. General failures can be resolved within 2 hours. The market management department has established a sound complaint handling process and customer satisfaction survey process, whereby a specific solution can be provided within 24 hours.

In 2017, the Company paid its customers a total of more than 3,450 visits, issued and received 353 customer service quality questionnaires, completed 4 customer satisfaction survey reports and formulated corresponding improvement measures. The customer satisfaction rate for the whole year was 93.93%.



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In 2017, the Company received 21 complaints from customers, involving polysilicon packaging, failure of equipment and project quality. Through various means including strengthening communication with customers, actively rectifying the complained issues, recalling problematic products and actively resolving customer problems on-site, the Company successfully handled 21 customer complaints. The complaint resolution rate was 100% whereas customer satisfaction rate for complaints handling was over 90%.

1.1.3 Technological Innovation

Technological innovation is the core driving force for the development of enterprises. In 2017, the Company continually increased its input in technological innovation, actively promoted the application of new technologies, and continuously promoted the industrialisation of technology to ensure its leading position in technological innovation and market application in the new energy industry.

In 2017, the Company highly valued its scientific and technological research and development efforts in the production of polysilicon. While increasing its production capacity, it continued to enhance its technological innovation so as to reduce energy consumption and costs and has achieved certain results.



- In 2017, the Company undertook the “Transformation Project in Relation to Comprehensive Utilization of Heat Energy from Reduction Furnaces” (《还原炉热能综合利用改造项目》) and the Ministry of Industry and Information Technology’s 2017 smart manufacturing special project “New Application Mode for Intelligent Manufacturing of High-Purity Crystalline Silicon Project” (《高纯晶体硅智能製造新模式應用項目》). In line with the government’s requirements in resource conservation, environmental protection and technological innovation, the Company gained financial support as a major national project.



- In 2017, the Company’s patent implementation project “Treatment Process for Purifying Recycled Hydrogen During Production of Electronic-grade Polycrystalline Silicon” (《一种电子级多晶硅生产中回收氢气的净化处理工艺》) won the 2017 China Excellent Patent Award; its “New Application Mode for Intelligent Manufacturing of High-Purity Crystalline Silicon Project” (《高纯晶体硅绿色生产关键技术自主创新与产业化》) received the first prize in the category of China Science and Technology Award by the China Non-Ferrous Metals Industry Association.

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- In 2017, the Company's participation in the development of the national standard "Standard Methods for Measuring Conductivity Type of Extrinsic Semiconducting Materials" (《非本徵半導體材料導電類型測試方法》) won the third prize of standardization in the National Semiconductor Material Standardization Subcommittee, and won the two titles of China Top 50 Electronic Materials and Top 10 Professional Companies of Semiconductor Materials in 2015 and 2017.

In 2017, in the engineering field, the Company optimised engineering technology solutions, reduced costs, tracked multiple leading new technology projects such as adjustable brackets and new high light transmittance components and established a wind resource assessment system and enhanced its efficiency and accuracy by building different scales of models. In the PV, micro-grid, power electronic product and other technical fields, the Company implemented more than 20 production and research and development projects with prominent domestic scientific research institutes.

In 2017, the Company highly prized the research and development of new power electronic products, increased scientific research and made significant progress in flexible technology, inverters, etc.



- In 2017, the Company successfully developed the world's first set of $\pm 800\text{kV}/5,000\text{MW}$ ultra-high voltage flexible DC (Direct Current) transmission valve, of which main performance indicators reached international advanced levels.

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- In 2017, the Company developed the world's first PV high-voltage direct grid-connected inverter with an efficiency of 98.2%, a current THD<1%, and certification by the Cenheng Centre, an energy router and PV high-voltage direct grid-connected inverter products. The technological achievements are at the internationally leading levels.

In 2017, the Company applied for a total of 101 patents and technical secrets and was granted 62 patents. It also accumulated 452 domestic authorised patents and 6 international PTCs and actively participated in the preparation of 69 standards, including 41 national standards and 17 industrial standards and 11 local standards.

1.2 Anti-corruption Behaviour Promotion

The Company strictly abides by the relevant provisions of the national laws and regulations, strictly prohibits corruption and bribery, conducts anti-corruption work on a daily basis and implements the Disciplinary and Punishment System for Violation of Xinte Energy Co., Ltd. Regulations (《新特能源股份有限公司違紀違規處罰制度》) and Xinte Energy Co., Ltd. Anti-corruption Manual (《新特能源股份有限公司廉政手冊》). From top to bottom, the Company has established a system of clean management and risk prevention and control such as a supervisory board, a disciplinary committee, auditing, and monitoring. The system focuses on key departments such as the Finance Department, Purchasing Department, and the Engineering Project Department through regular inspection and sorting. The Company has also established a system of reporting rewards



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and penalties, perfected its internal control and safeguarding the interests of the Company and its stakeholders.

In 2017, the Company introduced clean management interviews with its leaders, whose questions are dependent on the interviewee's seniority level and work category. In total, more than 250 people had attended their interviews, which cover the Company's management positions and key positions. The Company also conducted a review of its leaders' qualifications and its entire staff's work and terminated leaders with problematic governance, in order to prevent "the promotion or employment of the wrong people".

In 2017, the Company improved its accountability system for clean management, strengthened its accountability for clean management and promoted the construction of a clean management system. It completed the signing of 694 copies of the "Letter of Accountability for Clean Management" (《廉政目標責任書》) throughout the year, covering all personnel holding key positions.

In 2017, the Company strengthened its negative and typical publicity, formed 24 integrity warning cases, carried out a variety of more than 52 anti-corruption educations which benefit about 2,000 people, received 154 reports and notifications regarding corrupt management and published seven issues of magazines on clean management. The Company also arranged for all of its employees to participate in a clean management examination, with the pass rate reaching 92%.

In 2017, the Company's discipline inspection and supervision department participated in the monitoring of tendering and procurement processes such as bidding and bargaining and provided recommendations. It also conducted on-site rectification measures for non-compliance issues. After the meeting, they effectively communicated with the relevant responsible departments to come up with a total of 5 rectification measures, some of which successfully resolved some of the recurring problems. Throughout the year, the Company signed with 100% of its suppliers clean management contracts, added to those contracts and implemented bans on gift giving and a tenfold penalty for WeChat bonus package transfers, paid 2 return visits to its suppliers, continued to implement, according to job requirements, job rotations around procurement, tendering, finance, and other prominent positions, discovered seven violations of bidding requirements such as bidding collusion, terminated cooperative relationships with 21 suppliers; issued eight penalty notifications to gift-giving suppliers in accordance with the clean management contracts, periodically sent the 1,768 suppliers and construction unit the "Letter on Enhancement of the Control of Integrity of Suppliers and Construction Units" to strengthen the integrity management of its suppliers and construction units.

As of December 31, 2017, to the best knowledge of the Company, no corruption-related lawsuits has occurred.

Social Responsibilities

1.3 Win-win Cooperation

Society today is full of competition. Only through win-win cooperation, can achieve a win-win situation. Following this motto, “a successful man has nothing different from ordinary people just that he knows how to seize the chance”. The Company highly prizes its cooperation with stakeholders and is committed to establish an cooperation and communication platform with suppliers, industry peers and the community, etc. for complimentary and benefit-sharing purposes to realise win-win situations.

1.3.1 Suppliers Management

The Company has always maintained a good cooperative relationship with its suppliers, strengthened supplier and supply chain management in its daily work, used the established “List of Qualified Suppliers” (《合格供應商名錄》) established by the Company to supervise suppliers throughout the tendering and procurement process, graded suppliers on their product conditions including business, quality, technology, etc., strengthened communication with suppliers, provided timely advice on cooperation, conducted regular surveys on supplier satisfaction and provided improvement directions for supply chain management based on the suppliers’ recommendations and opinions.

In 2017, the Company had 1,768 suppliers in terms of labour service, equipment, raw materials, etc., and the timely delivery rate was 97.7%. The passing rate of raw materials delivered to the factory was also 97.7%, both showing a certain improvement year on year and meeting the Company’s daily operation needs. In 2017, the Company re-organised its “List of Qualified Suppliers”, established a qualified supplier resources library, completed the update and filing of supplier information, classified and aggregated the suppliers’ grades, and categorised suppliers by assessing their capabilities, product quality, and services, etc. Auxiliary material suppliers were classified and regularly evaluated, during which 33 unqualified suppliers were eliminated.



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In 2017, the distribution of the Company's suppliers by region is as follows:

No.	Location	Supplier Numbers
1	North-western China	303
2	Northern China	279
3	North-eastern China	133
4	South-western China	204
5	Eastern China	390
6	Central China	211
7	Southern China	150
8	Overseas	98
Total		1,768

In 2017, the Company strengthened its supplier management, actively promoted the construction of supplier e-platforms, arranged for existing suppliers to register on the supply chain management platforms and completed 403 supplier registrations, with the supplier information level reaching 82.5%.

In 2017, the Company launched a survey on supplier satisfaction. 313 questionnaires were distributed and 313 completed questionnaires were collected. The questionnaire response rate was 100%, and the supplier satisfaction rate reached 93%.

2. Health and Safety

Safe production is one of the important elements in business management. It is of great significance to promote the company's development, ensure the safety of its employees, and maintain social stability. The Company strictly complies with the national laws and regulations related to production safety, enhances its safety standardisation management, strengthens its supervision of safety responsibilities, strengthens safety education and training for all employees, ensures the safe operation of all of its machinery and equipment, in order to create a safe and stable working environment to safeguard its employees' safety and health.

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2.1 Safety Standardisation

In 2017, the Company strengthened safety standardization work, with the focus on risks identification, hidden risks management, operation control, emergency management, safety culture establishment, occupational health management and legal and regulatory compliance management, issued the Notice on Strict Control of Safety Actions (《關於從嚴管控安全行為的通知》), establish zero-tolerance clauses for various security posts, strictly enforced the implementation of zero-tolerance clauses and strengthened on-site operation control, in order to ensure that no dangerous operation incidents occurred throughout the year.

- In 2017, the Company established a three-level safety management system, strengthened its safety management supervision and inspection functions, implemented the production safety accountability assessment index system by strengthening the safety responsibility objective management, arranged for various departments to sign the safety and health environmental objectives accountability statement (with a signing rate of 100%) and fully incorporated this statement into the safety responsibility objective management, so as to ensure the Company's work can be carried out smoothly throughout the year.
- In 2017, the Company fully carried out risk identification and evaluation. The Company identified 10,162 hazard sources, 1,662 environmental factors, 5 unacceptable risks, and 29 important environmental factors throughout the year; it organised 146 inspections of various types of potential safety hazards throughout the year. The rectification rate was 100%.
- The Company's safety and environmental protection contracts govern the safety of contractors. In terms of contractor safety education, the Company organized contractors training for a total of 5,747 people through the year. Through safety training, it strengthened contractor safety awareness and ensured there was no contractor accident throughout the year.

2.2 Occupational Health of Employees

In the aspect of employees' occupational health and safety management, the Company has strengthened safety education and training, carried out emergency drills, increased advertising for a safe working culture and strengthened the prevention of occupational hazards and heightened its employees' safety awareness-making the concept of safety overriding all common knowledge amongst its staff.

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In 2017, the Company, based on the actual work environment, carried out hazardous source identification and risk assessment, self-assessment of safety standardisation, and organised various trainings covering topics such as laws and regulations, electrical safety knowledge, guardian knowledge and accident cases, issued dedicated publications including safety promotion recordings, videos on safe entering of the factory and organise safety exams, all to further consolidate training results.

- In 2017, the Company conducted 941 safety training sessions participated by all of its employees. The implementation rate of the plan was 100%.
- In 2017, the Company carried out 541 emergency drills with a plan execution rate of 100%.



- In 2017, the Company organised two monthly activities on safe production and carried out 267 major hazard source drills participated by all staff in the Company and its subsidiaries.



- In the promotion of a safe culture, we organised a series of activities such as the safety month, environmental day, occupational diseases awareness week and fire-fighting day, to further create a good atmosphere of safety and environmental protection.



- In the prevention of occupational disease hazards of employees, the testing of occupational disease risk factors and occupational health check-ups were carried out. In conjunction with the Company's occupational disease risk factors, internal inspections were conducted on a quarterly basis. A total of 388 sets of test data were obtained throughout the year, and test results were regularly publicised.



- In terms of employee health protection, the Company annually arranges a physical examination for all staff. Apart from that, it arranges the 1,040 employees with contact with occupational hazards to participate in the annual occupational health examinations and strictly implements the occupational health management of employees in accordance with legal requirements to prevent occupational diseases.

In 2017, the Company recorded no death toll, and the number of lost days due to work-related injuries was zero.

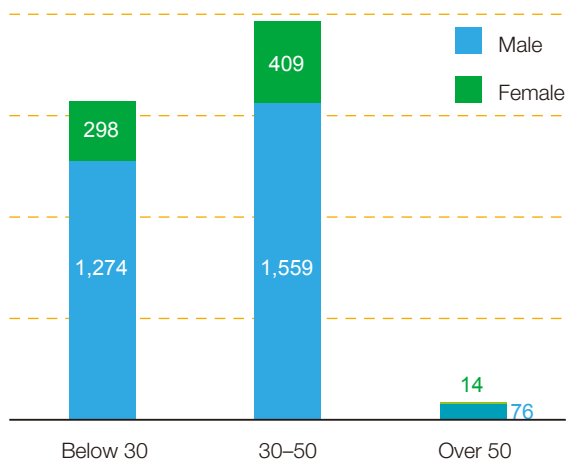
Social Responsibilities

3. Employee Responsibility

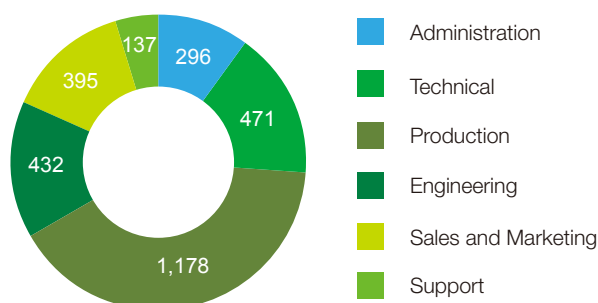
The development of an enterprise is inseparable from its employees, the core driving force for a company to maintain sustainable development. The Company will promote the overall development of employees as one of its development goals, strive to create a good environment for the growth of employees and promote the development of employees and help them realise their personal values. The Company adhere to the people-oriented management philosophy, protect the rights and interests of employees, and promote the mutual growth of the company and its employees alike.

As of December 31, 2017, the Company had a total of 3,630 employees. In 2017, the Company recruited 556 new employees, including 306 fresh graduates and 250 experienced talents. The specific staff composition is shown in the following table:

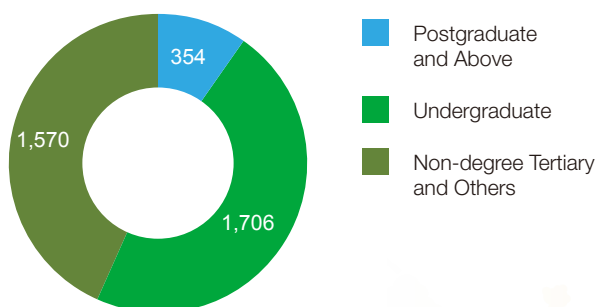
1 Number of employees by age and gender:



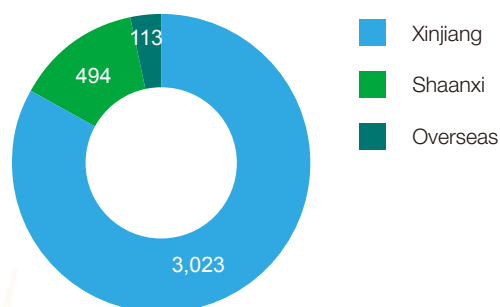
2 Number of employees by functional role:



3 Number of employees by educational level:



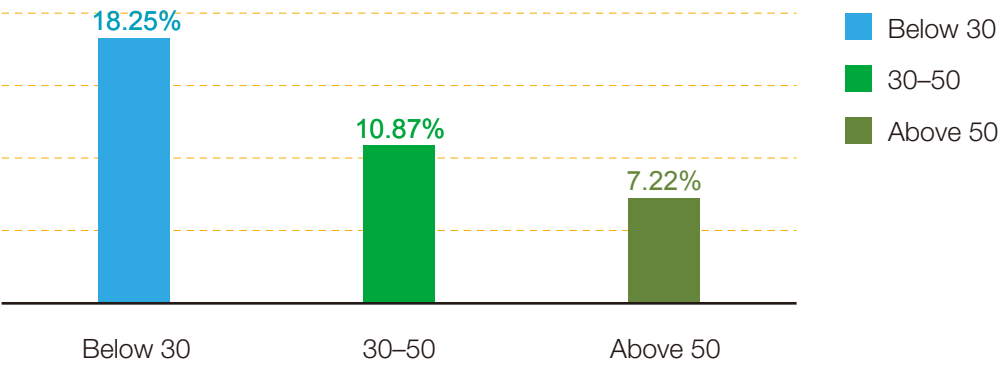
4 Number of employees by region:



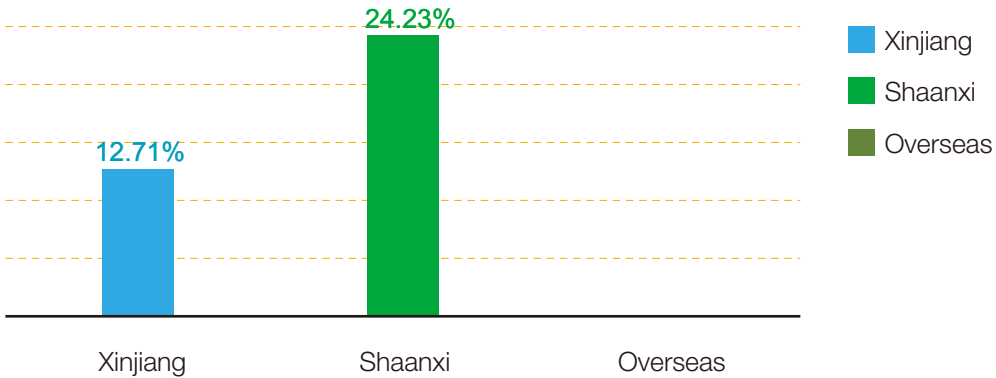
Social Responsibilities

In 2017, a total of 598 employees resigned and the staff turnover rate was about 14.14% of the Company. The specific turnover statistics are as follows:

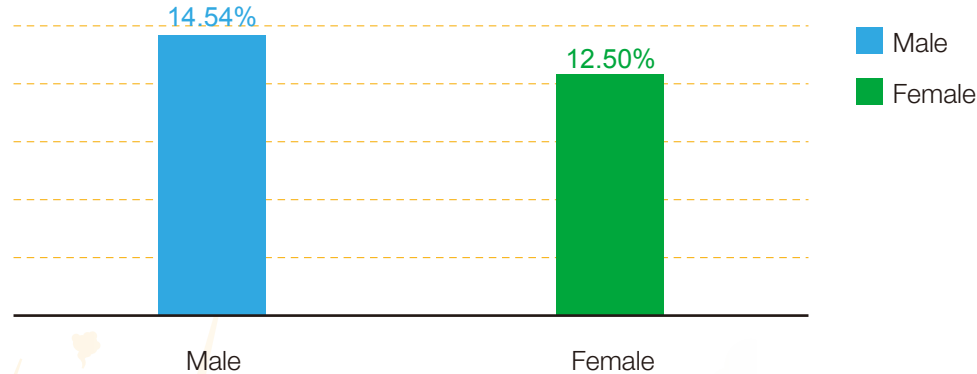
1 Staff turnover rate by age:



2 Staff turnover rate by region:



3 Staff turnover rate by gender:



Social Responsibilities

3.1 Employee Rights Protection

As always, the Company strictly complies with laws and regulations such as Labour Law of the People's Republic of China and Labour Contract Law of the People's Republic of China. It strictly prohibits the occurrence of child labour and forced labour, and ensures that every employee receives equal treatment and respect in recruitment, promotion, salaries and performance appraisals, holidays, and benefits. They are not subject to discrimination based on factors such as region, race, ethnicity, gender and age, and are democratically managed to fully protect their legitimate rights and interests.

In 2017, the Company actively responded to the competition from industry peers for talents, boldly reformed its compensation management mechanism, adjusted performance management methods and established a compensation incentive system emphasising on “creation and sharing” and production-linked salaries to increase employees' satisfaction about their salary and promote the efficiency among its employees. Through internal and external salary surveys in the same industry, the Company reasonably formulated and broke down the surveyed salaries for 2017 in structure and proportions. Through the adjustment of its salary standards for employees, the incorporation of per-capita efficiency and incentive policies into its salary packages, the provision of five insurances (endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance) and one fund (Housing Provident Fund) and the vigorous adjustment and reform of holiday benefits and subsidies, the Company aims to improve staff income and their salary satisfaction.

In 2017, the Company focused on the establishment of its employee communication and exchange platform, improvement of the loyalty of its employees and great deployment of the role of related organisations such as employee representative conferences and labour union. Each employee was a member of the organisation. Employees of all levels discharged their duties conscientiously and organised regular meetings. In terms of employee rights and interests, the



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Company is fully democratic and effectively protects its employees' participation rights and supervision rights through various means. All employee benefits are consulted with employees through questionnaires for their consent. The Company selects premium staff welfare products through bidding and procurements. The expenses of the labour union are regularly announced to all employees to respect their right to know. The Company regularly holds democratic meetings, in which employees' family members are invited to participate to discuss issues related to the protection of employees' rights and interests. They are also encouraged to make suggestions, and the Company will seriously implement and slightly adjust reasonable proposals.

In 2017, the Company collected 5,972 rational suggestions from employees. (The response and rectification rate was 100%). Those frequently mentioned by employees will become a matter on agenda at the meetings for the general manager on their reception day and may be strictly implemented. As of December 31, 2017, the Company has implemented a total of 3,972 troubleshooting measures.

3.2 *Employee Growth and Development*

The Company highly values the growth of its employees and the establishment and development of its talent team. It has consistently provided its employees with the guidance and training for its employees' career development. In 2017, the Company continued to improve its employees' capabilities through various activities such as internal trainings, external trainings, and academic programmes, so that they will have better career development and grow together with the Company.



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In 2017, the Company launched a series of star training projects. Through training programs such as executive lectures and strategic workshops, it focused on improving its employees' strategic planning and innovative thinking capabilities. The training consisted of 4 sessions throughout the year and covered a total of approximately 350 employees. To tackle the core business problems and shortcomings, large-scale winter training activities were conducted, providing training for employees in marketing, development and engineering technology and other functions. A PMP engineering project manager training project was carried out for the departments involved in the engineering business. For the technology-related departments, the Company cooperated with Xi'an Jiaotong University in organising a four-month training in related technologies.

In 2017, the Company adopted a combination of boxing-style learning methods such as lectures, online classes, micro-lessons, case reviews, WeChat reading and sharing groups, online APP sharing or self-study through books. Various examination methods, such as online examinations, suggestions and strategies, action learning, case writing, and internalisation teaching are used to test the training results.

In 2017, in order to improve the professional knowledge of technicians at all levels, the Company continued to carry out continuing education. For positions requiring professional and technical knowledge, we, having taken into consideration the employees' own situations, cooperated with key universities such as the Chinese Academy of Sciences and Harbin Institute of Technology in gradually carrying out continuing education programmes for relevant professional employees such as those in business administration, chemical engineering, and electrical automation, etc.

- In 2017, the Company continued to develop its master's programmes. A total of 20 employees completed their thesis defence and obtained their graduation certificate.
- In 2017, the Company continued to work with Xinjiang University and Xinjiang Institute of Engineering to provide continuing professional education in chemical engineering and technology, electrical automation, and electromechanical integration. They provided a total of 56 hours of professional learning for 226 employees.
- In September 2017, the Company invited continuing education teachers from the Xinjiang Institute of Engineering to confirm the registration for the adult college entrance examinations by more than 60 front-line employees.

Social Responsibilities

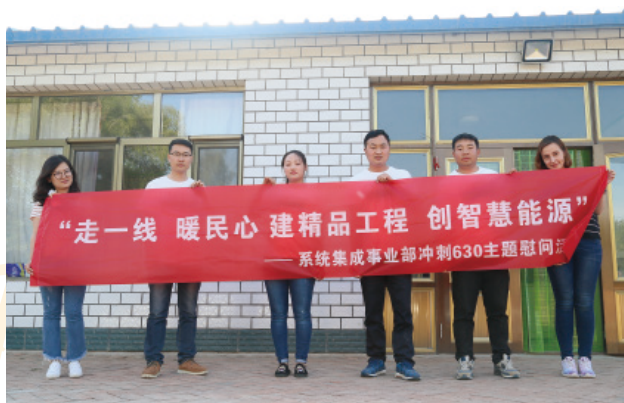
3.3 Employee Caring

In 2017, the Company practised and implemented the “people-oriented” core culture concept. Through employee sympathy development, hardship assistance, youth association, and various forms of cultural and sports activities, the Company triggered its employees’ corporate orientation mind and effectively provided care for them.

3.3.1 Employee Consolation

In 2017, the Company conducted regular consolidation activities and extended coverage to front-line staff, field staff and employees with hardships. It organised a total of 1,631 consolation activities and accumulated a total amount of RMB414,500 in caring funds. The Company actively responded to the “Ethnic Unity and Family” activity launched by the Xinjiang Uyghur Autonomous Region Government by providing care for ethnic-minority employees and carries out regular special sympathy activities for them. The Company also pays attention to the care of its employees and their families. In 2017, the labour union organisers visited the family members of multiple employees to understand their family situation, answer their family members’ questions, report to them about the employees’ life and work situations in the Company and conveyed to them the sincere care from the Company’s management of all levels.

In 2017, the Company invited employees’ family members to participate in the Company’s annual celebration evening party. Their family members were regularly invited to the Company’s premises to visit the employees’ work and living environment, so that they understand the Company’s corporate culture and fully feel the Company’s care for its employees in both their work and life.



Social Responsibilities

3.3.2 Caring for Life of Employees

In 2017, the Company continued to strengthen the standardised management and implementation of its various corporate cultural activities, continued to exert the powers of the grass-roots parties including the organisations and associations and, through the organic integration of the Company's culture with various wide-coverage and content-rich activities, make employees personally feel the atmosphere and achievements of the Company's corporate culture establishment.



In 2017, in order to increase its care for young employees, the Company's labour union arranged for 62 new couples to participate in a collective wedding and enter the marriage hall. The Company, in cooperation with its youth league committee, carried out six youth friendship activities throughout the year, participated by 80 young people, among which 11 pairs of couples matched.



In 2017, with a view to better ensuring the smooth implementation of employee health examinations, make it convenient for employees, and save production time, the Company's labour union invited the medical inspection agencies to enter the factory for medical examinations. From July to September 2017, these agencies carried out health examinations and occupational disease examinations for all of the Company's employees and employees in special positions.



In 2017, the Company organised a variety of sports and cultural activities, ranging from basketball competitions, quality development, employee fun games to other activities, all of which drew a large number of enthusiastic employee participants. In 2017, the Company organised a total of 12 categories of corporate cultural activities spanning more than 120 sessions, enriching the leisure life of employees and enhancing team synergy.

Social Responsibilities

3.3.3 Care for Female Employees

The Company prizes the development of its female employees in it and pays attention to the proportion of female employees in management positions. At present, the proportion of female managers has reached 12% in the mid-level management. At its employees' representative conference, the Company signed a "Female Workers Protection Contract" with employee representatives. In addition, the Company has established a female workers committee to effectively protect female employees' rights and interests through various measures.

- In 2017, the Company arranged for 721 of its female employees to undergo special health examinations, organised 13 lectures on women's health and 2 lectures on mental health. It invited medical examination agencies to conduct four volunteer clinic activities in each of its work sites.
- On the International Women's Day, the Company arranged for female employees to carry out activities such as women's health training, fun sports games and beauty make-up training. The Company's labour union even distributed festival gifts to all female employees of the Company.
- In order to recognise and affirm the contributions of female employees in the Company's production and operation, the Company introduced outstanding awards for female workers. In 2017, 12 female employees were presented with this special award.



4. Social Welfare

While strengthening its operational management, technology innovation, supply chain management, and protecting its employees' rights and interests, the Company has always adhered to the concept of "serving the society, benefiting the society and growing with the society" by actively participating in social public welfare undertakings and encouraging employees to participate in charitable activities and contributed the society in terms of hardship assistance and material donations etc.

- In March 2017, the Company organised an event entitled "Love prevails like moonlight; miracles happen even in the worst situations" (奉獻月裡獻愛心, 萬千雷鋒創奇跡), where it donated more than 1,000 items to the poverty-stricken areas in Tacheng, Xinjiang and executed the "Beautiful Villages" (美麗鄉村) project, which provided assistance for construction activities, in Makiti County, Kashgar.
- In 2017, the Company organised the "Clothes+1" (衣+1) donation campaign, where it donated 761 loving clothes and 464 study tools to a bilingual kindergarten located in Yike 17 Village in Yecheng County, Kashgar Prefecture. This campaign strengthened the Company's social responsibility awareness and allows employees to send their warm love through practical actions to children in poor areas, encourage them to grow up in a loving world.
- In May 2017, the Company organised an unpaid blood donation event hosted by a street organisation in the high-tech zone in Urumqi City, accumulatively donating 1,500CC of blood.
- At the end of 2017, the Company donated about RMB510,000 to Krygyierik Village and Altai Village in Yulong Kashi Town, Xinjiang Hetian District. By actively implement the "Thousands of Enterprises Help Thousands of Villages" precise poverty alleviation initiative jointly organised by the Federation of Industry and Commerce and the Poverty Alleviation Office of Xinjiang Uygur Autonomous Region and organically integrating the "Thousands of Enterprises Help Thousands of Villages" (千企幫千村) precise poverty alleviation initiative and "National Unity and Family" (民族團結一家親) activity, the Company allows its employees to help alleviate difficulty with love, leading to obvious poverty alleviation results.



Environmental Responsibility



In the report of the 19th session of the National Congress of the Communist Party, the Chinese government proposed to promote green development, build a market-oriented green technology innovation system and expand energy-saving and environmental protection industries, clean production industries and clean energy industries. From this, environmental protection and green industry development have become an important topic receiving attention of China and the world. The Company has always combined business development and environmental protection, strictly complied with the national laws and regulations concerning environmental protection and continuously improve its internal management system for environmental protection, energy conservation and emissions reduction. With correct policy guidelines, energy conservation, emission reduction are achieved, and a green, circular economy is developed.



1. Resource Use and Consumption

The Company's energy consumption mainly stems from the coal and electricity used in the production of polycrystalline silicon. In 2017, the Company stepped up efforts in energy conservation and consumption reduction. Through technological innovation projects, it improved the operating efficiency of the reduction furnace, adopted large-diameter reduction furnaces and comprehensively utilized cold-hydrogenation heat energy to reduce the overall power consumption in polycrystalline silicon production by more than 10% compared with the beginning of the year; with regard to coal-fired power plants, mainly through the fine management of coal mines and other means, the Company's integrated standard coal consumption decreased more than 5% from 2016.

The water resources used in production are mainly surface water, qualified wastewater after sewage treatment, urban reclaimed water and a small amount of underground water. The Company strictly complies with regulations relating to national water resources use. There is no material issue in respect of acquisition of water source. In respect of water efficiency plans, the Company has strengthened water conservation management, separated production wastewater from rainwater and introduced sewage ponds and rainwater pools; it also introduced circulating water filtration drains into rainwater pools and continued recycling of rainwater pool water, with some of the used for continued water production and the rest for garden watering. In addition, the "Water-saving Enterprises — Polycrystalline Silicon Industry" (《節水型企業 — 多晶硅行業》) standard drafted by the Company was successfully passed at the China Semiconductor Standards Conference. "Water-saving Enterprises — Polycrystalline Silicon Industry" is a national standard for energy conservation and control and water saving. This is also the first standard for energy consumption control in the polycrystalline silicon industry. The issuance and implementation of this standard can effectively regulate the amount of water used in the production of ramie-based materials in China. It is aimed to encourage polycrystalline silicon production companies to optimise the production process and save water, improve the recycling rate of water resources and promote the technological advancement in the polycrystalline silicon sector.

Environmental Responsibility

For the use of packaging materials, the Company mainly uses wood, paper, and plastic packaging materials. In 2017, the Company strengthened the improvement of packaging materials, improved the quality of packaging materials, conducted on-site discussions and research with the quality management personnel of the industry's leaders on packaging improvement methods and quality control measures, promoted new packaging models and related innovation and save the use of raw materials. The Company also actively researches on environmentally-friendly packaging materials, focuses on the reuse of packaging materials, and adjust the size and forms based on the original packaging box and upgrades the 300kg packing boxes to 400kg packing boxes, saving more than 25% of the packaging material used. Moreover, the quality improvement of packaging boxes helped reduce the number of boxes required for good delivery to customers, indirectly saves them packaging materials.



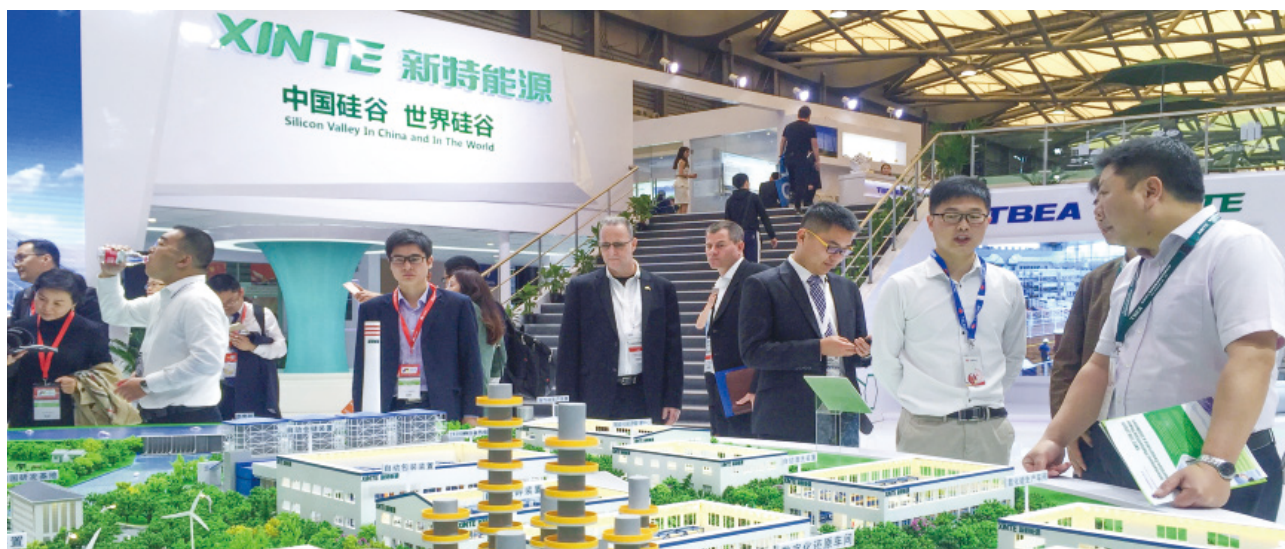
Industry Chain of Recycling Economy of Coal-Electricity Polysilicon Solar PV

Environmental Responsibility

Project	Consumption in 2017	Consumption in 2016
Energy:		
Electricity (ten thousand kWh)		
— Power Consumption in Production	257,983	207,164
— Power Consumption in Office	703	588
Diesel (ton)	198	100
Coal (ton)	2,320,891	2,460,000
Water:		
— Water Consumption in Production (10,000m ³)	1,366,786	954,268
— Water Consumption in Office (10,000m ³)	223,250	228,567
Packaging Material:		
Wooden materials (ton)	712	554
Paper materials (ton)	1,073	1,018
Plastic materials (ton)	586	486

2. Energy Conservation & Emissions Reduction

Energy conservation and emissions reduction are a powerful measure to promote the company development and improve the economic and social benefits of a company. The Company regards



Environmental Responsibility

energy conservation and emissions reduction a significant part of production management and actively responds to the country's policy in the development of a green recycling economy by means of energy saving and emission reduction and in building a resource-saving and environment-friendly society. Committed to target management, the Company implemented digital energy conservation management and established a management system that carries the Company's characteristics, enabling the Company's energy conservation and emission reduction management to be sustainable, long-lasting, and effective.

Currently, the Company has become the only demonstration unit in Xinjiang that covers green manufacturing systems, including green projects, green design products and a green supply chain. Through upstream polysilicon production and downstream clean energy development, the Company has achieved a green recycling economy and clean energy production — one of the “Excellent Recycling Economy Enterprises” in the national industrial economy, and is also the only company in Xinjiang to be listed as one of the first batch of the companies across China to meet the Regulatory Requirements of the PV Manufacturing Industry (《光伏製造行業規範條件》).

The Company mainly utilises eco-friendly PV and wind power for power generation in its development of wind and PV resources. The development of this business segment has actively promoted and popularised the use of green energy, reduced greenhouse gas emissions, combated global climate change and contributed to sustainable human development. The production of polysilicon mainly utilises industrial tantalum powder and coal resources for raw materials and power. It will generate a certain amount of emissions during the production process, but the Company places great importance on the management of emissions. Through continuous technological transformation and the development of circular economy, the Company has vigorously reduced waste emissions during the production process.



2.1 *Clean Energy Development*

Currently, the development mode of the new energy industry is stable and sound. National policies, macroeconomic conditions and technological progress have provided a strong impetus for market development. In 2017, China's newly-added PV generation capacity reached 53GW, a year-on-year increase of 53.6%, ranking first in the world for the fifth consecutive year. The cumulative installed capacity reached 130GW, ranking the first in the world for three consecutive years; China's wind power growth slowed down, and in 2017, there was an additional capacity of 15GW, which is still the world's largest.

In 2017, by keeping up with the development trend of new energy industry, the Company continued to improve its resource structure and put more efforts on the development of wind resources. The Company acquired a series of wind power projects including a 500MW project in Ximeng and a 575MW project in Zhengxiangbaiqi, Inner Mongolia, and a 200MW project in Wuqiang, Hebei, which extended its presence from Three Northern Regions to 16 provinces around the central and eastern part of China.

In the meantime, the Company closely followed the relevant policy planning with respect to national new energy development, by focusing on planning energy resource bases market at the ultra-high voltage dominated countries as well as the new entry special markets represented by PV fore-runner projects. The specialised markets made up of mainly distributed PV and decentralized wind power were adopted as supplementary segment for business diversification. The business scope has diversified from large-scale ground mounted PV projects to different varieties including energy bases, decentralised, distributed PV, solar-agriculture complementation and solar-fishery complementation, improving adjustments in both resource deployment and structure.

In 2017, the Company completed and recognised a revenue for 1,529MW of installed capacity for PV and wind power EPC and BT projects. As of December 31, 2017, the Company had a total of 589.5MW of BT projects under construction and completed for transfer, and over 2GW of total installed capacity of advanced projects in the pipeline, securing a solid foundation for the development of the Company.



17.4MW PV Power Generation Project in Turkey

— Commencing operation in 2017, the project provided an average of 26.97 million kWh of green power to the local area each year. Compared with thermal power plants of equivalent power, the equivalent of 8,200 tons of standard coal can be saved per year (average coal consumption of standard coal is 320g/kW²h), and the emission of various air pollutants can be reduced each year: about 157.50 tons of sulfur dioxide (SO₂) emissions, about 19,400 tons of carbon dioxide (CO₂), and about 89.47 tons of nitrogen oxides (NO₂), which have reduced environmental pollution and have significant energy-saving and emission-reducing benefits. The connection of the green energy to the power grid also promotes economic development in the region.



200MW PV Power Generation Project in Longji Hanjiaoshui, Zhongning County Ningxia

— Commencing operation in 2017, the project provided an average of 304,030 kWh of green power to the local area each year. Compared with thermal power plants of equivalent power, the equivalent of 97,000 tons of standard coal can be saved per year (average coal consumption of standard coal is 320g/kW²h), and the emission of various air pollutants can be reduced each year: about 8,366.9 tons of sulfur dioxide (SO₂) emissions, about 242,000 tons of carbon dioxide (CO₂), about 4,183.5 tons of nitrogen oxides (NO₂), and about 76,000 tons of dust, which have reduced environmental pollution and have significant energy-saving and emission-reducing benefits. The connection of the green energy to the power grid also promotes economic development in the region.



20MW Solar-fishery complementary project in Xuwen County, Zhanjiang City, Guangdong Province

— Commencing operation in 2017, the project's average annual power transferred to the grid was 21,919,800 kWh. Compared with coal-fired power plants of the same size, it saved about 7,652.64 tons of standard coal annually. That is, the emission of carbon dioxide (greenhouse effect gas) will be reduced by approximately 20,049.63 tons, the sulfur dioxide emissions by approximately 65.04 tons, and the nitrogen oxide emissions by approximately 56.63 tons. The construction of PV stations will reduce the pollution to the surrounding environment, protect the ecological environment and have obvious social and environmental benefits.

2.2 *Developing Circular Economy*

The Company is committed to the integration of green economy and circular economy in the production of polysilicon, with the principle of “reduction, reuse, and recycling”. With the basic features of low consumption, low emission, and high efficiency, the Company is striving to achieve sustainable development and an economic growth model based on sustainable development concepts.

The exhaust gas emitted during the production of polysilicon mainly includes nitrogen oxides and sulfur oxides; the solid and liquid wastes mainly include hydrolyzate produced during the polysilicon wastewater treatment process and fly ash, slag, and desulfurized gypsum produced by boiler operation of the self-contained power plant. Hazardous wastes mainly consist of equipment-lubricated waste oil and spent catalyst emitted during the replacement of power plant denitrification facilities. The specific types of pollutants and emission amounts are as follows:

Project	Emissions in 2017 (ton)	Emissions in 2016 (ton)
Exhaust gas:		
Dust	116.89	107.0
Sulfur dioxide	273.99	289.8
Nitrogen oxides	1,114.08	802.6
Greenhouse gas:		
COD	16.58	25.9
Ammonia nitrogen	0.53	0.9
Hazardous waste:		
Waste oil	37.91	21.3
Waste denitration catalyst	200.00	95.1
Non-hazardous waste:		
Solid waste produced by landfills	6,581.00	323.9

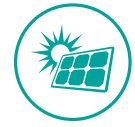
Environmental Responsibility

In respect of above waste discharged, the Company has adopted various measures to reduce or to properly dispose, and the details of disposal are as follows:

- Introducing polysilicon by-product hydrochlorination processing technology, replacing the materials that need to be heated by steam with the high-temperature materials to raise material temperature by heat energy exchange, as a result steam consumption and cooling load of the system had been reduced. The Company also replaced the electric energy used by the material vaporiser in hydrochlorination system with the surplus steam of the power station to reduce consumption and realize recycling of condensate.
- Building slag field in accordance with the construction standard of general solid waste landfill site can meet the disposal need of all hydrolysate under current production condition. In order to efficiently reduce the production of hydrolysate, the Company implemented the “Project on Waste Chlorosilane Recycling Technology Renovation” (廢氯硅烷回收利用技術改造項目), and recycled high-boiling residues and low-boiling residues discharged from polysilicon production.
- In respect of the coal ash, furnace slag, desulfurisation gypsum produced in self-supply power station, part of them was recycled by the Company for the production of aerated concrete and sale. The Company produced 144,800 m³ of aerated concrete in 2017. For the remaining part, the Company entered into disposal and utilization agreement with other building companies for the materials production use. Thus through the above measures, the Company achieved 100% of recycle of solid waste from self-supply power plant.
- In respect of hazardous wastes produced, the Company appointed qualified manufacturer and the hazardous wastes disposal centre specified by government to legally dispose hazardous wastes. In 2017, the Company legally transferred 37.91 tons of waste oil and 200 tons of waste denitration catalyst. In order to reduce the production of waste oil from equipment lubrication, the Company conducted effective supervision on daily maintenance of devices, which significantly reduced the production of waste oil.
- The Company actively responded to and implemented the State Council’s Air Pollution Prevention and Control Action Plan to further improve the environmental protection level of coal-fired power plants and promote clean production in the coal-fired power industry. In 2017, the Company’s self-provided thermal power plant implemented two units of ultra-low emission technology transformation projects. After completion, it will be evaluated by a third-party assessment and monitoring agency to successfully control the smoke emission concentration within the scope of relevant national environmental laws and regulations.

By implementing the above measures, the Company has reduced the amounts of pollutants discharged, maximised the recycling of resources and eliminated and reduced environmental pollution, striving to achieve coordinated and sustainable economic and environmental development.

Prospects in 2018



In a time when the country vigorously advocates green development, the Company ushered in industry development opportunities. Based on polysilicon production and PV, wind power resource development, the Company continuously innovates to facilitate the development of global new energy business.

Over the years, the Company has integrated the environmental, social and corporate governance factors into business operations to implement the Company's responsibilities for the environment and society and continuously improve the Company's own corporate governance standards. While implementing its business growth plans and objectives, the Company aims to achieve long-term economic, environmental and social development.

In 2018, the Company will continue to practice the concepts of "Honesty and Reliability, Customer Success, Hard Work, Innovation and Transcendence, Caring for Employees, Contributing to the Society and Protecting the Environment". It will actively integrate into the new era, establish a new mission and achieve a new leap forward, striving to write the new chapter of Xinte Energy on creating a globally outstanding green smart energy services, to provide green energy for the society and to create a better life for humanity!



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新特能源股份有限公司

Xinte Energy Co., Ltd.