深圳市环境水务集团有限公司
SHENZHEN WATER AND ENVIRONMENT GROUP CO., LTD.

LEADING UTILITIES OF THE WORLD
全球领先水司联盟成员单位

2025ESG Report

Shenzhen Water and Environment Group Co.,Ltd



Pursuing the excellence bit by bit

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Gong Limin
Secretary of the Party Committee and Chairman of Shenzhen Water and Environment Group



Fang Lin
Vice Secretary of the Party Committee Director, and President of Shenzhen Water and Environment Group

Address by the Executive Team

The year 2025 marks the successful conclusion of China's 14th Five-Year Plan and a critical phase in the Group's transformation into a leading domestic and international water services enterprise with annual revenues exceeding RMB 100 billion. We have thoroughly implemented Xi Jinping Thought on Ecological Civilization, actively put into practice his important directives on water governance, strictly adhered to Shenzhen's "Six-Water Integrated Management" strategy, fully integrated Party leadership into all aspects of corporate governance, driven high-quality development through robust Party building, and remained committed to achieving all objectives of the 14th Five-Year Plan while laying a solid foundation for a strong start to the 15th Five-Year Plan.

Adhering to the principles of "two orientations, two capabilities, and two concentrations," we remain focused on our goal of becoming a world-class water services enterprise with global competitiveness. We are accelerating three pivotal transformations: shifting from an "operation-centric" approach to a "user-centric" one, evolving from a traditional water utility company into a technology-driven enterprise, and advancing from domestic excellence to international leadership. Through relentless efforts in public service delivery, technological innovation, market expansion, and reform initiatives, we have fulfilled our political, social, and economic responsibilities as a state-owned enterprise, strengthened the fundamental role of water services, and reinforced our commitment to green development. Throughout the year, the entire Group remained united, tackled challenges head-on, and achieved outstanding results in advancing high-quality development despite multiple tests.

Party Building Leadership: Uniting Hearts and Minds, Strengthening the Foundation for Development

The Group has consistently upheld the Party's overall leadership, deeply understood the decisive significance of the "Two Establishments," strengthened the "Four Consciousnesses," reinforced the "Four Confidences," and upheld the "Two Upholds," consciously maintaining a high degree of consistency with the Central Committee of the Communist Party of China with Comrade Xi Jinping at its core in terms of ideology, politics, and action.

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we have thoroughly studied and implemented the guiding principles of the 20th National Congress of the Communist Party of China and subsequent plenary sessions, integrating the Group's development strategy into the broader national strategy of building a national water network and a Beautiful China, thereby ensuring that the decisions and deployments of the CPC Central Committee and higher-level Party committees are fully implemented throughout the Group.

During the year, we drove high-quality development through high-quality Party building, fully leveraging the Party Committee's leadership role in "setting the direction, managing the overall situation, and ensuring implementation," and transforming organizational strengths into a powerful driving force for overcoming challenges. Focusing on our core responsibilities and principal businesses, we not only successfully achieved the objectives of the 14th Five-Year Plan but also strengthened the foundations of state-owned enterprise governance through deepening reforms.

We maintained a rigorous approach to Party conduct and integrity, comprehensively advancing the integrated strategy of ensuring officials do not dare to be corrupt, are unable to be corrupt, and have no desire to be corrupt, thereby safeguarding the Group's steady and sustainable development with integrity. We also innovated the "economic + ecological" dual-support model, supporting Liangying Town in achieving high-quality development and fully demonstrating the responsibility and mission of Shenzhen's state-owned water enterprises in the new era.

People-Oriented: Meticulous Refinement With Continuously Enhanced Core Functionalities

We consistently prioritize public welfare and continuously enhance water service quality. Our high-quality drinking water supply remains among the best in China. During the 14th Five-Year Plan period, we completed advanced treatment upgrades at 15 water treatment plants and short-distance treatment enhancements at 20 water treatment plants and production stations, increasing daily treatment capacity to 6.432 million tonnes. Sixteen key performance indicators showed steady improvement, with local water quality compliance reaching 99.95% and the pipeline leakage rate maintained at 4.4%, comparable to the standards of developed cities.

We installed 3.503 million smart water meters, achieving a coverage rate of 98%, and realized full connectivity of secondary water supply systems. The "Water Manager for Every Home" service was further upgraded, providing 2.28 million proactive visits and resolving issues through a service mechanism of "simple problems resolved immediately, complex cases handled collaboratively, and pending matters tracked until completion," ultimately addressing 43,000 customer inquiries. China's first intelligent water service system, "Blue Little Elephant," achieved a 98% response success rate, while overall customer satisfaction reached 97.28% in 2025.

Water environment governance also achieved remarkable progress. Through comprehensive and systematic management, both water infrastructure and water quality improved significantly. Key monitoring sections, including Gonghe Village on the Maozhou River and the Shenzhen River Estuary, improved from Class IV in 2020 to Class III surface water quality by 2025, transforming "clear waters and green banks" into distinctive features of the urban landscape.

We also effectively safeguarded water security during extreme weather events, including the torrential rainfall on 5 August and Typhoon Hujia (No.2507) on 24 September. Thirty-two waterlogged locations were cleared within 30 minutes, and the Group was recognized as an Outstanding Unit for Flood, Drought and Typhoon Prevention.

Transformational Empowerment: Technology-Driven, Activating Development Momentum

We are steadfastly transitioning into a "technology-driven enterprise," driving high-quality development through intelligent, green, and integrated approaches. In 2025, R&D investment reached 298 million yuan, marking a 10% year-on-year increase. We established the "One Promotion, Three Transformations" strategic pathway, developed a comprehensive " 1+N" institutional framework for technological transformation, added one National High-Tech Enterprise, awarded three provincial-level environmental engineering research centers, and signed an agreement with Academician Peng Yongzhen to establish a joint academic workstation. Our innovation efforts yielded remarkable results: 97 new R&D projects were launched, water quality monitoring robots achieved internationally leading performance levels and were included in multiple national key programs; the engineering application scale of our Shenshui Intelligent Nitrogen™ AOA low-carbon technology reached 2. 175 million tons per day, reducing construction costs by 15% and nitrogen removal chemical consumption by 65%. Digital transformation progressed steadily, with the deployment of Shenshui Cloud Brain 2.0, 3.5 million IoT-enabled water management devices, and 59 smart application systems. Our water conservation initiatives were featured on a CCTV special program, providing replicable "Shenzhen models" for urban water governance. China's first basin-wide HarmonyOS-powered smart sluice station was implemented, boosting operational efficiency by 30%. Significant progress has been made in green and low-carbon development: we formulated and executed a dedicated action plan, completed distributed photovoltaic and energy storage projects, reduced annual electricity imports by 1.95 million kWh, and cut CO2 emissions by 1,209 tons—making sustainability the defining hallmark of our development strategy.

Global Strategy: Accelerating International Expansion to Open New Development Frontiers

Based in Shenzhen with a nationwide and global perspective, we closely align with major national strategies and accelerate the transition from a "single-core business, single-market" model to a "dual- core business, dual-markets" approach. In expanding our presence across China, we actively participate in key national strategic projects. Globally, we vigorously implemented the "Year of Going Global" initiative, achieving breakthroughs in brand internationalization. At the World Water Summit held in Paris, we were awarded the "Global Water Award for Best Water Company of the Year," becoming the first Chinese water company to receive this honor and joining the top tier of the global water industry, having hosted visits from water authorities in over 10 countries. Our subsidiary, Shenshui Ecology Company, earned the EU NG (Next Generation) Gold Certification for its commitment to green, low-carbon, and sustainable development practices and outstanding qualifications. Our product exports have yielded significant results, with our water quality testing robots obtaining EU CE certification. Technological and service exports have progressed steadily, including establishing an expert exchange mechanism with Singapore's Public Utilities Board, where the Group Information Center Director was appointed as a PUB expert advisor. Domestically, we continue to deepen our presence by forming an Environmental Group, securing multiple capital-intensive and asset-light projects, and expanding into technical services and water quality testing, fully establishing a dual-core business framework of "environment + water services."

As we embark on a new journey with unwavering determination, we shoulder a monumental responsibility. The solid achievements of 2025 have brought the 14th Five-Year Plan to a successful conclusion and laid a solid foundation for the 15th Five-Year Plan. Looking back at this period, we achieved comprehensive advancements in scale and operational capacity, public welfare services, technological innovation, and market expansion, becoming one of the few water utilities in China with a complete industrial chain. At this new historical juncture, we are committed to our overarching goal of building a top-tier domestic and international water utility with annual revenues exceeding 100 billion yuan. Guided by a dual strategy of technological innovation and capital operations, we will deepen reforms, strengthen innovation capabilities, and expand markets, fostering a new development model centered on "environmental protection + water services" as our core businesses and serving both domestic and global markets. With concrete measures, superior services, and enhanced accountability, we will advance resolutely toward our objectives, contributing our expertise to Shenzhen's development as a globally influential economic hub and modern international metropolis.

About Us

Group Overview

Shenzhen Water and Environment Group Co., Ltd. is a municipally owned state-owned enterprise established in May 2019 by the Shenzhen Municipal Party Committee and the Shenzhen Municipal Government to optimize the coordinated management of the city's environmental and water resources. The Group serves as an integrated platform for municipal environmental and water resources, an investment platform covering the entire environmental and water services industry chain, and an operational platform dedicated to strengthening, optimizing, and expanding the sector. It has established a coordinated development framework encompassing four key business areas: water operations, environmental governance, investment and development, and technological innovation.

Business Overview

By the end of 2025, the Group was responsible for 99.9% of Shenzhen's water supply and 55% of its wastewater treatment services. It operates 49 water treatment plants with a combined daily capacity of 8.332 million tons (including 140,000 tons/day at the Pingdi Water Plant), as well as 24 water purification plants handling 4.202 million tons/day of wastewater. In 2025, local water supply reached 1.95 billion tons with a comprehensive compliance rate of 99.95%, while wastewater treatment volume stood at 1.13 billion tons achieving a compliance rate of 99.99%. Key operational metrics continued to improve: leakage rates in the water distribution network were controlled at 4.40%, and the water plant's unit consumption for water distribution was 349 kWh/km^3·MPa, ranking among the global industry leaders.

The group has significantly expanded its operations in sludge treatment and disposal, industrial wastewater management, odor control, and comprehensive water environment management. Its sewage and sludge treatment capacity reaches 3,878 tons per day (based on an 80% moisture content), accounting for 52% of the city's total capacity; the water purification plant handles VOCs and odor emissions at a rate of 9 million m^3/h, representing approximately 70% of the city's capacity; and the park's centralized industrial wastewater treatment facility processes90,000 m^3 per day (including both operational and under-construction capacities), constituting 53% of the city's total capacity. Additionally, the group operates five water body maintenance projects—including Ping Shan River main stream water management facilities—and manages sponge city infrastructure, while actively engaging in river ecological restoration. By 2025, the group will establish an Environmental Group, integrating eight existing environmental businesses to accelerate the strengthening, optimization, and expansion of its environmental governance sector.

Relying on Huanshui Investment Group, the company has fully utilized diverse investment models—including equity partnerships, TOT, BOT, PPP, EPC+O, and entrusted operation—to invest in and operate 41 water supply projects across seven provinces nationwide, with a combined daily water supply and drainage capacity of 3.322 million tons. By 2025, it aims to achieve an inter-regional water supply volume of 410 million tons and an inter-regional wastewater treatment volume of 360 million tons, continuously promoting Shenzhen's operational standards and management expertise nationwide.

The group has expanded both vertically along the upstream and downstream segments of the environmental water services industry chain, as well as horizontally across related sectors, encompassing water technology, design consulting, engineering construction, equipment manufacturing, raw material supply, and information technology. This comprehensive approach has established a robust industrial chain resource system that strengthens its core business and fosters new growth drivers.



1571.6million tons per day
group
Water supply and drainage capacity

1253.4million tons per day
shenzhen
Water supply and drainage capacity

49 seats
Shenzhen Operations
Water Treatment Plant

24 seats
Shenzhen Operations
Water Quality Treatment Plant

7 provinces across the country 41
Water Management

Group Business Overview

Development Goals

With the mission of "making continuous efforts for a green environment and healthy living," and guided by the core values of "putting effort into every detail to achieve excellence," we are committed to building a leading water services enterprise with annual revenues exceeding 100 billion yuan, recognized as top-tier both domestically and internationally.

Key Events in Development (2025)

Establish an Environmental Group

The group established an Environmental Group, completed the integration of eight existing environmental businesses within its portfolio, and accelerated efforts to strengthen, optimize, and expand its environmental governance operations.

Receiving the "Best Water Company of the Year" award at the Global Water Awards

The group was awarded the Global Water Award for "Best Water Company of the Year," becoming the first water utility company in China to receive this honor.

Water quality testing robots have been included in the national catalog.

Water quality testing robots have been included in the National Catalog of Major Environmental Protection Technology Equipment Encouraged for Development (2025 Edition), the Typical Cases of Ecological and Environmental Science and Technology Achievement Transformation in 2025, and the Shenzhen Guidance Catalog for the Promotion and Application of First-of-Its-Kinds Major Technical Equipment (2025 Edition).

The "Deep-Water Intelligent Ice" technology has been included in the National Water Resources Ministry's List of Water-Saving Technologies and Equipment.

The "Shenshui Intelligent Ice" water supply pipeline ice slurry cleaning technology has been included in the National Ministry of Water Resources' "List of Advanced, Mature, and Applicable Water Conservation Technologies and Equipment (2025)" under the priority recommendation category for urban water-saving technologies, and has been rated by relevant authorities as "reaching internationally leading standards."

The water quality at the monitoring section of the national river meets its best historical standards.

The water quality at the national monitoring section of Gonghe Village along the Maozhou River and at the mouth of the Shenzhen River has been upgraded to Class III, with significant reductions in indicators such as ammonia nitrogen and total phosphorus, reaching the best historical levels.

We will make every effort to ensure the successful hosting of the 15th National Games.

The group made every effort to ensure the smooth hosting of the 15th National Games, and no major emergency incidents related to water supply or drainage occurred during the event.

Honors 2025

In 2025, the group's management and staff overcame challenges with determination, achieving significant qualitative improvements and steady quantitative growth in operations. They received 5 international awards, 39 national awards, and 76 provincial/municipal awards.

some awards in the Technology and Projects categories

Global



2025 International Federation of Landscape Architects Asia-Pacific Regional Landscape Award (IFLA-APR LA Awards 2025): Excellence Award in Green Facilities Category

Phase III Project of the Buji Water Quality Purification Plant



WDA World Design Awards

Phase I of the Baguang Water Treatment Plant



US IDA International Design Award – Honorable Mention

Phase I of the Baguang Water Treatment Plant

Some awards in the Technology and Projects categories

National



Second Prize (Construction Category)
14th "Zuanlongtu Cup" National BIM Competition

BIM-Empowered Smart Water Construction Innovative Construction Practice for the Upgrading and Expansion Project of Shenzhen Binhe Water Quality Purification Plant

Presented by the China Society for Graphics



Second Prize, Science and Technology Progress Award
China Environmental Protection Federation Science and Technology Awards

Sludge Full-Resource Recycling System Equipment Based on Multi-Energy Coupled Low-Temperature Belt Drying Technology

Presented by the China Environmental Protection Federation

Outstanding Case Award



Outstanding Case Award – Municipal Wastewater Pipeline Category

Phase I Rehabilitation Project of the Outfall Trunk Sewer (Nanshan Section)

E20 Environment Platform / E20 Research Institute



Outstanding Case Award – Industrial Wastewater Treatment Category

Baolong Water Quality Purification Plant Project

E20 Environment Platform / E20 Research Institute



Outstanding Case Award – Water Environment Management Category

Three Lakes Water Quality Improvement Project at Qilin Villa

E20 Environment Platform / E20 Research Institute



Outstanding Case Award – Municipal Wastewater Treatment Category

System Upgrade and Renovation Project (System I) of Nanshan Water Quality Purification Plant

E20 Environment Platform / E20 Research Institute

Comprehensive Awards



Corporate River Chief

Office of the Leading Group for the Full Implementation of the River Chief System in Futian District



Outstanding Brand Partner of China Water & Wastewater

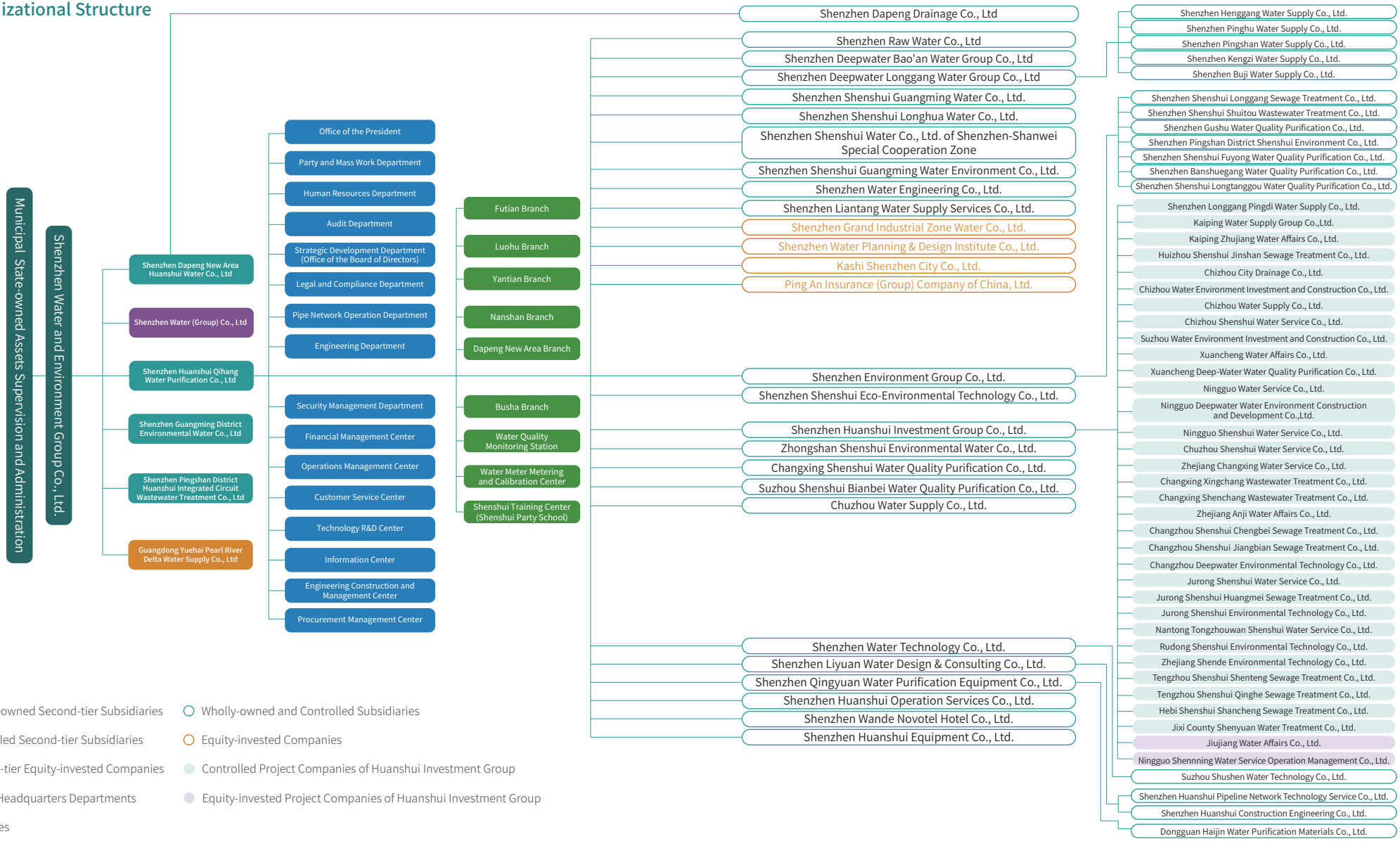
China Water & Wastewater Magazine



2025 Benchmark Enterprise for Whole-Process Engineering Consultancy

Shenzhen Whole-Process Engineering Consultancy Research Association

Organizational Structure



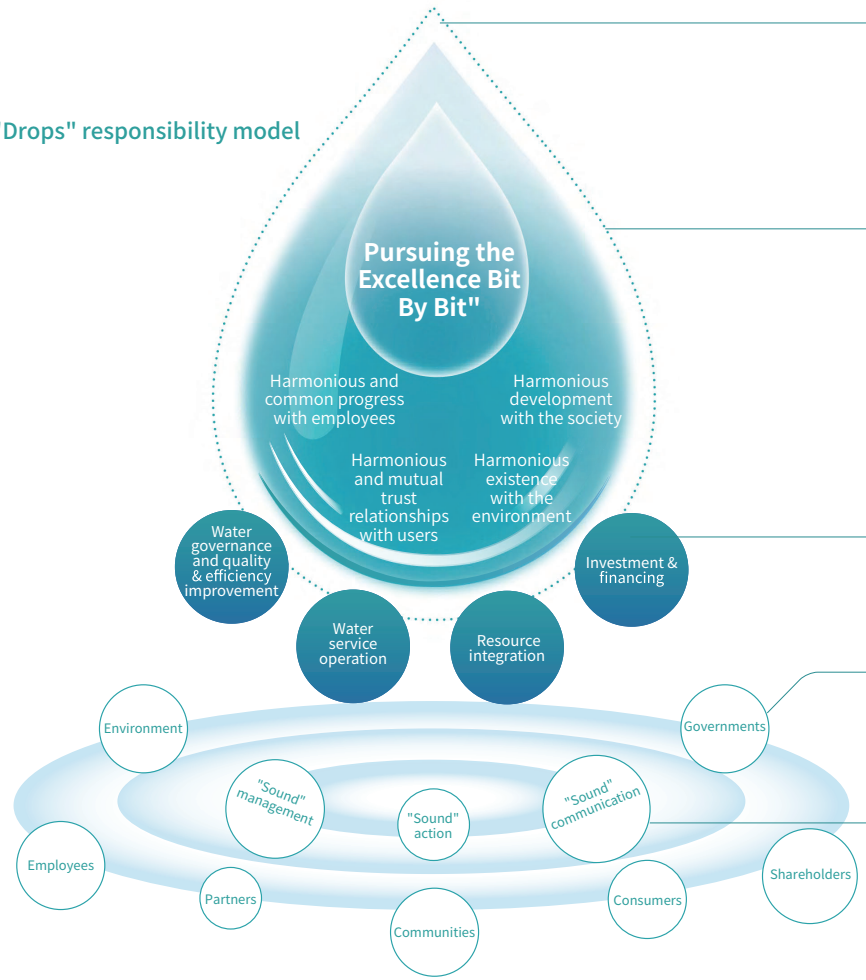
- Wholly-owned Second-tier Subsidiaries
- Controlled Second-tier Subsidiaries
- Second-tier Equity-invested Companies
- Group Headquarters Departments
- Branches
- Wholly-owned and Controlled Subsidiaries
- Equity-invested Companies
- Controlled Project Companies of Huanshui Investment Group
- Equity-invested Project Companies of Huanshui Investment Group

Note: Some Subsidiaries Are Omitted

Sustainable Development Management

The Group has deeply integrated Environmental, Social, and Governance (ESG) principles into the cultural foundation of its dynamic corporate development, achieving sustainable development goals through comprehensive value chain management. Guided by strategic objectives, it optimizes its governance framework for social responsibility, integrating sustainability requirements seamlessly into all business processes via forward-looking planning and full-cycle risk management. Committed to maintaining a dynamic balance between economic, ecological, and social benefits, the Group continuously fosters value creation for stakeholders and injects systematic momentum into building a sustainable future.

"Drops" responsibility model



ESG Idea of Development

Guided by the core corporate values of "dedication to excellence through meticulous effort," we draw inspiration from emotional commitment and act with ethical integrity, actively fulfilling our social responsibilities while consistently delivering comprehensive value across economic, social, and environmental dimensions.

Responsibility concept

Employees of the Group uphold the core values of "pursuing the excellence bit by bit" and work to create a harmonious relationship with stakeholders with kind actions powered by positive emotions.

Driving force for fulfilling responsibilities

The Group turns its care for stakeholders into the driving force for fulfilling its social responsibilities,which is used to drive the creation of comprehensive values:

- Harmony and mutual trust with users,that is,the Group,by adhering to the "customer- centric"concept,provides safe,high-quality,and efficient water services,interacts and communicates with its customers in a virtuous circle and makes earnest efforts to safeguard customers' rights and interests;
- Harmonious development with the society,that is,the Group is committed to becoming an excellent corporate citizen.It dedicates itself to the building of a harmonious society,supports public welfare undertakings and pursues the harmonious development between the enterprise and the society;
- Harmonious coexistence with the environment,that is,the Group integrates its' s own development with environment protection and works to reduce environmental footprints,improve the natural environment and promote sustainable use of water resources;
- Harmonious progress with employees,that is,the Group balances employees' responsibilities and rights and promotes common growth between employees and the Group with a smooth talent flow and a reasonable salary system.

Major player in bearing responsibilities

The Group promotes the implementation of its corporate social responsibilities through its own business development by giving fully play to the functions of "four major players"(i.e., a player for treating water and improving quality, a player for operating major urban water services, a player for integrating water resources and a player for investing and financing the major business of water).

Stakeholders involved in responsibility performance

The Group closely connects with and achieves a harmonious, win-win relationship with important stakeholders during its high-quality development.

Ways to achieve

Characteristics of water (such as nourishing and supporting functions)are combined with its social responsibilities to achieve "sound performance"in responsibility management.

- "Sound"management: The concept of social responsibility is fully integrated into corporate strategies and a responsibility perspective is used to rethink and reshape management models;
- "Sound"action: Social responsibility and comprehensive value creation are fully embedded in its specific business, and greater care is conveyed to stakeholders;
- "Sound"communication: An emphasis is placed on the transmission of responsibility information,and diversified disclosure and communication practices are carried out to shape a transparent,reliable,and responsible corporate responsibility brand.

Stakeholder Communication

The Group places great emphasis on communication with all stakeholders, actively listens to their opinions and feedback, integrates key issues into daily operations and decision-making processes, establishes a regular communication mechanism, and responds promptly and sincerely to stakeholders' expectations and concerns.

Stakeholders	Expectations and Demands	Response Measures	Communication Methods and Channels
Government and Regulatory Authorities	·Operate in compliance with laws and regulations. ·The safety and stability of water supply and drainage systems are ensured. ·Green and Sustainable Development ·Promoting the development of local economies	·Actively comply with tax obligations in accordance with the law. ·Strictly comply with regulatory requirements. ·Make every effort to ensure the reliable supply of water and waste water treatment services. ·Supporting industry advancement	·High-level Communication Mechanism ·Work Meeting and Report ·Project Cooperation
Client	·High-quality water supply and drainage systems ·High-Quality Service	·Enhance the reliability of water supply and drainage systems. ·Optimizing the business environment ·Convenient and Thoughtful Service	·Customer Visit ·Satisfaction Survey
Suppliers and Partners	·Sunshine Procurement ·Compliance with contractual obligations ·the friendly relations and cooperation ·Mutual benefit and win-win outcome	·Fair and transparent procurement ·Open, transparent cooperation mechanism ·Strengthen strategic cooperation	·Information Communication and Experience Sharing ·Promote cooperation and exchange
Staff	·Right Protection ·personal development ·Occupational Health and Safety ·A harmonious work environment	·Protection of employees' fundamental rights and interests ·skill training ·safety in production ·cultural and recreational activity	·worker's congress ·Employee Training and Seminars ·Employee Care Program
Industry Peers and Associations	·Leading the development of the industry ·Joint R&D and Experience Sharing	·Organize participation in forums and conferences ·Technological R&D Innovation ·Contribute to the development of relevant standards	·Experience Exchange Meeting ·Industry Forums and Conferences
Environment	·protect water resources ·Reduce greenhouse gas emissions ·The sustainable utilization of resource cycles ·Tackling Climate Change	·Wastewater Treatment ·Promote the application of environmental protection technologies ·Conduct green public welfare activities	·Water Quality Improvement Project ·Energy Conservation and Environmental Protection Event
Community Public	·Supporting the local economy ·Improving the living standards of local residents ·Serving Social Governance ·Public Welfare and Charity	·Promoting rural revitalization ·Disaster relief and emergency assistance ·Public Welfare Volunteer Activities	·Publicity Visit ·Community Collaboration

Management of Important Issues

To strengthen the Group's ESG management and information disclosure, we identified ESG issues relevant to our business operations through internal interviews, industry analysis, stakeholder surveys, expert consultations, and comprehensive consideration of the company's business model, development strategy, industry bench marking, stakeholder concerns, regulatory requirements, and domestic and international sustainability standards.

Issue Source

Suggestions from the company management

Analysis and recommendations from internal and external experts

Benchmarking research of domestic and foreign peers

A guide to social responsibility standards

Stakeholder Solicitation of Comments

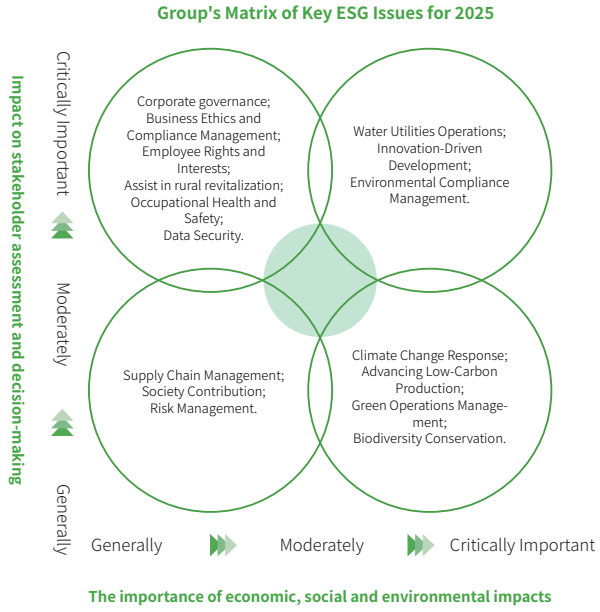
Screening Criteria

Contribution to sustainable development

Stakeholders are generally concerned

Key Disclosure Requirements of Social Responsibility Guidelines In line with the company's strategic development needs

Matrix of Substantive Issues







Topic 1: Water Service Operations–Prioritize Capital Investment to Strengthen the Foundation

The Group has made fixed asset investment a core strategy to drive long-term development and strengthen the foundation of urban water security. In response to urban development needs and public expectations, the Group has taken on significant responsibilities and advanced despite challenges in its fixed asset investment initiatives. During the 14th Five-Year Plan period, cumulative fixed asset investments reached 31.57 billion yuan—three times the total of the 13th Five-Year Plan period—marking a transformative leap for water infrastructure from basic support to high-quality development. By 2025, the Group was tasked with securing 7.7 billion yuan in fixed asset investments for the Municipal Ecological Environment and Water Affairs Project Command Center, achieving five consecutive annual increases in investment volume and ranking first among all entities, having fully met all targets with quality assurance. Through substantial, forward-looking infrastructure investments, the Group has developed a series of strategic and landmark projects, laying a solid hardware foundation for high-standard operation management and ensuring the safe, stable, and efficient functioning of the urban water system.

Raw Water

In 2025, the group continued to advance its strategic water resource development plan and coordinated multiple key projects. The Shenshan Western Water Source and Supply Project, serving as the core project of the Shenshan Special Cooperation Zone's "one diversion, three storage facilities, two treatment plants" water resource framework, achieved significant milestones in 2025, winning the gold award at the 6th "Zhijian Cup" International Intelligent Construction Innovation Competition and being recognized as an Outstanding Construction Site for Work Safety and Civilized Construction in Shenzhen. The Shenshan Cooperation Zone Water Diversion Project has been incorporated into national and Guangdong Provincial plans; its feasibility study and preliminary design have been approved, with construction officially commencing by the end of 2025. Upon completion, it will integrate with local water sources to establish a multi-source water supply system, significantly enhancing regional water security. The Beikeng Reservoir and its supporting water conveyance infrastructure have also achieved notable progress, earning the second prize in the 5th "New Infrastructure Cup" BIM Achievement Award and the title of Outstanding Construction Site for Safe and Civilized Construction in Shenzhen.

In the construction of water transmission trunk lines and urban raw water networks, the Group systematically implemented the Luotian Reservoir–Tiegang Reservoir water transmission tunnel project, achieving connectivity for certain trunk line sections and all branch lines. This effort earned the Group honors as a Civilized Construction Site for Water Conservancy Projects in Guangdong Province and an Outstanding Construction Site for Work Safety and Civilized Construction in Shenzhen. The Gongming Reservoir–Qinglinjing Reservoir connection project completed excavation of several vertical shafts along its route and the closure of reservoir cofferdam fill works, securing a total of 12 industry excellence awards including the BIM "Zhi Shui Cup" First-Class Achievement Award; the project also lays the groundwork for emergency water supply to Hong Kong. The Xili Reservoir to Nanshan Water Plant raw water pipeline project has finished installing pressure steel pipes in selected tunnels and was awarded the title of Civilized Construction Site for Water Conservancy Projects in Guangdong Province. As a major project at both provincial and municipal levels, the Shawan No.2 Water Plant raw water renovation project has achieved multiple key milestones in its first phase, significantly alleviating regional raw water supply-demand imbalances.

The group actively secured policy-based funding, with the Beikeng Reservoir project, Shenshan Water Diversion Project, and Shawan Second Raw Water Treatment Project receiving support from new policy-oriented financial instruments totaling 557 million yuan. It established financing channels for raw water treatment projects and obtained the first syndicated loan of 660 million yuan in our city's water conservancy sector—characterized by the largest loan amount, longest term, and most favorable interest rate among projects of similar scale. The Baguang Water Plant was honored with the World Design Awards (WDA) and the International Design Awards (IDA), demonstrating international recognition for its design and construction capabilities in deep-water projects.

Case: Water Source and Supply Project in Western Shenshan

The Western Water Source and Supply Project in Shenshan is a major construction project undertaken by the Shenzhen Municipal Government and serves as the core controlling project within the Shenshan Special Cooperation Zone's water resource planning framework of "one diversion, three storage facilities, and two treatment plants." By 2025, the project had successfully achieved key milestones, including the completion of Tunnel No.1, the commencement of TBM excavation for Tunnel No.2, the pouring of roller-compacted concrete, and the main construction of the water intake tower, along with the full establishment of the sand-gravel supply and mixing systems. It was awarded the Gold Prize at the BIM "Smart Construction Cup" competition and recognized as an Outstanding Construction Site for Work Safety and Civilized Construction in Shenzhen in 2025. The project is scheduled for completion and water supply activation by 2028; upon completion, it will significantly alleviate water scarcity in the western sector of the cooperation zone and play a vital role in ensuring drinking water safety and supporting regional economic and social development.



The Dam Hub Project of the Shenshan Western Water Source and Water Supply System

Water Supply

To strengthen the critical infrastructure of water supply, the Group has consistently prioritized investments in pipeline upgrades and improvements to secondary water distribution facilities. In 2025, the Group not only undertook but also exceeded the municipal government's key public welfare initiative targets of "upgrading 200 water supply facilities and implementing household-level drinking water improvement projects in 100 residential communities," achieving a comprehensive completion rate of 201%. The Group steadily advanced projects including municipal pipeline network enhancements, water supply system renovations in urban villages, and multi-source water supply solutions, completing a total of 60 kilometers of aging pipeline upgrades throughout the year, significantly boosting the network's water transmission and distribution capacity. Concurrently, the Group optimized water supply zoning through precise pressure management, achieving systematic cost reduction and efficiency improvements.

Case: New pipeline construction project along Nanshan Avenue (from Nanshan Water Treatment Plant to Beihuan Avenue and Qianhai Road)

The new pipeline construction project along Nanshan Avenue (from Nanshan Water Plant to Beihuan Avenue and Qianhai Road) has successfully connected DN1600–DN2200 large-diameter water supply pipelines to the network and commenced water supply. During construction, the project faced multiple challenges as the newly built pipelines traversed heavily trafficked areas such as Nanshan Avenue and Beihuan Road—key regional traffic bottlenecks that required balancing both construction progress and road accessibility. The project innovatively adopted a "segmented construction + dynamic guidance and modification" approach, employing techniques like "blind jacking" and "two-way jacking" to minimize construction impacts, achieving an optimal balance between engineering development and traffic management. Upon completion, the project will effectively address water supply needs in the Qianhai and Shekou districts while enhancing interconnection with Bao'an District's water supply system.



Top-pipe construction for the new pipeline installation project along Nanshan Avenue (from Nanshan Water Plant to Beihuan Avenue and Qianhai Road).

Drainage and Wastewater Treatment

The first phase of the upgrade and expansion project for the Binhe Water Quality Treatment Plant was successfully completed, with successful commissioning of the advanced AOA process and full facility handover, achieving a win-win outcome in both economic and environmental terms. The deodorization projects at the Shahe Water Quality Treatment Plant and the second phase of the Futian Water Quality Treatment Plant are progressing smoothly, aiming to create "unobtrusive plant campuses" and enhance environmental sustainability in the surrounding areas. The EPC project for the Yannan High-Tech Zone Wastewater Treatment Plant has achieved complete structural completion and entered commissioning, with a daily treatment capacity of 50,000 tons.

Case: Shahe Water Quality Treatment Plant and Supporting Project for Reservoir No.3

The Shahe Water Quality Purification Plant and its Supporting Project for Reservoir No. 3, designated as a key assessment project for water pollution control under Shenzhen's 14th Five-Year Plan, entails a total estimated investment of RMB 1.842 billion. The year 2025 marks the decisive year for achieving water supply. Guided by the principle of "fulfilling ecological commitments and strengthening public welfare safeguards," the project team consolidated progress in addressing NIMBY concerns and focused its efforts on overcoming the final challenges before water delivery. Despite challenges such as limited site space and complex geological conditions, the team leveraged technological innovation to enhance efficiency, successfully completing three critical milestones—the initiation of pipe jacking, main structure topping out, and successful external power connection—thereby steadily advancing toward the water supply goal and achieving deep integration of engineering quality, ecological benefits, and public welfare protection.



The first section of the Shahe Water Quality Purification Plant and the supporting facilities for Reservoir No.3 has been completed

Urban Green Element

The Urban Green Core initiative centers on water purification plants to create a new type of integrated water management complex that combines sewage treatment, ecological landscaping, public facilities, and green energy. The Phase II project of the Futian Water Purification Plant adopts a semi-underground three-dimensional layout, achieving seamless integration between the plant and its surrounding area while optimizing land use efficiency. The upgrade and expansion project of the Binhe Water Purification Plant is accelerating its green digital transformation by implementing an integrated "water–photovoltaic–energy storage" system, coordinating the development of ecology, production, and daily life, and establishing a low-carbon, circular urban water ecosystem where blue spaces and greenery coexist harmoniously – thereby creating a replicable model for sustainable water management development.

Case: Phase II Project of Futian Water Quality Purification Plant

The Futian Water Quality Purification Plant is Asia's largest semi-underground water purification facility. Since the commencement of Phase I construction in 2014, it has seamlessly integrated a sports park with public facilities, becoming a benchmark project for green and intensive land use. Phase II construction began in 2022, and the main structure was completed in 2025. Upon completion, the project will address the wastewater treatment capacity shortfall in the area, significantly alleviate operational pressures on the Nanshan Water Quality Purification Plant and the coastal drainage channel, reduce water pollutants discharged into Shenzhen Bay, improve regional water quality, and contribute to Shenzhen's development as "the most livable, high-tech, ecological, and garden-style modern central city."



Render image of the Phase II project of the Futian Water Quality Purification Plant

Responsibility Story

The Xiaomo Port Water Quality Purification Plant is undertaking intensive efforts to improve water quality.

To ensure the Xiaomo Port Water Quality Purification Plant commenced operation on schedule, the project team undertook a critical challenge known as "pipe connection and drainage coordination" just before the Spring Festival. This task involved multiple stages, including pipeline assembly, wastewater discharge, and equipment debugging, with stringent technical requirements, significant construction complexity, and tight timelines. Leveraging an efficient collaborative mechanism of "frontline execution supported by back-end coordination," the task force worked tirelessly for six days and five nights, successfully completing the integration of the wastewater discharge system. This achievement brought the purification plant close to commissioning, removed the most critical technical hurdle to overall project implementation, and provided solid assurance for the timely operation of this key public welfare project in the Shenshan Cooperation Zone while enhancing marine ecological conditions.



The Xiaomo Port Water Quality Treatment Plant is currently under construction



Topic 2: Innovation-Driven Development–Technology Leads the Way, Intelligence Shapes the Future

In 2025, the Group adhered to the principles of green development, intelligent transformation, and integration, accelerating its transition from a "traditional water utility company" to a "technology-driven enterprise." Leveraging technological innovation as the engine, it comprehensively enhanced operational management efficiency and value creation capabilities, achieving groundbreaking results in areas such as technological breakthroughs, platform development, and digital transformation. Simultaneously, it actively expanded its technical services globally, fostering a dual-circulation development pattern that integrates domestic and international markets, thereby injecting strong momentum into the Company's high-quality growth.

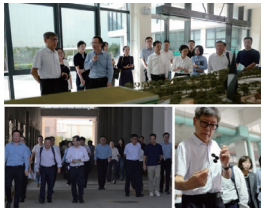
Innovation Mechanisms and Systems for Science and Technology

The Group has established the overarching strategy of "One Promotion and Three Transformations" (promoting integration, standardization, productization, and industrialization), developed a scientific innovation framework featuring five-year plans, three-year strategic plans, and annual action plans, convened the inaugural Scientific Innovation Conference at a high level, systematically advanced technological transformation initiatives, and leveraged scientific innovation as the core driver to comprehensively enhance operational efficiency and value creation capabilities.

In 2025, the Group formulated and issued key documents including the Ten Major Action Plans for Technological Transformation (2025–2027), the Management Measures for Scientific and Technological Innovation (Trial), and the Management Measures for "Tender-Based Project Leadership" Initiatives (Trial), establishing a comprehensive "1+N" institutional framework for scientific innovation to standardize R&D management.

Case: Key demonstration project passed acceptance inspection

The "14th Five-Year Plan" National Key R&D Program project titled Demonstration Project of Anaerobic Ammonification Technology for Mainstream Urban Wastewater, led by the Group, has passed the national on-site verification and assessment at Phase II of the Fuyong Water Quality Treatment Plant. The plant's effluent total nitrogen level remains consistently below 5 mg/L, with a denitrification rate exceeding 90%. Both the relative abundance of anaerobic ammonification functional bacteria and their contribution to denitrification far surpass levels reported in existing literature, significantly reducing energy consumption and carbon emissions in urban wastewater treatment while providing a replicable and scalable "Shenzhen model" for low-carbon wastewater treatment in mainstream cities.



On-site Assessment of the Phase II Demonstration Project at Fuyong Water Quality Purification Plant

Research and Development Investment and Outcomes

In 2025, the Group invested RMB 298 million in research and development, representing a 10% year-on-year increase, with a compound annual growth rate (CAGR) of 22% in cumulative R&D investment during the 14th Five-Year Plan period. The Group launched the National High-Tech Enterprise Doubling Program, added one new National High-Tech Enterprise, established three provincial-level environmental engineering research centers, signed an agreement with Academician Peng Yongzhen of the Chinese Academy of Engineering to establish a joint academician workstation, and built high-end innovation platforms.

Through its focus on major scientific research projects, the Group has achieved breakthroughs in several core water-related technologies, providing robust technical support for urban water supply, wastewater treatment, and water environment management. By the end of 2025, the Group had undertaken more than 480 national-, provincial-, and municipal-level research projects, as well as self-initiated projects, yielding a series of technological achievements. As of the same date, it held 682 patents, 275 software copyrights, 54 general-purpose technologies and products, and had led or participated in the development of 167 technical standards.

The Transformation and Application of Scientific and Technological Achievements

Digitalization: Building the Core Capabilities for Smart Water Management

The Group closely follows the development trends of the digital economy, promoting the deep integration of information technologies such as artificial intelligence and big data with the water utilities sector, continuously innovating water utility operation and management models, and launching Shenshui Cloud Brain 2.0 as a model for the modernization and intelligent transformation of China's water utilities industry. Adhering to the guiding principle of "business process optimization, process digitization, platform-based digitalization, intelligent platform development, and practical AI application," the Group has strategically formulated ten major digital transformation action plans and a three-year "Artificial Intelligence+" Action Plan (2025–2027), aiming to achieve an AI penetration rate of 90% across all business operations by 2027.

Case: Shenshui Cloud Brain–A Benchmark for Industry Digital Transformation

As the core platform for the Group's smart water management system, Deepwater Cloud Brain 2.0 has achieved three major breakthroughs.
First, technological innovation – it established a dedicated multimodal large-model and AI agent development platform for the Group, increasing AI adoption in core operations to 60% and enabling the independent deployment of intelligent agents. It also transformed data from mere resources into tangible assets, with 158 data intellectual property certificates registered, and was recognized by the Municipal Finance Bureau as a pilot unit for comprehensive data asset management.
Second, digital application advancement – a comprehensive digital ecosystem covering all departments was established, featuring 59 intelligent applications that support key scenarios such as smart plant operations, pipeline leakage detection, and water supply scheduling, significantly enhancing operational efficiency.
Third, notable digital outcomes – the system delivers three key benefits: cost reduction, water conservation, and improved service quality. Smart plants require 30% fewer operators; the pipeline monitoring agent increased leakage detection accuracy from 13.6% to 34.77%; coordination pressure between plants and pipeline networks decreased by nearly 2.5 million units; and the industry's first "Home Water Manager" agent was launched, achieving a 99% user satisfaction rate and a 98% response success rate.



Shenshui Cloud Brain Architecture

Case: Wuzhifa Smart Water Plant – A Demonstration Model for Smart Water Plant Construction

The Wuzhiha Water Treatment Plant, located in Songgang Subdistrict, Bao'an District, is the district's first advanced water treatment facility featuring advanced treatment processes, smart technology integration, and 5A-level safety production standardization. By extensively leveraging cutting-edge information technologies such as digital twins, big data, and cloud computing, the plant has established a unified data platform that enables seamless information sharing across all operational stages, facilitating centralized monitoring and management together with automated operation under minimal staffing. This approach effectively addresses the operational bottlenecks of traditional water management systems, including over-reliance on experience, manual operation, and data silos. The associated scientific and technological achievements have been recognized as "domestically advanced" and have resulted in the grant of two software copyrights. Industry leaders from China and abroad—including members of the Chinese Academy of Engineering, representatives of Singapore's Public Utilities Board (PUB), and Russia's Water Company (RVK)—have visited the facility and commended its innovative application of digital twin technologies throughout the entire water supply process.



Green Development: Building Integrated Water–Solar–Storage Systems and Shenshui Smart Ice™ Technology

The Group focuses on green transformation, advancing scientific achievements from experimental validation to engineering applications. It has established a near-zero-carbon water treatment plant at Shenzhen He'ao Water Plant featuring integrated water–solar–storage systems, creating a multi-energy complementary power system that drives high-quality development in the water sector through low-carbon energy supply. In addition, to address the cleaning and maintenance needs of urban water supply networks, the ShenShui Smart Ice™ pipeline ice slurry cleaning technology has been successfully deployed and widely adopted.

Artificial Intelligence+: Further Deepening the Integration and Application of AI Technologies

In 2025, the Group further advanced the integrated application of artificial intelligence. Its smart plant and station systems enabled the query and analysis of 36 core operational indicators, improved pipeline leakage detection efficiency by more than 20%, saved nearly 1.85 million m^3 of water annually, and generated economic benefits of approximately RMB 7.19 million.

The Group also vigorously promoted the integration of HarmonyOS technology with water management, deploying China's first basin-wide HarmonyOS-enabled smart sluice station. The Dasha River sewage interception pumping station and sea outfall gate achieved integrated intelligent connectivity, control, and decision-making capabilities, improving operational efficiency by 30%.

Technological Achievements

The Shenshui Smart Ice™ water supply pipeline ice slurry cleaning technology has been included in the National List of Advanced, Mature and Applicable Water Conservation Technologies and Equipment (2025) issued by the Ministry of Water Resources, where it is listed as a priority-recommended technology for urban water conservation. It has also been recognized by the relevant authorities as "reaching internationally leading standards."

The technology has been routinely applied to water supply network cleaning and maintenance in Shenzhen and has been deployed multiple times in cities including Hangzhou, Zhuhai, and Zhaoqing to provide emergency water quality treatment services, establishing a replicable technical solution and service model.

The Water Quality Testing Robot was evaluated by an expert panel led by academicians and organized by the China Environmental Protection Machinery Industry Association and certified as reaching an "internationally leading" level. It has been included in the National Catalog of Major Environmental Protection Technology Equipment Encouraged for Development (2025 Edition) jointly issued by the Ministry of Industry and Information Technology and the Ministry of Ecology and Environment, the Typical Cases of Ecological and Environmental Science and Technology Achievement Transformation in 2025, and the Shenzhen Guidance Catalog for the Promotion and Application of First-of-Its-kind Major Technical Equipment (2025 Edition). In addition, it has obtained EU CE certification, providing authoritative support for its commercialization and industrial application.

The engineering application scale of Shenshui Smart Nitrogen™ AOA low-carbon innovation technology has reached 2.175 million tonnes per day, achieving average reductions of 15% in construction costs and 65% in nitrogen-removal agent consumption. The technology has received high recognition from both the Ministry of Water Resources and the Ministry of Ecology and Environment.

Case

Bao'an Water Service, a subsidiary of the Group, has independently developed a series of pioneering domestic technologies and equipment for key scenarios including water treatment plant operation, wastewater treatment, and secondary water supply assurance, facilitating the transformation of technological innovations from research and development to engineering implementation and real-world applications. Notable examples include China's first integrated "Shenshui Green Membrane"(ceramic membrane) wastewater treatment system, which enables zero wastewater discharge from treatment plants; the "Water Treatment Plant Process Master" system, which automates the entire jar testing process and enhances the intelligence and standardization of process control; and China's first Secondary Water Supply Mobile Pump Truck, which reduces service restoration time following secondary water supply failures from several days to just 30 minutes, significantly strengthening the reliability of the "last mile" of urban water supply.



Huanshui Green Membrane



Water Treatment Process Expert System



Mobile Pump Truck for Secondary Water Supply

Leading Industry Development

Based in Shenzhen, serving the Guangdong–Hong Kong–Macao Greater Bay Area, and extending its reach nationwide, the Group promotes technological collaboration and resource sharing across the water utilities sector by organizing industry conferences, facilitating technical exchanges, and establishing cross-sector cooperation platforms, thereby fulfilling its responsibility as a state-owned enterprise to drive industry development.

In 2025, the Group, in collaboration with the Guangdong Urban Water Association and other organizations, successfully hosted the 2025 National Conference of Secretaries-General of Provincial Water Associations, bringing together more than 100 experts and scholars from provincial water associations and industry organizations across China. The conference established a national platform for exchange and cooperation within the water sector while highlighting Shenzhen's leading role in the industry's development. The Group also successfully secured the hosting rights for the 2026 Annual Conference of the China Water Association and organized the 2025 Environmental Water

Case: Industry seminars drive intelligent transformation in the water sector

Through hosting the "Drone + Water Management" Integration Innovation Exchange and Industrial Application Case Seminar, the Group showcased a range of outstanding drone applications in water-related scenarios, including pipeline inspection, water quality monitoring, and reservoir patrols, promoting the large-scale deployment of drone technology across the water sector. These innovative applications have become benchmark cases for the intelligent transformation of China's water industry.



Drone–Water Utility Integration Innovation Forum and Industrial Application Case Seminar

Responsibility Story

Intelligent Solutions Shaping the Future of Water Management

In 2025, the Group cultivated new quality productive forces through systematic innovation. It established a top-level strategic framework centered on "One Promotion and Three Transformations" and introduced a challenge-driven R&D mechanism, while achieving breakthroughs in key technologies such as low-carbon wastewater treatment and solid waste resource utilization, earning multiple provincial-level science and technology awards.

At the same time, the Group built a nationwide industry collaboration platform, promoted cross-sector integration, and stimulated innovation across the ecosystem through initiatives such as **"Drone + Water Management"** and artificial intelligence competitions. By deeply integrating technological innovation into its mission of safeguarding urban water security and advancing green, low-carbon development, the Group has strengthened its technological capabilities and laid a solid foundation for future sustainable growth.



Intelligent solutions are shaping the future of water management



Environmental Responsibility: Protecting our pristine natural environment and building a beautiful homeland together

Tackling Climate Change

The Group actively supports China's national "dual carbon" goals and implements key policy initiatives, including the Shenzhen Municipal State-Owned Assets and Enterprises Reform and Development 14th Five-Year Plan, the Shenzhen Water Services Development 14th Five-Year Plan, and the Shenzhen Water Services High-Quality Development Action Plan (2024–2026). It addresses climate change through a comprehensive management approach by identifying and assessing climate-related risks and opportunities, integrating climate considerations into its risk management processes, establishing clear targets and performance indicators, and continuously advancing low-carbon transformation and sustainable development to contribute to global climate governance.

Climate Change Response Strategy

Based on its business characteristics, the Group proactively identifies and assesses climate-related risks, conducts in-depth analyses of the opportunities and challenges arising from climate change, and develops targeted response measures to enhance its operational resilience and adaptability.

Physical Risk

Risk Category	Risk Name	Potential Impact	Response Measures
Acute Risk	Extreme Precipitation	1.Increased flood risk at sludge treatment and disposal facilities located in low-lying areas. 2.Reduced wastewater treatment efficiency and an increased risk of overflow-related pollution. 3.Deterioration of source water quality, increasing the complexity of water treatment.	1.Maintain adequate flood-control materials and emergency drainage equipment on site to protect critical electrical facilities. 2.Improve flood early warning and emergency response mechanisms by issuing timely warnings and conducting regular emergency training and drills. 3.Maintain and upgrade plant drainage systems to enhance operational resilience during extreme rainfall events. 4.Regularly review and optimize emergency response plans to ensure the continuous operation of water treatment facilities. 5.Strengthen monitoring of production facilities and pipeline infrastructure in affected areas and initiate post-disaster recovery promptly.
	Extreme Cold Weather	1.Low temperatures reduce sludge biological activity and the effectiveness of conditioning agents, adversely affecting sludge dewatering efficiency and increasing the moisture content of the final sludge product. 2.Increased heat loss in low-temperature sludge condensation drying systems leads to higher energy consumption.	1.Adjust chemical dosing and optimize operating parameters based on sludge characteristics. 2.Use low-temperature-resistant sludge conditioning agents and drying equipment with high-performance thermal insulation (such as precision die-cast aluminum housings).
Chronic Risk Factors	Drought	1.Reduced availability of production water sources. 2.Increased concentrations of pollutants and sediment in source water.	1.Develop water resource management plans to optimize water allocation. 2.Strengthen water conservation throughout production processes and increase the use of water-efficient equipment. 3.Develop dedicated drought emergency response plans and enhance staff training and emergency drills.
	Water Quality Changes	Higher pollutant concentrations and increased sludge generation make sludge treatment and disposal more challenging.	1.Conduct source water and sludge analyses to evaluate the impact of pollutants on sludge treatment and disposal. 2.Adjust chemical dosing and optimize operating parameters based on water quality conditions. 3.Increase laboratory testing frequency to ensure treatment performance consistently meets regulatory requirements.
	Changes in Sludge Quantity and Characteristics	Significant seasonal fluctuations in sludge quantity and characteristics during wet and dry periods place considerable pressure on existing sludge treatment facilities.	1.Wet season: Schedule preventive maintenance while ensuring treatment and disposal requirements are met to accommodate increased sludge volumes. 2.Dry season: Apply conditioning agents suitable for sludge with high organic content to maintain treatment efficiency. 3.Develop dedicated operational plans and strengthen production management.

Transformation Risk

Risk Category	Risk Name	Potential Impact	Response Measures
Policy and Regulatory Risk	Government authorities issue policies, standards, and regulatory requirements related to environmental protection and the low-carbon transition.	Failure to respond promptly to policy changes and adjust business strategies and operations may result in reduced revenue, increased compliance costs, fines, or legal penalties.	1.Monitor technological developments, business transformation trends, and updates to relevant industry standards, and conduct market and industry research as appropriate. 2.Continuously monitor domestic and international policy developments and regularly review internal policies, standards, and management systems. 3.Continue to advance green and low-carbon development, improve carbon emissions management systems, and fulfill carbon emissions compliance obligations in a timely manner.
Policy and Regulatory Risk	Low-carbon technological transformation and innovation, including equipment upgrades and the adoption of low-carbon energy sources.	Investments in technology upgrades and the transition to low-carbon energy may increase operating and capital costs.	Investments in technology upgrades and the transition to low-carbon energy may increase operating and capital costs.
Market Risk	Increasing customer expectations driven by greater national and regional attention to climate and environmental issues, together with growing demand for both environmental performance and cost efficiency.	Higher customer expectations for environmental performance and cost-effective delivery increase pressure on project execution and operational efficiency.	1.Respond promptly to environmental regulatory inspections and evolving customer needs. 2.Continuously optimize project delivery models and improve operational efficiency.
Reputational Risk	Poor environmental performance, including pollution, emissions, or inadequate resilience to climate-related risks.	Environmental incidents or poor climate performance may damage the Group's public image and negatively affect its reputation.	Establish clear strategies, management standards, and risk control requirements for climate change response to strengthen environmental performance and reputation management.

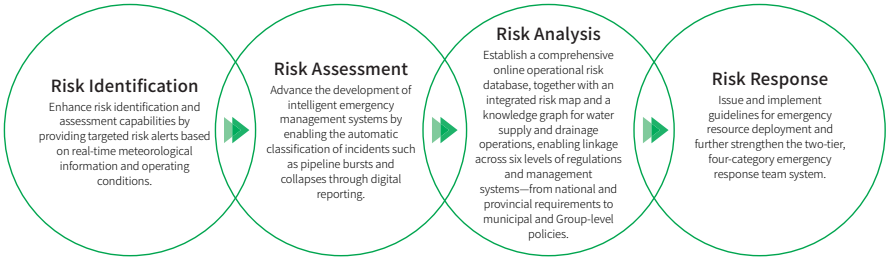
Climate Opportunities Analysis

Opportunity Category	Climate-related opportunities	Potential Financial Impacts
Resource Efficiency	Improve the efficiency of energy and natural resource utilization, thereby reducing resource consumption.	1. Reduce the Group's operating costs. 2. Improve production capacity and increase revenue.
Energy Sources	Adopt low-carbon energy and innovative technologies, participate in carbon markets, and invest in renewable energy projects.	1. Generate investment returns from green and low-carbon projects. 2. Reduce exposure to future fossil fuel price fluctuations. 3. Reduce greenhouse gas emissions.
Products and Services	Meet emerging customer needs through the application of new technologies while building experience in providing green and low-carbon technology services to governments and enterprises.	Gain first-mover advantages through early market positioning, strengthen market competitiveness, and increase revenue.
Market Opportunities	Develop and operate green and low-carbon projects, and collaborate with organizations committed to green and low-carbon development to enhance ESG performance.	Obtain financial support related to the green and low-carbon transition and climate change response.
Resilience Opportunities	Participate in renewable energy projects, adopt energy-saving measures, and improve performance evaluation and incentive mechanisms.	Reduce climate-related losses and enhance the Group's resilience to climate change.

Climate Risk Management

The Group attaches great importance to climate risk management by integrating climate-related risks into its enterprise risk management framework, establishing a comprehensive climate risk management mechanism, and developing standardized procedures for identifying, assessing, and responding to climate-related risks, thereby enhancing the overall effectiveness of risk management.

Climate Risk Management Process



Compliance Management

The Group regards environmental compliance management as the cornerstone and fundamental requirement for sustainable corporate development. It strictly complies with national laws and regulations, including the Environmental Protection Law of the People's Republic of China, as well as Shenzhen's local environmental regulations, standards, and requirements. The Group is committed to establishing a systematic, standardized, and intelligent environmental compliance management system to ensure that all operational activities are conducted in accordance with applicable laws and regulations, effectively mitigate environmental risks, and provide robust safeguards for urban ecological security.

The Group actively promotes the deep integration of environmental compliance requirements into its internal control and risk management systems. In accordance with the Compliance, Risk Control, and Internal Control Process Manual and its respective business-specific volumes, environmental compliance reviews are incorporated as mandatory procedures into key business processes, including investment decision-making, project construction, and production operations.

To thoroughly implement Xi Jinping Thought on Ecological Civilization and fully implement the Opinions of the CPC Central Committee and the State Council on Intensifying the Battle Against Pollution, while advancing the "dual transformation and dual enhancement" initiative for domestic wastewater treatment, the Group developed the 2025 Water Pollution Control Work Plan in accordance with the relevant tasks set out in the Guangdong Province Five-Year Action Plan for the Clean Water Protection Campaign (2021–2025) and based on local conditions. Addressing the water environment management needs of Shenzhen as a megacity, the Plan focuses on achieving the goals of "full pipeline coverage, integrated plant-network management, professional operation and maintenance, and intelligent management" to establish a wastewater governance system characterized by clear responsibilities, sound mechanisms, efficient operations, and sustainable performance, with the aim of positioning Shenzhen as a national benchmark for the reform of integrated plant-network management.

The Group consistently adheres to the principle of "prevention first, combining prevention with control," and has established a comprehensive emergency response system for environmental incidents. The system covers a wide range of potential environmental risk scenarios, including raw water contamination, accidental pollutant releases, and hazardous chemical leaks. The Group and its affiliated production units regularly conduct multi-level, scenario-based emergency drills, including flood control and drainage response exercises, hazardous chemical leak response drills, and emergency response exercises for sudden water quality incidents. Through continuous drills and practical exercises, the Group further optimizes its emergency response procedures, enhances frontline employees' emergency response capabilities and coordination, and ensures rapid, scientific, and effective responses while minimizing environmental impacts.

In 2025, the Group recorded no major environmental violations or administrative penalties related to environmental protection, maintaining an exemplary compliance record. The Group proactively disclosed relevant information through its ESG Report and official website, accepting supervision from government authorities, the public, and other stakeholders.

Climate Change Response Practices

Building a Resilient Urban Water Security System

The Group has comprehensively enhanced the resilience of the city's flood control and drainage system through a dual approach combining engineering improvements and intelligent dispatching.

On the engineering side, the Group continued to advance risk mitigation projects, including Phase I of the rehabilitation of the Sea Outfall Channel (Nanshan Section), to eliminate safety hazards and strengthen infrastructure resilience. In addition, periodic dredging and maintenance of drainage pipelines and channels were carried out before and during the flood season to ensure smooth network operation and maintain system performance.

On the intelligent management side, the Group developed and deployed the Digital Drainage system, covering more than 7,800 km of municipal drainage pipelines, 114 rivers, and related water infrastructure, including pumping stations and reservoirs. The system enables real-time monitoring and intelligent dispatching, providing strong support for scientific flood-control decision-making and rapid emergency response.

In 2025, Shenzhen recorded an average annual rainfall of 2,034 mm, approximately 10% higher than the average for the previous five years, and issued 62 rainstorm warnings, including seven Red Alerts. In response to these severe weather conditions, the Group systematically carried out risk inspections, optimized emergency response plans, and strengthened emergency preparedness. A total of 357 identified hazards were rectified, while emergency pumping capacity increased to 105,000 m^3/h, representing a 13% year-on-year increase. The Group successfully responded to extreme weather events, including the prolonged torrential rainfall on 5 August and Typhoon Hujia on 24 September. Water accumulated at 32 flooding locations receded within 30 minutes, with no major safety incidents reported. In recognition of its outstanding performance, the Group was named an Outstanding Unit for Flood, Drought and Typhoon Prevention by the Shenzhen Municipal Government.

Climate Goals

The Group recognizes that proactively addressing climate change is not only essential to fulfilling its environmental responsibilities, but also a core strategy for driving business transformation, upgrading, and achieving high-quality development. To this end, the Group has established a systematic climate action roadmap aimed at strengthening climate resilience and steadily advancing toward carbon neutrality through management innovation, technological advancement, and operational optimization. The key initiatives are as follows:

(1)Exploring pathways for green and low-carbon development: Accelerate the accounting of the Group's annual greenhouse gas emissions and analysis of emissions trends; identify green and low-carbon application scenarios, project pipelines, and implementation plans; and formulate the Group's Green and Low-Carbon Development Implementation Plan.

(2)Promoting green and low-carbon energy development: Accelerate the development of near-zero-carbon industrial parks; advance the Group's 2025 carbon emissions compliance obligations; and complete the renewal and surveillance audit of the Group's energy management system certification.

(3)Advancing innovative and coordinated development models: Further explore new models for integrated and coordinated development; promote the integrated management of water supply and wastewater services through a grid-based management approach; focus on delivering high-quality services; enhance the multi-skilled capabilities of operational personnel; and further develop the "Water Manager for Every Home" service model.

(4)Strengthening emergency management platform development: Develop online platforms for digital emergency plans, duty management, emergency resources, and the operational risk database; improve the information reporting system; and enhance the Group's capability to respond to and manage emergency incidents.

(5)Improving equipment performance management: Establish and continuously improve the Group's equipment management system; promote full life-cycle equipment management; comprehensively enhance equipment management practices; strengthen internal and external exchanges on energy-saving technologies; and improve the operating efficiency of major energy-consuming equipment.

Low-Carbon Production

The Group actively embraces the principles of green and low-carbon development and regards the adoption of clean energy as a key measure to address climate change and achieve its carbon reduction goals. It has formulated and implemented the Green and Low-Carbon Development Action Plan (2025–2030), which sets out initiatives across six key areas with a total planned investment of RMB 609 million. Significant progress has been made in implementing major projects, including the addition of 18 minimally staffed water treatment plants and pumping stations, the completion of 13 distributed photovoltaic projects, one energy storage project, and two water-source heat pump projects. These initiatives are expected to reduce annual purchased electricity consumption by approximately 1.95 million kWh and carbon dioxide emissions by 1,209 tonnes, further reinforcing the Group's commitment to green development.

Institutional Safeguards and Management System

Implementation Guidelines for Energy Conservation and Consumption Reduction Achievement Awards (2022 Revision): A comprehensive incentive mechanism has been established through First, Second and Third Prizes, together with an Excellence Award. Awards are granted annually based on project performance in reducing energy consumption and electricity costs, as well as technological advancement, independent innovation, and application potential, thereby encouraging employees to actively promote and implement energy-saving technologies and management practices.

Regulations on Hazardous Waste Management (2022 Revision): Establishes whole-process management for hazardous wastes, including waste liquids and used lubricating oil, through classified storage and a hazardous waste transfer manifest system, ensuring safe disposal and preventing environmental pollution.

Interim Regulations on Wastewater Quality Management: Defines responsibilities across the entire chain of "plants, pipeline networks, rivers, and water sources," establishes a multi-level water quality monitoring network, ensures stable compliance of wastewater quality, and systematically improves the quality of the aquatic environment.

Regulations on Air Pollutant Management for Drainage Facilities (2022 Revision): Implements the Group's most stringent internal concentration limits, requires the simultaneous design, construction, and commissioning of odor control facilities, establishes graded monitoring mechanisms, incorporates environmental management performance into performance evaluations, and effectively prevents odor nuisance.

Interim Regulations on Whole-Process Management of Water Utility Sludge and Residues: Standardizes the management of sludge and residues generated from water treatment plants, pipeline desilting, and other operations throughout their entire life cycle, from generation to final disposal. Resource recovery technologies, including manufactured sand production and landscaping soil preparation, are adopted to significantly improve resource utilization.

Regulations on Sludge Operation and Management for Water Quality Purification Plants (2024 Revision): Adopts low-temperature drying technology to achieve zero wastewater discharge and full treatment of sludge filtrate, while strictly implementing the hazardous waste transfer manifest system and third-party testing to ensure full-process compliance in sludge treatment and disposal.

Carbon Monitoring System Innovation: Building a Foundation for Precise Emissions Reduction

The Group continues to actively address climate change by integrating carbon reduction into its core business operations. In accordance with the Ministry of Ecology and Environment's Work Plan for Deepening the Pilot Program on Carbon Emissions Monitoring and Assessment, the Group carried out a pilot program from 2024 to 2025 to further enhance carbon emissions monitoring and assessment. Targeting ppb-level precision, full-process monitoring, and year-round continuous observation, the Group is committed to establishing a multi-scale greenhouse gas monitoring network featuring coordinated "point-line-area" coverage. This initiative addresses the limitations of traditional manual monitoring, including short monitoring periods, limited monitoring locations, insufficient spatial and temporal data resolution, and the inability to correlate emissions data with operating conditions.



Carbon Monitoring System Innovation

Clean Energy Substitution: Advancing the Low-Carbon Energy Transition

The Group has systematically promoted the construction of distributed photovoltaic projects across its water facilities by making full use of available rooftop and open-space resources at water treatment plants and pumping stations. Solar energy is converted into clean electricity to directly replace a portion of grid electricity purchases, thereby reducing Scope 2 greenhouse gas emissions at the energy source. In 2025, distributed photovoltaic projects were commissioned at the Yantian Port Water Treatment Plant, Guangming Sludge Treatment Plant, Guangming Water Quality Purification Plant, and Jiazitang Water Treatment Plant. By the end of 2025, the Group had completed and put into operation photovoltaic projects at multiple water facilities in Shenzhen and other cities, with a total installed capacity of 5,049 kWp, demonstrating the large-scale application of renewable energy. These projects have effectively reduced the carbon intensity of production and operations and represent an important step in building a clean, low-carbon energy system and advancing toward the Group's carbon neutrality goals.

Photovoltaic applications in group's water facilities

No.	Entity	Location	Year of Commissioning	Installed Capacity (kWp)
1	Shenzhen Environment Group	Shangyang Water Quality Purification Plant	2016	1,980
2	Nanshan Branch	Qianhai Rainwater and Sewage Pump Station	2018	76
3	Futian Branch	Fengtang Sewage Pump Station	2018	32
4	Longgang Water Services Group	Longgang He'ao Water Treatment Plant	2024	84
5	Huanshui Investment Group	Kaiping Water Supply; Ningguo Water Services; Ningguo Water Environment	2024	520
6	Yantian Branch	Yantian Port Water Treatment Plant	2025	386
7	Guangming Shenshui Company	Guangming Sludge Treatment Plant	2025	390
8	Guangming Water Environment Company	Guangming Water Quality Purification Plant	2025	788
9	Guangming Water Supply Company	Jiazitang Water Treatment Plant	2025	793
Total				5049

Technological Innovation Breaks Through Bottlenecks in Low-Carbon Treatment Technologies

The Group has overcome key technological bottlenecks in low-carbon treatment through continuous process innovation. Its R&D achievements have received multiple provincial-level science and technology awards, making significant contributions to the development of resilient cities. Seven projects led by the Group won First and Second Prizes at the 2025 Science and Technology Awards of the Guangdong Provincial Municipal Industry Association and the Guangdong Environmental Protection Industry Association.

Notably, the project "Research and Application of Multi-Dimensional Collaborative Pollutant Tiered Control and Intelligent Regulation Technology for Resilient Cities" filled a technological gap in collaborative pollution control under complex scenarios, significantly enhancing Shenzhen's environmental emergency response capabilities for resilient urban development. The project "Low-Carbon and High-Efficiency Urban Wastewater Treatment Technology with Smart Equipment Applications" achieved a COD removal rate of more than 95% while reducing the treatment cost per tonne of wastewater by 18%. In addition, the project "Precision Odor Control Technology for Urban Drainage Systems Across All Scenarios in the Guangdong-Hong Kong-Macao Greater Bay Area" reduced odor concentrations to 80% below the national standard, significantly improving the living environment for local residents.

Case：Case Study: Innovative Application of Water-Source Heat Pump Technology in Low-Temperature Sludge Drying

In the sludge drying project at Wuzhiha Water Treatment Plant, water-source heat pump technology was innovatively adopted as the primary heat source. Based on the reverse Carnot cycle principle, the technology recovers low-grade thermal energy from production wastewater and cooling water for use in low-temperature sludge drying. Operational data demonstrate that, compared with conventional heating methods, this approach significantly reduces energy consumption and represents an innovative low-carbon solution for sludge treatment.



Wuzhipa Water Treatment Plant Sludge Drying Project

Reduction in Energy Consumption Across Production Processes

The Group has positioned digitalization and intelligent technologies as the core drivers for achieving precise energy conservation, deeply integrating the Internet of Things (IoT), big data, artificial intelligence, and advanced control technologies to establish a management system featuring end-to-end digitalized operations and intelligent decision-making. The system covers all aspects of production and operations, including plant operations, pipeline scheduling, and chemical dosing, forming a closed-loop mechanism for precise energy management encompassing monitoring, analysis, and execution.

The Group has achieved significant progress in integrated smart energy management, with continuous improvements in overall energy efficiency. Key initiatives include energy-efficient upgrades to process equipment, the development of green and low-carbon plants, and the continuous optimization of operational management. By 2025, the unit consumption of water and treatment chemicals per cubic metre of water treated is expected to decrease by 11% compared with 2020 levels.

The Group has also focused on developing replicable and scalable pathways for the intelligent, low-carbon transformation of secondary water supply systems. Leveraging digital twin and intelligent control technologies, it established the industry's first "Green Energy-Efficient Smart Demonstration Pump Station," achieving a 53% year-on-year reduction in both electricity costs per tonne of pressurized water supplied and unit energy consumption for water distribution. The project generates annual electricity cost savings of approximately RMB 140,000, with energy efficiency reaching internationally advanced levels. This model has been standardized into a technical solution package with commercialization potential, providing a replicable integrated solution for energy conservation and emissions reduction across the industry.

Case Study: Smart Lighting Control Upgrade at Longhua Qiankeng Water Treatment Plant

Longhua Qiankeng Water Treatment Plant has established a comprehensive monitoring network by deploying 971 monitoring points. The upgraded automation system enables 100% remote control of critical equipment and 94% remote control coverage for all plant equipment, significantly reducing manual intervention. Through systematic lighting upgrades across 13 production workshops and 70 lighting fixtures, the plant supports low-carbon operation under low-light conditions. By integrating 7,039 online data tags and establishing a hierarchical alarm system comprising 3,478 SCADA control parameters, the plant achieves centralized management of its entire operational infrastructure—including two water treatment plants and nine pumping stations—through a single integrated platform.



Longhua Qiankeng “Lights-Out” Water Treatment Plant



Green Products

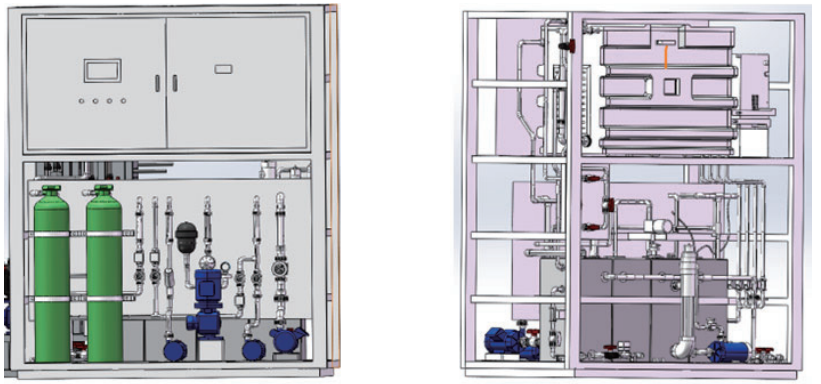
Reducing Carbon Footprints at the Source

The Group integrates green and low-carbon principles throughout the entire product life cycle, from product development and process design to application. By optimizing chemical formulations and treatment processes, it develops green products with inherent carbon reduction benefits from the outset and provides full life-cycle services. Through the research, development, and promotion of high-quality water treatment products, the Group systematically reduces pollutant generation and energy consumption for downstream municipal, industrial, and seawater desalination users, extending carbon reduction benefits throughout the value chain.

The Group's portfolio of green products complements its carbon reduction initiatives in process innovation and intelligent technologies, completing a key element of decarbonization across the water treatment value chain. It also provides replicable solutions for advancing the development of "Zero-Waste Cities" and achieving the "dual carbon" goals in the water sector.

Case: Developing Green Products to Reduce Pollutants and Solid Waste Generation

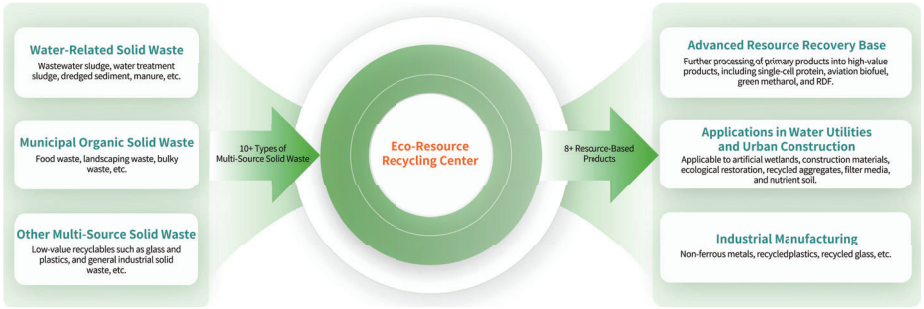
The Group's subsidiary, Qingyuan Company, has developed a range of environmentally friendly products, including new fluoride removal agents and phosphorus removal agents, all designed using green formulations. While improving treatment efficiency, these products significantly reduce sludge generation. Following the application of the new fluoride removal agent, sludge production is reduced by approximately 50% compared with conventional products, directly reducing solid waste generated during the water treatment process while lowering sludge disposal costs and environmental impacts, thereby supporting the development of "Zero-Waste Cities." In addition, the hydrogen-free sodium hypochlorite generator and its on-site preparation technology adopt diaphragm-free electrolysis technology to eliminate hydrogen generation. This not only addresses the safety and environmental risks associated with the storage and transportation of sodium hypochlorite as a hazardous chemical but also achieves higher energy efficiency than conventional hydrogen-generating systems, effectively reducing energy consumption and environmental risks in municipal water supply and seawater desalination disinfection processes.



Schematic Diagram of the Hydrogen-Free Sodium Hypochlorite Generator

Resource Recycling

The Group has developed an innovative integrated model that combines water, solid waste, and energy resources. Through an Eco-Resource Recycling Center featuring coordinated upstream integration and downstream resource recovery, multiple sources of solid waste are collected and treated through an integrated and collaborative process, with resource-based products generated at the final stage. This model emphasizes the coordinated utilization of multiple waste streams and the diversified application of recycled products, providing a systematic solution for sustainable urban development.



Eco-Resource Recycling Center

The Group regards by-products generated during production as valuable resources and is committed to maximizing their recycling and reuse. In wastewater reuse, advanced technologies such as integrated ceramic membrane systems are employed to achieve the full recovery and reuse of effluent from water treatment plants. In sludge resource recovery, the Group applies core technologies such as low-temperature drying to reduce sludge moisture content from approximately 80% to below 40%, before processing it into recycled construction materials, planting soil and organic growing media, fuel pellets, and other value-added products, transforming waste into valuable resources. For the life-cycle management of spent activated carbon, the Group has established a closed-loop management system covering selection, performance evaluation, end-of-life assessment, and regeneration. Through technical trials involving thermal regeneration and microwave regeneration, the Group has developed practical pathways for recycling spent activated carbon, maximizing its residual value while minimizing resource waste.

Case: Smart Green Operations at Honghu Water Quality Purification Plant

As China's first fully underground water quality purification plant with full 5G coverage, Honghu Water Quality Purification Plant has established a "dark factory" operating model through a comprehensive smart upgrade, driving a transformation toward green operations. Centered on the principles of minimal staffing, high efficiency, and low carbon, the project has established a comprehensive monitoring network and intelligent control system, achieving a 95% remote-control rate for equipment while significantly reducing on-site manual intervention and energy consumption. The operational results have been remarkable: chemical consumption per cubic metre of water treated has decreased by 20%, electricity consumption per cubic metre by 12%, and carbon emissions intensity by 6%, while on-site staffing has been reduced by 64% and maintenance work orders by 18%. In addition, the plant makes full use of its underground configuration, releasing 32,400 m^2 of surface land annually. Through reclaimed water reuse and replenishment, with an annual reuse volume of 12 million m^3, it also achieves the efficient recycling of water resources.



Honghu Water Quality Purification Plant Project



Results of Water Environment Management

Ensuring Full Compliance with Water Quality Standards and Achieving Record-High Water Quality in the Maozhou River and Shenzhen River
The Group adopts a dual approach combining meticulous management with systematic governance to ensure full compliance with water quality standards across the entire monitoring network through comprehensive and refined management. By 2025, water quality at the Gonghe Village section of the Maozhou River and the national monitoring section at the Shenzhen River estuary had improved from Class IV in 2020 to Class III. Specifically, ammonia nitrogen and total phosphorus concentrations at the Gonghe Village section of the Maozhou River decreased by 51.3% and 26.5% year-on-year, respectively, while those at the Shenzhen River estuary decreased by 24.7% and 6.4%, respectively, reaching their best levels on record. Key systematic governance measures include:

Source Pollution Control and Pipeline Network Upgrading: As part of the citywide campaign to address water environment risks, which identified 235 potential risk points and implemented 367 remediation measures, the Group continued throughout the year to advance rainwater-sewage separation projects and rehabilitate drainage pipelines.

Control of Overflow Pollution: While advancing engineering remediation projects, the Group strengthened technological support by conducting research on intelligent scheduling strategies for drainage systems to control overflow pollution and established a precision pollution control model for the Buji River sub-basin demonstration area. The model enables accurate pollution source tracing and identification, providing scientific support for watershed management. Optimized scheduling strategies were also implemented for river interception facilities, effectively reducing pollutant loads entering rivers.

Integrated Plant-Network Scheduling: The Group carried out research on upgrading the integrated plant-station-network model for the Shenzhen Bay watershed and optimizing scheduling strategies, establishing a multi-objective coordinated scheduling system based on the principle of "integrated pollution control and flood management." The system supports precise management of overflow pollution, provides scientific decision-making support for coordinated scheduling between initial rainwater storage facilities and water treatment plants, optimizes cross-regional scheduling plans, and safeguards water quality during the rainy season.

Biodiversity Protection

The Group fully recognizes that biodiversity is fundamental to maintaining healthy and resilient ecosystems. As a steward of urban water resources and the ecological environment, it consistently integrates biodiversity conservation into both its daily operations and long-term development strategy. Through systematic water source protection, water environment management, and ecological restoration, the Group strives to minimize the ecological impacts of its operations while actively promoting ecosystem restoration and biodiversity conservation.

The Group strictly complies with national and local regulations on ecological protection and conducts rigorous ecological impact assessments during both the planning and construction stages of its projects. In accordance with the Guidelines for Engineering Project Compliance, projects involving ecological conservation red lines, including national parks, nature reserves, primary protection zones for drinking water sources, and important wetlands, are subject to rigorous review. Where required, the Group prepares dedicated feasibility studies and follows the prescribed approval procedures to ensure all activities are carried out in compliance with applicable regulations, minimizing disturbance to native vegetation, wildlife habitats, and natural shorelines while safeguarding ecologically sensitive areas.

Ensuring the safety of water sources is fundamental to protecting aquatic biodiversity. The Group conducts continuous water quality monitoring of rivers, water treatment plants, discharge outlets, and pipeline networks, maintaining the integrity and stability of aquatic ecosystems while providing a healthy habitat for aquatic life that depends on clean water resources.

Case: Water System Development and Management Project in Liangying Town

Through the sustained implementation of systematic initiatives, including the "Six-Water Integrated Management" program and river ecological restoration, the Group has planted aquatic vegetation such as calamus and reeds along riverbanks to establish natural ecological purification systems, successfully restoring multiple rivers from polluted and malodorous waterways to clean rivers with clear water and green banks. At the same time, ecological corridors and waterfront walkways have been developed, integrating ecological restoration with public recreational spaces to ensure that water system management not only protects ecosystems but also enhances community well-being.

Environmental improvement of the Zhaiqian Stream in the old village area of Xiandou Village, Liangying Town



Liangying Town Water Environment Rehabilitation Project



Responsibility Story

United Efforts in Responding to Super Typhoon Ragasa

In response to the severe challenges posed by Super Typhoon Ragasa, Dapeng Environmental Water Company, a subsidiary of the Group, entered a full state of emergency preparedness before the typhoon made landfall. The company proactively planned and implemented comprehensive preventive measures to safeguard the water supply and drainage systems within its service area while protecting the lives and property of local residents.

Comprehensive Planning and Rapid Deployment:

The leadership team of Dapeng Environmental Water Company closely followed the Group's directives and made full use of the critical preparation window before the typhoon's arrival. A dedicated typhoon response meeting was convened to refine flood control and typhoon preparedness plans, while inspection teams were organized to conduct targeted safety inspections at key water treatment plants, pumping stations, construction sites, and other critical facilities.



Comprehensive Inspections to Eliminate Potential Risks:

Office buildings were reinforced and emergency supplies fully stocked. Emergency generators were deployed at key water treatment plants to prepare for possible power outages caused by severe weather. Inspections of reservoirs, sluices, and other water infrastructure were intensified, all riverside access routes were closed, and trees along critical waterways were reinforced or pruned where necessary. All departments worked in close coordination to establish a comprehensive flood and typhoon defense system.



Frontline Efforts to Ensure Effective Drainage:

During the Red Typhoon Warning and Orange Rainstorm Warning, frontline personnel remained on duty around the clock to ensure effective road drainage and minimize urban flooding. At the same time, they carried out emergency response tasks in an orderly manner, including clearing fallen trees along rivers, repairing damaged infrastructure, and rapidly restoring the surrounding environment.

Scientific Dispatching and Enhanced Emergency Preparedness:

Operational strategies were adjusted according to the specific conditions of each water treatment plant. In addition to operational staff, emergency personnel were stationed at all plants on a 24-hour basis to ensure stable equipment operation and rapid emergency response. During the "Five Suspensions" period, a total of 126 employees remained on duty with uninterrupted communications, forming a highly efficient emergency response team.



Public Awareness Campaign:

Water service personnel in each service area promptly distributed guidance on water safety and emergency water storage through residential property management WeChat groups, reminding residents to closely monitor typhoon updates, take appropriate household preparedness measures, and work together to strengthen flood and typhoon resilience.





Social Responsibility: Connecting with every household, conveying the warmth of water services.

Customer Service

Strengthening the "Water Manager for Every Home" Service System and Enhancing Public Service Assurance

In 2025, the Group further strengthened its "1+2+3" service framework, with customer satisfaction as its core objective. It transformed its water supply services from an operation-centered approach to a user-centered one, shifting from passive complaint handling to proactive door-to-door services, while achieving a 100% completion rate for three key service commitments: door-to-door services, complaint follow-ups, and coordinated service support. Through five key initiatives—grid-based service management, standardized service commitments, innovation-driven service enhancement, targeted policy implementation, and smart system upgrades—the Group translated its service commitments into tangible benefits for the public. In 2025, the Group's customer satisfaction rate reached 97.28%, representing a year-on-year increase of 1.08 percentage points. The Group ranked first in Guangdong Province in the "Access to Water" indicator of the Business Environment Evaluation.

Strengthening Grid-Based Services and Expanding Water Service Coverage

The Group has established a two-tier service model combining grid-based management with dedicated water service personnel, ensuring close coordination between water service specialists and grid officers. Personalized customer requests are handled by specialists, while issues related to facilities within each service grid are promptly addressed by grid officers, creating an efficient service model featuring specialist support and grid-based response. By 2025, the system had provided 2.28 million on-site services and resolved more than 43,000 water-related issues.

Delivering Standardized Services to Strengthen Public Service Assurance

The Group remains committed to its "Three 100%" service commitments: 100% on-site service coverage to respond directly to customer needs; 100% follow-up coverage for all customer complaints to ensure every request receives a response; and 100% coordinated service support through close collaboration with community property management companies. By using service commitments to drive continuous improvements in service quality and efficiency, the Group has established a comprehensive public service complaint management system, achieving both a 100% on-time resolution rate and a 100% customer satisfaction rate for public service complaints in 2025.

Building Distinctive Service Brands Through Innovation

The Group has developed a diversified portfolio of convenient water services and launched distinctive initiatives such as the "Baoshui Teahouse Under the Big Tree" and the "Three Waters, Three Communities" program. Through community tea gatherings, the Group listens to residents' concerns while promoting water conservation awareness. It has also advanced initiatives that bring water health awareness into residential communities, water education into schools, and water culture into neighborhoods. By conducting proactive door-to-door visits to address practical water-related issues, the Group transforms public feedback into continuous service improvements while strengthening communication with local communities and expanding channels for public engagement.

Delivering Targeted and Personalized Services

Leveraging the Shenshui Cloud Brain data platform, the Group proactively identifies customer needs by analyzing high-frequency service scenarios, including abnormal water consumption, excessive water usage, overdue water bills, and invalid contact information. This enables targeted on-site services and proactive resolution of water-related issues before complaints arise. Working closely with local communities, the Group has established a database of vulnerable groups and introduced intelligent water use alerts for elderly people living alone. It has also continued to implement preferential water tariff policies for low-income households and other eligible families, waiving more than RMB 1 million in water charges for over 4,000 households during the year.

Continuously Upgrading Smart Service Platforms

The Group launched China's first intelligent water service system, creating a digital "Water Manager" for customers together with an intelligent assistant for service personnel. Through the WeChat Mini Program "Huanshui Guanjia," customers can interact with the digital assistant "Lan Xiaoxiang" to check water bills, access customer services, and obtain intelligent responses to water-related inquiries, achieving a response success rate of 98%. Meanwhile, service personnel can use the intelligent assistant to quickly access information such as nearby water pressure conditions, water supply construction status, and records of pipeline rehabilitation projects in residential communities, enabling faster and more accurate problem diagnosis.

Volunteering

In 2025, the Group continued to serve and give back to society through initiatives such as volunteer services and World Water Day awareness campaigns, receiving 13 banners of appreciation from the public and recognition for one municipal-level best practice case. As part of the Group's counterpart assistance program in Tibet, Zeng Dekang, a member of the Group's aid team, provided support to more than 2,000 border-area households, helped increase kiwifruit sales to more than RMB 200,000, and contributed to the preservation of local ethnic culture, vividly demonstrating the spirit of "A Year of Service in Tibet, a Lifetime of Commitment to Chayu."

Case

On March 5, 2025, the volunteer service activity "Promoting the Spirit of Lei Feng: Water, Electricity and Education Working Together in Action" was held at Jindi Meilong Town Kindergarten in Longhua District. Volunteers engaged children through interactive sessions on safety awareness and science education.



From 2 to 3 April , 2025, the Group organized volunteer service activities in support of the 2025 National Conference of Provincial Water Association Secretaries, providing conference support services to ensure the smooth operation of the event.



From 22 to 26 May 2025, the Group organized relevant government agencies and enterprises from Chayu County, Xizang, to participate in the China (Shenzhen) International Cultural Industries Fair (ICIF), providing volunteer services to support industrial and consumer assistance through exhibition displays, live-streaming sales, and other promotional activities.



On 2 July 2025, the Chayu County People's Government held a ceremony to bid farewell to Shenzhen officials who had completed their temporary assistance assignments in Xizang.



On 5 July 2025, a welcome ceremony was held at Shenzhen Bao'an International Airport to receive members of Guangdong Province's 10th Batch of Officials and Professionals Assigned to Xizang upon the completion of their assistance assignments.

Case



On 18 July 2025, the Group carried out the "Party Flag Leads the Way, Every Drop Cares for Children" Party-building co-development water supply service activity at the Shenzhen Social Welfare Service Guidance Center, providing children with water safety education and community care services.



On 23 July 2025, the Group organized the "Joint Development, Water Service at Your Doorstep" community water supply service activity, providing residents with on-site consultation and water service support.

Employee Development and Care

Protecting Employees' Rights and Interests

The Group strictly complies with relevant laws and regulations, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Law of the People's Republic of China on the Protection of Women's Rights and Interests. In 2025, the Group continued to uphold its people-oriented philosophy by respecting and safeguarding employees' legitimate rights and interests while providing a fair and equitable working environment for every employee. Through an efficient human resources management system, comprehensive career development opportunities, and a wide range of employee welfare programs, the Group is committed to achieving shared growth and mutual success for both employees and the Company, enabling employees to realize their personal value while contributing to the Group's long-term development.

Equal Employment and Non-Discrimination

The Group strictly complies with relevant laws and regulations, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Law of the People's Republic of China on the Protection of Women's Rights and Interests. In 2025, the Group continued to uphold its people-oriented philosophy by respecting and safeguarding employees' legitimate rights and interests while providing a fair and equitable working environment for every employee. Through an efficient human resources management system, comprehensive career development opportunities, and a wide range of employee welfare programs, the Group is committed to achieving shared growth and mutual success for both employees and the Company, enabling employees to realize their personal value while contributing to the Group's long-term development.

Labor Contracts and Social Insurance Coverage

The Group has entered into labor contracts with all employees in accordance with applicable laws and regulations, achieving a 100% labor contract signing rate to safeguard employees' legitimate rights and interests. All statutory social insurance contributions, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance, are paid in full and on time, achieving 100% coverage. In addition, the Group provides supplementary employee benefits. A total of 365 employees participate in the trade union mutual assistance program, which offers critical illness insurance and hospitalization medical coverage, providing additional protection for employees and their families.

Compensation and Incentives

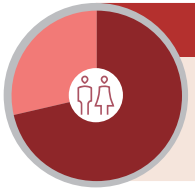
The Group continuously improves its performance evaluation and incentive mechanisms based on employees' job responsibilities, performance, and contributions, while reinforcing a performance- and efficiency-oriented compensation system. Adhering to the principle that incremental performance determines incremental incentives, the Group has further refined its compensation framework to reward greater contributions with greater rewards and outstanding performance with superior compensation, effectively motivating employees to maximize their initiative, creativity, and performance.

Democratic Management and Employee Participation

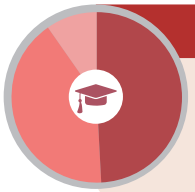
The Group thoroughly implements the Trade Union Law of the People's Republic of China and the Measures for the Administration of Budgets of Grassroots Trade Unions. Through employees' representative congresses, employees' meetings, and other democratic communication activities, the Group actively solicits employees' suggestions through a variety of channels, ensuring their rights to information, participation, expression, and supervision. The Group fosters an open and transparent management environment to promote democratic and scientific decision-making. With a trade union membership rate of 100%, the Group has established an effective mechanism that strengthens employee engagement, enhances organizational cohesion, and brings together collective wisdom to support the Group's sustainable development.

Employee Profile

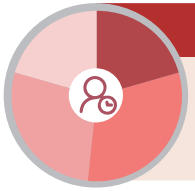
Indicator	Year 2025
Total Number of Employees (persons)	10,370
Percentage of Female Employees Among Middle Management and Above (%)	19.44%
Number of Newly Hired Employees (persons)	301
Number of Employees Leaving the Company (persons)	323
Employee Turnover Rate (%)	3.11%
Labor Contract Signing Rate (%)	100%
Social Insurance Coverage Rate (%)	100%
Trade Union Membership Rate (%)	100%
Average Annual Paid Leave per Employee (days)	10



Total number of male employees (people)	7416
Total number of female employees (people)	2954



Percentage of Employees with an Associate Degree or Below (%)	49.29%
Percentage of Employees with a Bachelor's Degree (%)	41.17%
Percentage of Employees with a Master's Degree or Above (%)	9.54%



Percentage of Employees Aged 30 and Below (%)	20.57%
Percentage of Employees Aged 31–40 (%)	31.25%
Percentage of Employees Aged 41–50 (%)	27.78%
Percentage of Employees Aged 51 and Above (%)	20.40%

Note: In 2025, the employee turnover rate further declined to 3.11%, representing a decrease of 0.83 percentage points from 2024, reflecting continued improvement in employee retention and organizational cohesion. This demonstrates the effectiveness of the Group's initiatives in areas such as compensation and incentives, career development, and employee care.

Supporting Employee Development and Training

The Group Training Center adheres to the philosophy of "Learning, Sharing, and Collaboration," providing employees with comprehensive career development support and continuous learning opportunities. In 2025, the Training Center delivered a total of 418 training programs, including 21 programs on artificial intelligence and big data, certified 32 internal trainers, and provided training to 49,374 participants, achieving an overall participant satisfaction rate of 99.51%. In talent development, the Training Center organized two rounds of the "Water Manager for Every Home" training program, with 586 employees successfully completing both theoretical and practical assessments to obtain certification. It also continued to implement vocational skills certification programs, enabling 204 employees to obtain professional qualifications and further strengthening the capabilities of its frontline skilled workforce. In addition, in support of the Group's international development strategy, the Training Center introduced courses on international water markets and global business practices, cultivating multidisciplinary professionals with international perspectives to support the Group's global business expansion.

Case

Building a Digital Talent Ecosystem Through AI Empowerment

In 2025, the Group closely followed the latest developments in artificial intelligence and implemented targeted initiatives for employees at different levels to comprehensively enhance digital capabilities. For management personnel, the Group organized dedicated AI training programs for middle managers to strengthen their digital leadership capabilities. For technical and operational staff, the Group collaborated with the Information Center to deliver 21 sessions of the Shenshui Cloud Brain Innovation Series, covering AI fundamentals and large language model applications. In addition, 170 employees participated in a large language model deployment and intelligent agent development workshop organized by Shenzhen Polytechnic University of Information Technology. Focusing on practical business applications, the Group invited internal experts to share best practices in applying AI to pipeline network optimization and intelligent scheduling. Through a combination of external recruitment and internal talent development, the Group has established an AI talent ecosystem spanning management, technical, and operational functions, laying a solid foundation for capturing strategic opportunities presented by artificial intelligence and becoming a benchmark digital enterprise in the water services industry.



Caring for Employees' Well-Being

The Group strictly complies with relevant laws and regulations, including the Occupational Disease Prevention and Control Law of the People's Republic of China and the Administrative Measures for the Declaration of Occupational Disease Hazard Projects, and has established and implemented the Regulations on Occupational Disease Prevention and Control. A comprehensive occupational health management system has been established to safeguard employees' health and safety. The Group conducts regular workplace safety inspections and occupational hazard identification to ensure compliance with occupational health standards and reduce the risk of work-related injuries. Appropriate personal protective equipment (PPE), including protective clothing, safety helmets, and gloves, is provided according to employees' job responsibilities and workplace risks. Regular health examinations, including general physical examinations and occupational health screenings, are organized to facilitate the early detection and treatment of occupational diseases and other health issues. The Group also provides reimbursement for eligible hospitalization-related medical expenses to help alleviate the financial burden on employees and their families. In addition, occupational health education and training programs are regularly conducted to enhance health awareness, encourage healthy lifestyles, and prevent occupational diseases. The Group actively implements the Special Provisions on Labor Protection for Female Employees by organizing regular health examinations for female employees and providing additional care and support during pregnancy and breastfeeding.

The Group places great importance on employees' mental well-being and continues to enhance its Employee Assistance Program (EAP) by providing professional psychological counseling services. Through a wide range of cultural, sports, and team-building activities, the Group helps employees relieve work-related and personal stress while fostering a positive and supportive workplace culture. It also continues to strengthen its employee well-being initiatives by making full use of its Employee Home facilities to organize a variety of recreational activities. In 2025, the Group organized 78 events, including the "Water Service Cup" football, tennis, and basketball tournaments, as well as cultural activities such as calligraphy and photography exhibitions, attracting 6,059 participants and contributing to a healthy, harmonious, and vibrant corporate culture.

Safety in Production

In 2025, the Group placed safety awareness at the forefront of its safety management efforts, strengthened the implementation of all production safety measures, and reinforced its safety management foundation, maintaining an overall stable safety performance. As the second year of the Three-Year Action Plan for Addressing Root Causes of Workplace Safety Risks (2024–2026), the Group continued to advance four key initiatives: the dynamic elimination of major accident hazards, enhancement of safety competencies, wider application of safety technologies and engineering measures, and continuous improvement of its safety management system. The Group also further strengthened its safety culture, promoted innovative mechanisms such as the "First Responder" program, and accelerated the digitalization and intelligent transformation of safety management, providing a solid safeguard for the safe operation of Shenzhen's water supply and drainage systems.

Strengthening the Foundation for Workplace Safety Management

In accordance with the requirements of national, provincial, and municipal authorities, the Group has formulated and implemented the Three-Year Action Plan for Addressing Root Causes of Work Safety Risks (2024–2026). The Plan focuses on four key initiatives: dynamic elimination of major accident hazards, enhancement of safety capabilities, application of safety technologies and engineering solutions, and improvement of the safety management system. It covers 13 priority tasks and 26 specific measures.

In line with newly revised national, provincial, and municipal safety regulations, including the Guangdong Provincial Work Safety Regulations and the Safety Requirements for Limited-Space Operations in Industrial and Commercial Enterprises, and based on the Group's operational characteristics, the Group has further strengthened and improved its work safety standardization system. In 2025, focusing on key business areas such as pipeline network projects, secondary water supply systems, and premium drinking water projects, the Group revised and improved the Detailed Management Manual for Pipeline Network Engineering and the Detailed Management Manual for Pipeline Maintenance and Repair Projects, while developing updated versions of the Detailed Management Manual for Secondary Water Supply Systems and the Detailed Management Manual for Premium Drinking Water Projects. These initiatives transformed detailed management requirements from strategic concepts into concrete institutional frameworks and operational guidelines, further strengthening the foundation for standardized work safety management.

In 2025, the Group further enhanced its emergency management system. In accordance with the Group's requirements, regional subsidiaries actively conducted flood prevention drills and emergency response exercises for sudden water supply incidents. Tailored emergency response plans were developed for five major scenarios, including typhoons, heavy rainfall, dense fog, urban waterlogging, and landslides. These efforts completed the first round of comprehensive emergency drills, strengthened frontline employees' emergency response capabilities, and improved the overall emergency management framework.

Establishing a Sound Workplace Safety Responsibility System

In 2025, the Group further improved its workplace safety responsibility system by organizing the signing of workplace safety responsibility agreements at all levels. Safety responsibilities and annual safety performance targets for personnel at all levels and in all positions were incorporated into these agreements, further strengthening a comprehensive accountability system that extends from the Group's leadership to frontline units and from safety management departments to operational functions. The Group implemented the 2025 Safety Management Responsibility Assessment Plan, which established key workplace safety performance indicators for 2025 and incorporated requirements such as risk management and hazard identification and control into the assessment of primary safety responsibilities. In addition, the implementation of workplace safety measures at the team level was incorporated into the assessment framework, enabling comprehensive and effective evaluation of each unit's annual workplace safety performance.

In 2025, the Group further strengthened its "Everyone Talks About Safety" engagement initiative, enhancing not only the safety management responsibilities of management departments but also the active participation of frontline employees. At the Group level, 23 sessions of the "Safety Production Forum for Principal Leaders" were held, and an internal incentive mechanism for reporting safety hazards was introduced, contributing to a 15.5% year-on-year reduction in hazard density. During the year, the Group was recognized as a Provincial Model Enterprise for Safety Culture and received the Best Creativity Award at the Shenzhen Safety Science Popularization Short Video Competition.

Continuously Enhancing Workplace Safety Management

The Group has continuously strengthened its integrated online and offline workplace safety management framework. Building on the foundation established in 2024, the Group focused in 2025 on three key areas—technology-enabled safety management, refined management practices, and emergency response system development—to further advance the digitalization and intelligent transformation of workplace safety management.

In 2025, the Group fully implemented its technology-enabled safety strategy by deploying a range of digital safety management tools. Building on the Group's "8+1" Safety Management Information System 2.0, it launched the "Safety Intelligence Agent," which enables intelligent dissemination of emergency response knowledge and smart identification of potential safety hazards. When frontline employees encounter uncertain safety risks at work sites, they can instantly access emergency response procedures through mobile devices, significantly improving emergency response efficiency.

Case

Liyuan Company, a subsidiary of the Group, continued to advance the digital transformation of workplace safety management by independently developing the "Shenshui Xuandun Safety Management Assistant." In the second half of 2025, the system was fully deployed across all 94 projects and contract sections, achieving a 100% internal adoption rate. The platform attracted more than 1,100 users and collected a total of 15,266 self-inspected safety hazards through its backend management system. It also supported 26,672 electrical distribution box inspections and managed 120 high-risk operations. By transforming safety self-inspection from a passive compliance task into a proactive daily practice, the system established a closed-loop safety data management framework covering the entire construction process.

Promoting a Strong Safety Culture Across the Workforce

Building on its ongoing efforts to strengthen safety education for all employees, the Group further diversified its training approaches in 2025 by adopting a multi-dimensional model that integrates competitions, emergency drills, on-site training, and technological innovation. These initiatives fostered a strong safety culture in which everyone values safety and is equipped to respond effectively to emergencies.

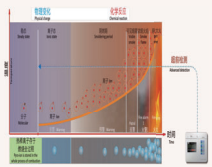
Following the successful completion of the Shenzhen Municipal Emergency Management Bureau's target of certifying 5,000 "First Responders" in 2024, the Group shifted its focus in 2025 from expanding the response network to enhancing training quality and effectiveness. Refresher courses and advanced skills training were provided to certified First Responders to ensure their emergency response capabilities remained up to date. At the same time, emergency preparedness training was incorporated into new employee orientation programs and routine workplace safety activities, embedding emergency awareness into the daily work habits of every Shenshui employee.

To maximize training effectiveness, the Group fully leveraged its internal training resources. Through the online Shenshui Training Center platform, 148 emergency response training courses were made available, attracting more than 150,000 course enrollments. Offline, teams of instructors visited subsidiaries, water plants, and operational sites across the Group to deliver on-site training, ensuring comprehensive coverage across every workplace and production team. Today, more than 5,000 certified First Responders are deployed throughout the Group, serving as the first line of emergency response. Like countless points of light across the city, they stand ready to protect lives during the critical "golden four minutes" following an emergency.

Case

Dapeng Environmental Water Company, a subsidiary of the Group, organized the 2025 Fire Safety Month campaign.

Under the theme "Fire Safety for All, Life First—Safe Use of Fire and Electricity," Dapeng Environmental Water Company carried out a series of Fire Safety Month activities.






Data Security

The Group is committed to strengthening its data security framework by continuously enhancing data security governance and management capabilities. Through comprehensive institutional, technical, and operational measures, the Group safeguards the legality and compliance of data processing activities, ensures business continuity, prevents the leakage of important data, and minimizes operational risks.

Governance Framework and Security Procedures

In accordance with China's data security laws, regulations, and applicable standards, and based on its operational requirements, the Group formulated the Data Security Management Measures. Building on this foundation, it established a comprehensive data security governance framework supported by a series of policies, including the Detailed Rules for Data Security Management, the Emergency Response Plan for Data Security Incidents (May 2025), the Detailed Rules for Data Classification and Grading Management, the Measures for the Protection of Personal User Information, and the Detailed Rules for the Protection of Personal User Information. Together, these documents form a comprehensive and well-structured data governance system. The Group also revised its Network and Information Security Management Policy to further institutionalize cybersecurity management, standardize operational procedures, and strengthen implementation practices.

To strengthen supply chain security, the Group formulated the Supply Chain Security Management Measures. Following the principles of "source control, security and reliability, continuous supervision, and controllable risk," the Group selects compliant and qualified suppliers to ensure that all products and services meet its cybersecurity and data security requirements, thereby strengthening risk management and mitigating supply chain security risks.

Technical Protection and Monitoring

The Group continues to improve its data security management system and emergency response mechanisms while implementing data classification and grading management. Advanced security technologies, including firewalls, intrusion detection systems, and data loss prevention (DLP) solutions, have been deployed to strengthen cybersecurity and data protection. Together, these measures establish a comprehensive monitoring framework covering cloud platforms, networks, and endpoints.

In 2025, the Group conducted a full-process cybersecurity emergency drill simulating real-world external cyberattacks. The exercise covered the entire response process—from initial intrusion and malicious backdoor communications to honeypot detection, cyber threat intelligence analysis, network isolation, and attack source tracing—effectively validating the Group's ability to rapidly detect, respond to, and mitigate cybersecurity incidents.

Customer Privacy Protection and Employee Awareness

The Group strictly implements the Water Supply Marketing Management Policy and the Customer Service Standards to safeguard customer privacy. Clear requirements are established regarding the scope of customer information, confidentiality responsibilities, document archiving, information access requests, and approval procedures. Unauthorized disclosure, misuse, or improper use of customer information is strictly prohibited. In 2025, the Group recorded zero customer data breach incidents.

The Group organizes information security awareness training for all employees at least once each year to continuously strengthen cybersecurity awareness and operational compliance. In 2025, a series of specialized training programs was delivered covering seven key areas of data security management, including data governance, data desensitization, access control, data classification and grading, encryption, data transfer monitoring, and endpoint data loss prevention, ensuring that employees are proficient in relevant security practices and operational requirements.

Supply Chain Management

The Group is committed to building a standardized, efficient, and sustainable supply chain management system. By continuously improving its procurement framework, strengthening supplier lifecycle management, and maintaining rigorous product quality standards, the Group advances institutionalized, refined, and standardized supply chain governance. Guided by the principles of green procurement, the Group works closely with its business partners to build a mutually beneficial and sustainable supply chain ecosystem, providing strong support for its high-quality development.

Strengthening the Procurement Framework and Supplier Management

The Group continues to improve its "1+5" procurement management framework, providing comprehensive institutional support for procurement activities. The framework consists of one overarching Procurement Management Measures and five supporting policies: the Detailed Rules for Procurement Implementation, the Detailed Rules for Centralized Procurement Management, the Guidelines for Secondary Competitive Bidding, the Detailed Rules for the Administration of Procurement Evaluation Experts, and the Rules for Bid Award Decisions. All procurement activities are conducted in accordance with the principles of openness, transparency, fair competition, honesty, and integrity. Guided by the procurement philosophy of selecting the best overall value through competitive evaluation, the Group has fully implemented a digital procurement management platform covering the entire procurement process, ensuring end-to-end online management and full traceability.

In 2025, the Group completed the annual revision of the Procurement Management Measures and the Detailed Rules for Procurement Implementation. The revised policies further strengthened procurement cost control, promoted greater use of highly competitive procurement methods—including secondary competitive bidding, public competitive negotiation, and public competitive bidding—enhanced checks and balances for key procurement positions, reinforced integrity and compliance requirements, and further improved the standardization and refinement of procurement management.

Strengthening Supply Chain Quality Management and Green Procurement

For the procurement of commonly used materials, the Group has established an on-site supplier assessment mechanism. Through systematic evaluations of suppliers' manufacturing capabilities, financial conditions, and contract performance records, the Group comprehensively assesses suppliers' overall capabilities and supply assurance capacity. This approach shifts quality management from post-delivery inspection to source-based quality assurance, further strengthening risk control at the source.

The Group actively promotes green procurement. The 2025 revised Procurement Management Measures explicitly incorporate green procurement principles, encouraging the preferential purchase of environmentally friendly products and services. During procurement activities, priority is given to alternatives that reduce plastic consumption and products made from recycled materials. Procurement decisions also take into account comprehensive energy-saving and carbon reduction benefits while strictly complying with the Group's energy conservation and carbon reduction plans and relevant technical standards. At the same time, the Group encourages the adoption of innovative technologies and new products, using technological innovation to drive the green transformation and sustainable development of its supply chain.

Case

Conducting On-site Supplier Assessments at Manufacturing Facilities

The Group's Procurement Management Center organized on-site assessments at the manufacturing facilities of newly selected annual suppliers of ductile iron general-purpose valves to evaluate their production capabilities and quality management systems.



Case

Case Study: Collaboration with a Smart Water Meter Supplier

The Group's collaboration with a smart water meter supplier represents a successful example of jointly advancing the intelligent transformation and high-quality development of the water services industry. As the successful bidder under the Group's centralized procurement program for NB-IoT smart water meters, the supplier underwent a comprehensive evaluation process, including assessments of its manufacturing capabilities and full-process product quality supervision. This collaboration reflects the shared commitment of both parties to rigorous quality management, responsible procurement, and sustainable supply chain practices.



Ensuring Equal Treatment for All Market Participants

The Group strictly implements the relevant policies of the Shenzhen Municipal Housing and Construction Bureau that support the participation of private enterprises in state-funded construction projects. Throughout its procurement and tendering activities, the Group is committed to eliminating hidden barriers to market access and ensuring fair and equal participation for all qualified market participants.For municipal infrastructure projects involving general-purpose technologies, the Group ensures that private enterprises account for no less than one-third of shortlisted bidders. Qualification requirements are established strictly in accordance with the minimum technical and professional requirements of each project, without discrimination based on ownership structure or enterprise type. The Group also encourages private enterprises to participate in whole-process engineering consulting services or undertake subcontracting work through consortium arrangements. For state-funded projects, contractors are not required to provide advance financing as a condition for contract award, and progress payments are made in a timely manner in accordance with contractual requirements.



Rural Revitalization

In 2025, the Group's rural revitalization task force stationed in Liangying Town remained committed to Party-building leadership while safeguarding two fundamental priorities: preventing a return to poverty and ensuring food security. Focusing on the three key areas of rural development, rural infrastructure, and rural governance, the task force continued to advance the "Hundred, Thousand, and Ten Thousand Project." During the year, the Group successfully secured approval for 16 rural revitalization projects under the 2025 township assistance program, with a total approved funding amount of RMB 41.493 million. In addition, two township assistance projects were implemented with a total investment of RMB 5.128 million. Through innovative initiatives such as the "Six-Water Integrated Management" program, digital transformation of specialty agriculture, and consumption-based assistance, the Group continued to consolidate and expand the achievements of poverty alleviation while supporting high-quality local economic development. These efforts contributed to Liangying Town's advancement into the ranks of China's Top 500 Townships by economic strength and demonstrated the Group's practical contribution to China's Rural Revitalization Strategy.

Case

The "Four Seasons Story" of the Liangying Town Rural Revitalization Task Force — Party-building Leadership, Industrial Development, Poverty Prevention, and Community Well-being

In 2025, the Liangying Town Rural Revitalization Task Force continued to advance rural revitalization in accordance with the overarching goals of promoting industrial prosperity, ecological livability, cultural vitality, effective governance, and shared prosperity. Under the leadership of Party building, the task force organized 12 themed Party activities, promoted the standardized operation of Party and Community Service Centers, carried out 17 community service activities, and completed 17 community "micro-improvement" projects to address residents' everyday needs. To promote industrial development, the task force supported the successful commissioning of an edible mushroom cultivation base and introduced an innovative operating model featuring government investment, collectively owned land, and profit-sharing arrangements, generating approximately RMB 400,000 in annual income for local communities. It also promoted the digital transformation of the local "Hegao Maye" specialty agricultural product, leveraging digital technologies to support rural revitalization. The project received the Third Prize in the National Competition for Data Elements Empowering Digital Government Development, significantly enhancing brand recognition and increasing both sales volume and average selling prices of fresh leaves by approximately 10%. The task force also supported Yikuang Tea Company in obtaining "Chaoshan Preferred" recognition for its Dancong tea and Hegao Maye products. Its black tea and Dancong tea products subsequently received the "Shenzhen Premium Product" certification and were included in the National Directory of Premium Agricultural Products. To strengthen food security, the Group facilitated the development of 206 mu of high-standard paddy fields in Xianxin Village, creating a new model for protecting cultivated land while promoting the "One Village, One Specialty" development strategy. As a result, all 30 villages and communities achieved annual collective economic income exceeding RMB 200,000. To prevent a return to poverty, the task force established a dynamic monitoring mechanism covering all 1,068 registered households (4,513 individuals) previously lifted out of poverty. All six households (21 individuals) previously identified as key monitoring targets successfully completed risk elimination assessments during the year. In the area of public services, the Group promoted municipal solid waste classification, completed differentiated development plans for all 30 villages and communities, developed 24 Beautiful Livable Villages, four Premium Characteristic Villages, and two Rural Greening Demonstration Villages, and advanced the construction of the Gaotang Agricultural Market, which is expected to increase annual collective community income by approximately RMB 450,000. The Group also promoted the construction of Liangying Town's "Production, Living, and Ecological Environment Improvement Project," one of China's first pilot projects under the National "Five Goods and Two Suitabilities" Harmonious Village Program. The project benefits more than 70,000 residents across eight villages and communities, including Hegao and Xixin, while securing irrigation and drainage water for approximately 1,300 mu of farmland and further strengthening regional food security. To support local agricultural development, the Group purchased more than RMB 2 million worth of agricultural products from Liangying Town through its consumption-based assistance program, effectively increasing agricultural productivity and farmers' incomes through market-oriented purchasing initiatives.



Case

Consumption-based Assistance and Industrial Upgrading — Consolidating Poverty Alleviation Achievements and Supporting the Development of Underdeveloped Areas

The Group continued to strengthen its consumption-based assistance initiatives. In 2025, it completed purchases totaling RMB 3.843 million under its consumption-based assistance program. Through targeted procurement of agricultural products from designated assistance regions, the Group effectively supported the consolidation and expansion of poverty alleviation achievements while promoting sustainable economic development in underdeveloped areas.





Responsibility Stories

Water services are about far more than pipelines, water pressure, and operational data—they are ultimately built on the trust between people. Throughout 2025, every member of the Group contributed to this shared mission through actions both extraordinary and quietly dedicated, each writing a different chapter of the same story: ensuring that every drop of water delivers not only essential services, but also care and responsibility, so that every citizen can experience the commitment of a state-owned enterprise.

Story 1

A Guardian's Diary — Professionalism with Compassion



Security Team of Huanshui Operation Services Company Conducting a Flood Emergency Drill

At 6:30 every morning, on Shenzhen's Shennan Middle Road, Xiao Yang, a security officer from Huanshui Operation Services Company, a subsidiary of the Group, begins another day after straightening his uniform. Here, "security" means far more than guarding buildings—it is about safeguarding people. Throughout 2025, the security team completed more than 6,000 patrol inspections, responded rapidly to over 50 emergency incidents, safely reunited four lost elderly people and children with their families, arranged timely medical assistance for five individuals suffering sudden illnesses, and returned lost property on more than 20 occasions, demonstrating professionalism, responsibility, and compassion in every aspect of their work.

In September 2025, after a vehicle burglary at a company within the service area left few investigative leads, Security Team Leader Hu Fan and his colleagues spent an entire night reviewing extensive surveillance footage. Late the following evening, relying on their professional judgment, they successfully identified the suspect, coordinated a rapid response, and assisted the local police in making an arrest, helping the company recover its losses. Earlier that year, security officers Gu Jun and Liu Tao found a missing elderly man in his nineties who lived alone. After ensuring he returned home safely, they quietly cleaned the area before leaving without seeking recognition. Whether responding swiftly to emergencies or offering quiet acts of kindness, the security team of Huanshui Operation Services Company demonstrates that professionalism and compassion go hand in hand. Through their dedication to protecting others, they bring warmth and reassurance to the communities they serve every day.

Story 2

The Warmth of Every Drop — Going Beyond Responsibility to Deliver Safe Water

Discharge of Water Following Replacement of the Fire Hydrant Control Valve



Water Flushing at the Customer Water Meter Assembly



In September 2025, a newly built kindergarten in Yantian District was preparing to welcome hundreds of children for their first day of school. However, an unresolved issue with a newly installed water pipeline on a municipal road that had not yet been formally handed over threatened the school's water supply. Inadequate pipeline flushing and a malfunctioning fire hydrant control valve caused discolored tap water, raising concerns about water safety just days before the opening.

Although the municipal pipeline had not yet been officially transferred to the Group's operational responsibilities, Yantian Branch chose not to be constrained by administrative boundaries. Instead, it immediately mobilized professional teams to carry out comprehensive pipeline flushing and replace the faulty fire hydrant control valve, restoring safe water supply in the shortest possible time and ensuring that the "last mile" of water service was completed before the school opened. On opening day, clean drinking water flowed into every classroom and washroom, bringing reassurance not only to the children and teachers, but also to every parent.

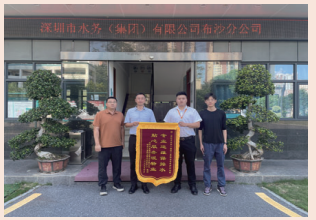
"We never expected the Group to step forward and resolve the problem before the road had even been officially handed over," said the kindergarten's principal with gratitude. Every drop of clean water reflects the warmth of a state-owned enterprise's commitment. Every timely response demonstrates the Group's people-centered approach to serving the community.

Story 3

Racing Against the Storm — Twenty-Four Hours of Dedication Behind Every Solution



Assisting Residents Through Flooded Streets During Heavy Rain



A Commemorative Banner Presented in Recognition of Outstanding Service*

During the summer of 2025, torrential rainfall struck Longgang District in Shenzhen, causing severe flooding at the Paicheng Aluminum Industrial Park in the Busha service area. Rainwater inundated the factory, forcing production to stop and creating a serious electrical safety risk. After multiple unsuccessful attempts to resolve the problem, the company sought emergency assistance through the community–property management–water utility coordination platform.

Upon receiving the request, the professional team from Busha Branch responded immediately. Like experienced investigators, they systematically traced the surrounding drainage network and quickly identified the root causes: insufficient hydraulic capacity at a municipal pipeline junction and an elevation mismatch between the municipal drainage network and the factory's connection point.

With the causes identified, the team implemented both immediate and long-term solutions simultaneously. A high-capacity mobile pumping unit operated continuously for 24 hours to remove floodwater and restore safe conditions, while engineers carried out permanent improvements to the drainage system despite difficult weather and muddy working conditions. These measures included upgrading drainage facilities, installing backflow prevention valves, expanding pipeline capacity, and optimizing the local drainage network, addressing both the immediate emergency and the underlying causes of flooding.

Subsequent heavy rainfall events no longer affected the factory's operations, allowing production to continue without disruption. In appreciation of the team's professionalism and dedication, the factory's general manager, Mr. Zhang, presented the Group with a commemorative banner, saying, "Your outstanding technical expertise and rapid response have solved a problem that had troubled us for years." From 2024 to 2025, the excellent river chief assessment rate for the Longgang section of the Shenzhen River Basin remained at 100% for two consecutive years. Behind this achievement is the Busha Branch's unwavering commitment to combining technical excellence with people-centered service.

Story 4

Service Without Distance — A Water Steward for Every Drop



A Water Steward Inspecting a Customer Water Meter

Turning on a tap and seeing clean water flow is an everyday experience for residents of Longhua District—and a simple source of peace of mind for thousands of families. Behind this everyday convenience is the unwavering dedication of the Water Stewards of Longhua Water Company, who work around the clock to safeguard reliable water services.

In May 2025, pipeline maintenance was scheduled for Weilu Yayuan Residential Community in Guanhu Subdistrict. One week before construction began, Longhua Water Company had already launched proactive customer services. Water Stewards were stationed within the community to explain the maintenance plan building by building, answer residents' questions—particularly those of elderly residents—and coordinate closely with the property management team. On the day of construction, the maintenance work was completed in just one hour without disrupting residents' normal water use. In appreciation of the team's professionalism and efficiency, the property management company presented the Group with a commemorative banner. Later that month, residents of the Renshan Zhishui Residential Community reported a slight odor in their tap water. Water Steward Gong arrived at the site within ten minutes. Working with technical specialists, he reviewed water quality monitoring records from the previous three months, conducted on-site sampling and testing, and systematically traced the source of the issue. The investigation confirmed that the odor originated from plumbing located downstream of the customer's water meter rather than the municipal water supply system, quickly resolving residents' concerns and restoring public confidence.

Beyond maintaining water supply infrastructure, Longhua Water Company brings its services directly into communities. Through initiatives such as opening pumping stations to the public, delivering water conservation and safety education in schools, and supporting children with special needs at welfare institutions, the company extends the value of public water services far beyond the pipeline network. From the source of the water supply to every household tap, one commitment remains unchanged: delivering the best possible service, one drop at a time.



Governance Responsibility--Standardized, Efficient, and Sustainable Development for Long-term Success

Party Leadership

In 2025, under the strong leadership of the CPC Municipal Committee and the Party Committee of the State-owned Assets Supervision and Administration Commission (SASAC), the Group's Party Committee adhered to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guiding principle. It thoroughly implemented the guiding principles of the 20th National Congress of the Communist Party of China (CPC) and the subsequent plenary sessions of the 20th CPC Central Committee, continuously strengthening the Party's leadership and Party building. By leveraging the strengths of Party building to support corporate development, the Group further transformed its Party-building advantages into development momentum, driving new breakthroughs in its overall growth and performance.

Comprehensively Strengthening Party Building

——Upholding Political Commitment and Strengthening the Party's Overall Leadership

The Group consistently regarded the study and implementation of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its foremost political task. It strictly implemented the "First Agenda" learning mechanism, conducting 46 sessions of First Agenda study and Party Committee theoretical study group meetings during the year. The Party Committee reviewed 176 major matters in accordance with the "Three Major and One Large" (San Zhong Yi Da) decision-making mechanism, fully exercising its leadership role in setting strategic direction, overseeing the overall situation, and ensuring effective implementation.

——Strengthening Party Spirit Through Learning and Building Development Momentum

The Group treated the study, communication, and implementation of the guiding principles of the Fourth Plenary Session of the 20th CPC Central Committee as a major political task. A four-tier learning mechanism—comprising Party Committee-led learning, in-depth branch-level learning, Party member practice-oriented learning, and public participation in learning—was established to ensure comprehensive coverage of the plenary session's guiding principles. Learning outcomes were effectively translated into practical achievements that supported the Group's high-quality development.

——Consolidating Grassroots Foundations and Enhancing Organizational Vitality

The Group maintained rigorous standards for Party member development and recognized outstanding Party organizations and individuals through the "Outstanding Party Members, Outstanding Party Affairs Workers, and Advanced Primary Party Organizations" awards program, establishing exemplary role models to inspire broader participation.

A total of five thematic training programs—including "Leading Geese," "Flying Together," and "Red Goose Pioneer" initiatives—were organized, providing systematic capacity-building for more than 300 Party secretaries, Party affairs professionals, and exemplary representatives, thereby strengthening the professional capabilities of grassroots Party personnel.

——Enhancing Brand Development Through Deep Integration of Party Building and Business Operations

The Group continued to strengthen its "1+17+N" Party-building brand matrix, further promoting the integration of Party building with business operations.

Five public service initiatives were selected for inclusion in State-owned Enterprise Best Practices: Innovative Public Service Solutions—Typical Cases of Grassroots Party Building and Community Work in Shenzhen (Volume V), jointly compiled by the Organization Department of the Shenzhen Municipal Committee and the Party Committee of the Shenzhen State-owned Assets Supervision and Administration Commission (SASAC), demonstrating the practical value of integrating Party building with core business activities.

The Group also compiled two volumes of Grassroots Party Building Best Practices, based on its systematic "Ten-Step Improvement Methodology," providing practical, replicable guidance for Party organizations at all levels.

Delivering Tangible Results Through Inspection Rectification

The Group's Party Committee adhered to a problem-oriented and results-oriented approach, continuously enhancing its political awareness and steadily advancing the rectification of issues identified during the Seventh Round of Inspections conducted by the Shenzhen Municipal Committee. The Group also actively cooperated with the Fourth Municipal Inspection Team during its on-site inspection and supervision activities.

Following the principle of combining immediate rectification with long-term institutional improvement, the Group integrated inspection rectification with the comprehensive strengthening of Party self-governance and the deepening of reform. At the same time, it established a comprehensive accountability system covering all rectification responsibilities, implemented targeted measures to address issues requiring sustained, long-term improvement, and regularly monitored and coordinated the progress of rectification efforts. These actions ensured that the "second half" of inspection rectification—namely, the effective implementation and consolidation of corrective measures—was carried out thoroughly and effectively.

Deepening Party Conduct, Integrity, and Anti-corruption Efforts

The Group regarded the strengthening of Party conduct, the promotion of integrity, and anti-corruption efforts as an important component of the comprehensive strengthening of Party self-governance. Adhering to the principle of combining punishment with prevention and addressing both symptoms and root causes, the Group enhanced political oversight, established coordinated supervision mechanisms, strictly enforced discipline and accountability, and introduced innovative supervisory approaches. These efforts further advanced Party conduct, integrity, and anti-corruption initiatives, providing strong disciplinary safeguards for the Group's standardized operations and sustainable development.

——Integrating Supervision with Business Operations to Enhance Coordinated Performance

The Group established a comprehensive supervisory system featuring full coverage and seamless coordination, and advanced the development of the "Three Lines of Defense" for integrity and compliance management. This framework promotes clear accountability, comprehensive coverage, efficient coordination, and effective checks and balances, forming a multidimensional supervision model characterized by cross-functional collaboration, vertical coordination, and end-to-end oversight.

——Optimizing the Supervision Framework and Improving Accountability Mechanisms

The Group further improved its joint supervision mechanisms by establishing a Joint Supervision Committee. An annual supervision work plan was developed to define supervision priorities, responsibilities, and implementation timelines, thereby breaking down information barriers. Supported by a regular and ad hoc meeting mechanism, the Group conducted coordinated assessments focusing on regulatory requirements, key operational priorities, and major risk issues, enhancing the effectiveness of supervisory coordination.

——Deepening Systematic Governance Through Digital and Intelligent Supervision

The Group actively explored a new discipline inspection and supervision model driven by digital intelligence. Leveraging the Shenshui Cloud Brain and the Baidu AI Cloud Qianfan Platform, it established an artificial intelligence knowledge base and deployed a large language model dedicated to discipline inspection and supervision. These initiatives help address gaps in employees' understanding and implementation of Party discipline and regulations—namely, situations where personnel lack awareness, are insufficiently familiar with, or fail to implement relevant requirements—thereby strengthening ideological commitment to integrity and fostering a culture in which employees are unwilling to engage in corruption.

——Promoting Clean Conduct Through Persistent Discipline Enforcement

The Group continued to improve the long-term governance mechanism for addressing the "Four Forms of Malfeasance" (formalism, bureaucracy, hedonism, and extravagance) by integrating learning, inspection, and rectification into a unified process. It carried out in-depth educational initiatives to implement the Central Eight-point Decision on Improving Party Conduct, formulated the Implementation Plan for Further Advancing the Special Campaign to Address Prominent Problems Related to the "Four Forms of Malfeasance", and conducted dedicated rectification campaigns. Through unannounced on-site inspections ("Four No's and Two Directs") of 24 subordinate Party organizations, together with 11 dynamic reviews of the implementation of learning and education initiatives, the Group continuously strengthened efforts to correct undesirable working styles and foster a culture of integrity.

Corporate Governance

In 2025, the Group continued to strengthen its modern corporate governance system with Chinese characteristics. In accordance with the revised Company Law of the People's Republic of China and the Group's Articles of Association (2025 Revision), the Group further improved its corporate governance framework by clarifying the respective responsibilities and authorities of each governance body, enhancing the standardization of Board operations and the scientific basis of decision-making, and continuously strengthening the governance model featuring the leadership of the Party Committee, strategic decision-making by the Board of Directors, and execution by the management team. High-quality corporate governance provides a solid foundation for the Group's high-quality development.

Corporate Governance Framework

The Group continuously improves its corporate governance framework in accordance with the Constitution of the Communist Party of China, the Company Law of the People's Republic of China, the Law of the People's Republic of China on State-owned Assets of Enterprises, the Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises, the Trade Union Law of the People's Republic of China, and other applicable laws and regulations. Guided by its Articles of Association and supporting governance policies, the Group has established a governance structure with clearly defined responsibilities, effective checks and balances, and sound decision-making mechanisms.

In 2025, the Group fully implemented the revised Company Law of the People's Republic of China, which came into effect on July 1, 2024, and completed the revision of the Articles of Association of Shenzhen Water and Environment Group Co., Ltd. The revised Articles further strengthened the Party's leadership, improved the corporate governance structure, and clarified the responsibilities and operating mechanisms of the four principal governance bodies: the shareholder representative authority, the Party Committee, the Board of Directors, and the management team.

The Group does not establish a shareholders' meeting. In accordance with applicable regulations, the Shenzhen Municipal State-owned Assets Supervision and Administration Commission (Shenzhen SASAC) exercises the powers of the shareholder. Pursuant to the 2025 revised Articles of Association, the Board of Directors adopts a decision-making mechanism characterized by collective deliberation, independent voting, and individual accountability.

The Board has established four specialized committees: the Strategy and Investment Committee, the Remuneration and Assessment Committee, the Audit, Compliance and Risk Committee, and the Nomination Committee.

Board composition takes into account diversity in gender, age, educational background, professional expertise, and experience. A diverse Board with complementary capabilities enhances governance effectiveness and supports sound, informed decision-making.

Strengthening the Board Governance System

In accordance with the revised Company Law and the Group's Articles of Association (2025 Revision), the Group continued to improve its Board governance framework in 2025 by establishing a comprehensive "1+2+N" governance system. This framework consists of the Articles of Association as the core governance document, supported by the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Board Committees, together with a series of supporting policies, including the Board Authorization Management Measures and other governance 制度 , providing a comprehensive institutional framework governing Board operations and directors' performance of duties.

Building on this governance framework, the Group further strengthened its information disclosure system for the capital market. During 2025, it introduced the Information Disclosure Management Measures for Corporate Bonds of Shenzhen Water and Environment Group Co., Ltd. and the Information Disclosure Management Measures for Non-financial Enterprise Debt Financing Instruments of Shenzhen Water and Environmental Group Co., Ltd. These policies further standardized information disclosure practices in the bond market, ensuring that disclosures are lawful, truthful, accurate, complete, timely, and fair, while enhancing corporate transparency and strengthening investor protection.

Board Governance Policy Framework

01	Rules of Procedure of the Board of Directors of Shenzhen Water and Environment Group Co., Ltd.
02	Revised Rules of Procedure of the Strategy and Investment Committee of the Board of Directors of Shenzhen Water and Environment Group Co., Ltd.
03	Revised Rules of Procedure of the Remuneration and Assessment Committee of the Board of Directors of Shenzhen Water and Environment Group Co., Ltd.
04	Revised Rules of Procedure of the Audit, Compliance and Risk Committee of the Board of Directors of Shenzhen Water and Environment Group Co., Ltd.
05	Revised Rules of Procedure of the Nomination Committee of the Board of Directors of Shenzhen Water and Environment Group Co., Ltd.
06	Revised Board Authorization Management Measures of Shenzhen Water and Environment Group Co., Ltd.
07	Board Delegation of Authority Framework of Shenzhen Water and Environment Group Co., Ltd.
08	Rules of Procedure for the Chairman's Special Meetings of Shenzhen Water and Environment Group Co., Ltd.

Strengthening the Implementation of Governance Responsibilities

Building on the establishment of the List of Responsibilities and Authorities of Corporate Governance Bodies in 2024, the Group further strengthened its implementation in 2025, shifting its focus from framework development to continuous refinement and effective execution. The Group continued to optimize the allocation of responsibilities and authorities among the Party Committee, the Board of Directors, and the management team, while further standardizing the decision-making procedures for governance matters. This ensured the effective implementation of the Group's governance principles: the Party Committee provides overall leadership and strategic direction while ensuring implementation; the Board of Directors is responsible for strategy formulation, decision-making, and risk oversight; and the management team is responsible for business operations, execution, and day-to-day management. These efforts further enhanced coordination, accountability, and checks and balances among the Group's principal governance bodies.

In 2025, in accordance with the revised Company Law of the People's Republic of China, the Group further clarified the respective responsibilities and authorities of the shareholder representative authority and the Board of Directors, while refining the governance requirements for Board committees. The revised governance framework also introduced an innovative governance arrangement whereby the Group no longer establishes a Board of Supervisors or Supervisors. Instead, the supervisory responsibilities previously exercised by the Board of Supervisors are undertaken by the Audit, Compliance and Risk Committee of the Board of Directors, further strengthening the professionalism and effectiveness of the Group's internal oversight framework.

List of Responsibilities and Authorities of Corporate Governance Bodies

01 List of Responsibilities and Authorities of Corporate Governance Bodies of Shenzhen Water and Environment Group Co., Ltd.

02 List of Responsibilities and Authorities of the Board of Directors of Shenzhen Water and Environment Group Co., Ltd.

03 List of Matters Delegated by the Board of Directors to the President (2025 Revision) of Shenzhen Water and Environment Group Co., Ltd.

Responsibilities and Authorities of the Three Principal Governance Bodies

Governance Body	Core Responsibilities	Scope of Responsibilities and Authorities
Party Committee	Provides overall leadership and strategic direction while ensuring implementation	Major operational and management matters shall first be reviewed and discussed by the Party Committee before being submitted to the Board of Directors for deliberation.
Board of Directors	Formulates strategy, makes decisions, and oversees risks	Accountable to the shareholder representative authority and exercises the statutory powers stipulated in the Articles of Association.
Management Team	Oversees business operations, ensures implementation, and strengthens management	Responsible for the Company's day-to-day operations and management in accordance with the Articles of Association or the authority delegated by the Board of Directors.

Reporting and Decision-making Oversight

Regular Reporting

The Board of Directors receives reports from the management team at least once every six months on the following matters:
a.The implementation of Board resolutions and decisions made under delegated authority;
b.Performance against key operational indicators and the management team's business performance targets;
c.Workplace safety performance.

Investment Project Review

The Board of Directors conducts annual interim reviews of major investment projects, as well as investment projects (including delegated projects) that involve significant issues or material risks. Review findings are reported to all Directors to further enhance the quality of investment decision-making and improve project implementation effectiveness.



Business Ethics and Compliance

In 2025, the Group successfully completed all objectives set out in the Three-year Action Plan for High-quality Compliance Management of Municipal State-owned Enterprises (2023–2025). Guided by the overarching principles of strengthening internal controls, preventing risks, and promoting compliance, the Group embedded compliance management into its core business operations to effectively prevent and mitigate operational risks while continuously improving its compliance management framework. By upholding the highest standards of business integrity and fostering a strong culture of ethics and compliance, the Group continued to support its high-quality and sustainable development through sound compliance management.

Advancing Compliance Management

——Strengthening the Compliance Management Framework

The Group continued to improve its compliance management framework through a governance structure consisting of foundational policies and implementation guidelines. During the year, it issued key governance documents, including the Compliance Management Measures and the Integrity and Compliance Handbook.

To strengthen compliance management across business operations, the Group established comprehensive compliance obligation lists, risk identification lists, process control lists, and responsibility matrices covering more than 80 business categories. More than 400 compliance risks were identified and classified for risk-based management. The Group also issued specialized compliance guidelines for key business areas, including labor and employment, investment management, procurement and tendering, and engineering and construction, while developing two overseas investment risk control checklists. Standard contract templates covering construction projects, equipment procurement, leasing, and other major business activities were also introduced. In addition, the Group established an integrated "Three-in-One" operational handbook covering eight core business areas. Between 2023 and 2025, a total of 162 institutional policies were newly introduced or revised.

——Optimizing the Compliance Management System

The Group established a "Three Lines of Defense" governance framework comprising business departments, the Legal and Compliance Department, and the Discipline Inspection and Audit Department, while promoting an integrated management approach combining legal affairs, compliance, internal control, and risk management.

The Board's Audit, Compliance and Risk Committee oversees compliance governance, supported by the appointment of a Chief Compliance Officer and a team of 49 full-time and part-time compliance professionals. Joint supervisory meetings are convened quarterly, compliance performance is incorporated into business performance evaluations, and in 2025 an independent external institution conducted an internal control assessment, followed by corrective actions within specified timeframes.

——Integrating Compliance into Business Operations

The Group implemented an integrated review mechanism covering internal policies, commercial contracts, and major business decisions, ensuring that all major contracts and significant decisions undergo compliance review prior to approval. During 2025, the Group reviewed 53 internal policies, more than 1,500 contracts, and over 150 major business decisions.

The Group identified 405 risk points across 21 major business categories and developed corresponding process control measures for each identified risk. Digital compliance capabilities were further strengthened through the launch of an intelligent review assistant within the financial management system, full life-cycle monitoring in the engineering management system, and enhanced early-warning functions on the electronic procurement platform. In addition, the Group established an integrated information management platform covering legal affairs, internal control, risk management, and compliance, while simultaneously developing an AI-powered knowledge assistant for internal policies and governance rules.

Strengthening Internal Audit and Internal Control

In 2025, the Group continued to enhance the quality and effectiveness of its internal audit function. Adhering to the principles of independence, objectivity, and professional diligence, the Group focused on economic responsibility audits, engineering audits, and thematic audits, while continuously strengthening a closed-loop audit management mechanism covering issue identification, corrective action, follow-up verification, and the application of audit results. These efforts further expanded the breadth and depth of audit oversight.

——Strengthening Routine Audit Oversight

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and adhering to the principles of independence, objectivity, and professional diligence, the Group continued to strengthen its core audit functions, including economic responsibility audits, engineering audits, and thematic audits. During the year, 17 audit projects were completed efficiently through a combined approach of in-house audits and co-sourced audit services. Standardized audit procedures and comprehensive quality control measures—from pre-audit investigations to multi-level review—were implemented throughout the audit process, further improving the depth, accuracy, and effectiveness of audit findings.

——Enhancing the Value of Thematic Audits

Following a problem-oriented and full life-cycle audit approach, the Group conducted continuous audit oversight for five water treatment plants and six pipeline network projects throughout their implementation, while extending audit coverage to secondary subsidiaries. A dedicated audit of maintenance and emergency repair operations was also carried out, promoting closed-loop management across the entire process, including project initiation, contractor selection, quantity verification, settlement, and payment. In addition, an external accounting firm was engaged to conduct an integrated internal control audit, further improving the quality and reliability of the Group's financial information.

——Improving the Internal Audit Framework

The Group continued to strengthen its internal audit governance framework by systematically reviewing and refining its internal audit policies and procedures. An Audit Rectification Leadership Mechanism was established, comprising the Chairman of the Board, business executives responsible for the audited functions, the Internal Audit Department, and the audited entities. Chaired by the Secretary of the Party Committee and Chairman of the Board, the mechanism clearly defines the responsibilities of audited entities for implementing corrective actions, the supervisory responsibilities of the Internal Audit Department, and the guidance responsibilities of business departments, establishing a coordinated governance framework for audit rectification.

——Advancing the Digital Transformation of Internal Audit

In 2025, the Group officially launched its digital internal audit management system, establishing a fully digital closed-loop audit management process covering audit planning, project initiation, process visualization, management oversight, and corrective action tracking. A total of 70 intelligent audit models were developed, significantly improving audit standardization and operational efficiency. The Group also developed its AI-powered Internal Audit Assistant, "Xiao A," to support intelligent policy retrieval and the automated preparation of audit working papers. By integrating artificial intelligence into audit operations, the Group accelerated the transformation of internal auditing from an experience-driven approach to a data-driven model, providing strong support for the modernization of its corporate governance system.

Risk Management

In 2025, the Group continued to strengthen its enterprise-wide risk management framework under the guiding principles of strengthening internal controls, preventing risks, and promoting compliance. Through an integrated risk management system covering strategic, operational, financial, legal and compliance, and workplace safety risks, the Group further enhanced its risk governance capabilities by combining institutional development, digital technologies, and coordinated oversight to establish a comprehensive closed-loop risk management mechanism.

The Group conducts comprehensive enterprise-wide risk assessments on an annual basis. In 2025, six principal risk categories were systematically identified, including operational performance, strategic planning, cash flow, policy and regulatory developments, market competitiveness, and workplace safety. Targeted mitigation measures were developed for each identified risk and integrated into the Group's internal policies, business processes, and key control activities to ensure effective risk management throughout the entire operational cycle. The Group continuously monitors significant risks on a quarterly basis through a forward-looking risk monitoring mechanism supported by both industry-wide indicators and company-specific quantitative metrics. This enables early identification of emerging risks and strengthens proactive risk prevention and control. Throughout 2025, the Group maintained an overall sound risk profile. The Group has also established quarterly and annual risk reporting mechanisms. Reports on major risk management are reviewed and approved by the management team before being submitted to the Shenzhen Municipal State-owned Assets Supervision and Administration Commission (Shenzhen SASAC). Meanwhile, all subsidiaries regularly report their risk management status to the Group headquarters, ensuring timely communication of risk information across all organizational levels and enabling effective oversight of the Group's overall risk profile and emerging risk trends.

Responsibility Story

Story 1

Serving Communities with Commitment — Building a Customer-centered Water Steward Team



In April 2025, the Party Branch of Dapeng Water and Environment Company organized a themed Party Day activity entitled "Studying and Implementing the Spirit of the Central Eight-point Decision and Serving as Customer-focused Water Stewards" at Ba'guang Water Treatment Plant. More than 60 Party members, management representatives, and Water Stewards participated both on-site and online. During the event, participants studied the important speeches delivered by President Xi Jinping during his inspection tour of Yunnan Province, watched the educational video Integrity Endures, and systematically reviewed the key principles of the Central Eight-point Decision to further strengthen their understanding of integrity, discipline, and work style improvement. To translate learning into practical action, the Company introduced a dedicated Water Steward assignment mechanism under which Party members and management personnel were assigned to serve as full-time or part-time Water Stewards for 64 residential communities. Clear service objectives, responsibilities, and coordination mechanisms were established to strengthen community engagement and improve service responsiveness. The Chairman emphasized that all employees should take ownership of their responsibilities by remaining close to customers and actively addressing their needs. Guided by this philosophy, the Company continues to transform its water supply and drainage services from an operations-centered model to a customer-centered approach, shifting from reactive service to proactive engagement, extending high-quality services to the "last mile," and strengthening public trust through reliable and people-oriented water services.

Story 2

Party Building in Action — Bringing Safe Water Knowledge to Every Child



On July 18, 2025, the Party Branch of the Guanlan Operations Center of Longhua Water Company, together with the Party Branch of the Shenzhen Social Welfare Service Guidance Center, jointly organized a Party-building community service activity entitled "Party Flag Leads the Way, Every Drop Cares for Children." During the event, volunteers delivered interactive water safety education sessions, organized engaging games, and shared practical knowledge on safe water use with children at the welfare center. Through educational and recreational activities, the program helped raise awareness of water safety while creating a warm and enjoyable learning experience for the children. Guided by the principles of Party building and public service, the initiative demonstrated the Group's commitment to caring for vulnerable communities. By combining community engagement with public education, the Group continues to promote safe water practices while delivering meaningful support to children with special needs and fostering a more caring and inclusive society.

About This Report

Fulfilling corporate social responsibility has become an integral part of sustainable development and an important means of responding to the expectations and concerns of stakeholders. This Report presents Shenzhen Water and Environment Group Co., Ltd.'s environmental, social, and governance (ESG) practices and performance for 2025. Through the publication of this ESG Report, the Group aims to strengthen communication with stakeholders, enhance cooperation, and work together toward sustainable development.

Reporting Boundary

Organizational Boundary: This Report covers Shenzhen Water and Environment Group Co., Ltd., including its branches and subsidiaries at all levels.

Reporting Period: Unless otherwise specified, this Report covers the period from January 1, 2025, to December 31, 2025. Certain information is provided for periods before or after the reporting year where necessary for completeness and comparability.

Reporting Basis

This Report has been prepared with reference to the following standards and guidelines: Basic Standard for Corporate Sustainability Disclosure (Trial) issued by the Ministry of Finance of the People's Republic of China; GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative (GRI); China Enterprise Sustainability Reporting Guidelines (CASS-ESG 6.0) issued by the China Enterprise Reform and Development Society; IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB); United Nations Sustainable Development Goals (SDGs); Guidelines No. 17 for Self-regulation of Listed Companies of the Shenzhen Stock Exchange – Sustainability Reports (Trial); and Guidelines No. 3 for the Preparation of Sustainability Reports of Listed Companies of the Shenzhen Stock Exchange.

Data Statement

Unless otherwise specified, the information and data disclosed in this Report are derived from the Group's internal documents, management records, and statistical information. Unless otherwise stated, all financial information presented in this Report is prepared on a consolidated basis. Monetary amounts are expressed in Renminbi (RMB).

References

For ease of reading, Shenzhen Water and Environment Group Co., Ltd. is also referred to in this Report as "the Group" or "we."

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https://www.sz-water.com.cn

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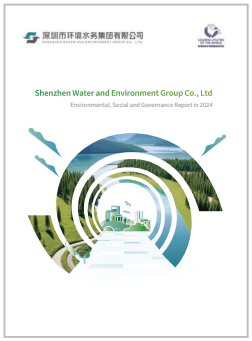
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Chapter		GRI Standards	SDGs
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