

# **CASE FOR ACCA JOB HUNTING COMPETITION 2020**

## **GRAND FINAL**

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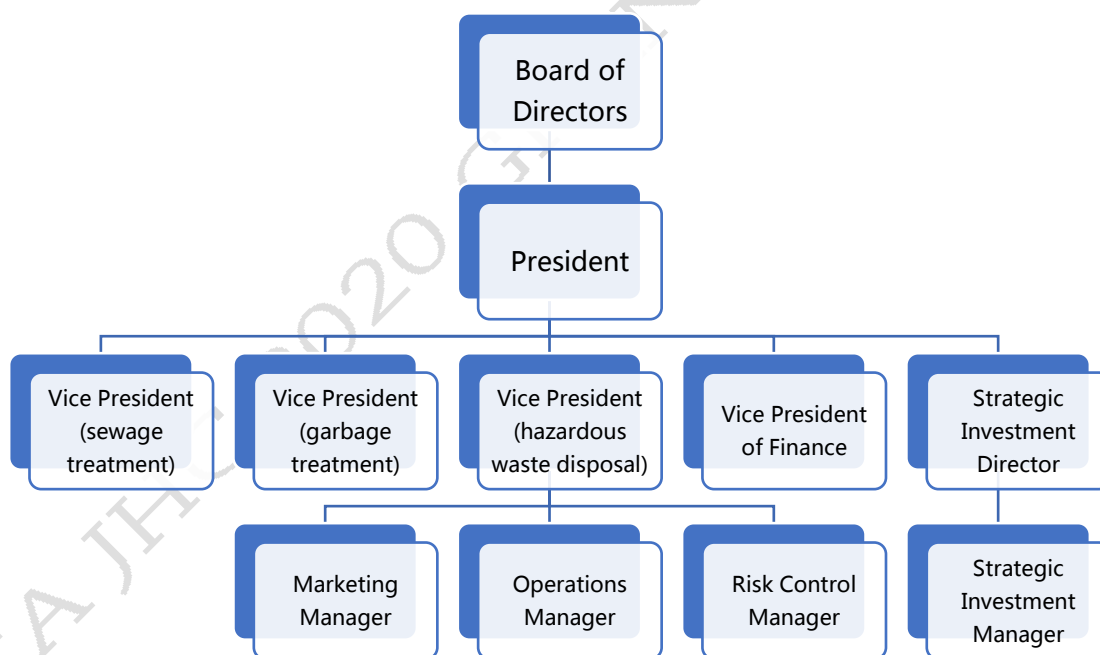
## 爱乐华 (ETS) 危废处理有限责任公司

### ETS Hazardous Waste Disposal Company Limited

ETS is a large listed environmental protection company, whose business scope includes 3 parts: sewage treatment, garbage treatment, and hazardous waste disposal (HWD hereinafter). For each part, there is a business unit (BU) under the charge of a vice president. The Hazardous Waste Business Unit currently has a total of 4 waste incineration and landfill projects, 3 of which are in operation and 1 under construction.

The Company's Board of Directors plans to further develop and promote this business through mergers and acquisitions or self-development. At present, however, the Company is experiencing tight funding and relatively high debt ratio, which affects its investment activities to a certain extent. The performance of the 3 business units is affected by funding constraints, and the vice presidents, whose incentive remuneration is linked to their performance, are stepping up efforts to develop projects.

A week ago, the Company made a plan to invest RMB 175 million to build a project. The Strategic Investment Director asked you to analyze the project and its industry prospects and give corresponding suggestions. The following is the organizational chart of the Company:



Suppose you are the **Strategic Investment Manager** of ETS and reporting to the Strategic Investment Director, you have collected the following information:

Exhibit 1: Research report on the hazardous waste industry

Exhibit 2: Investment proposal (including financial calculation), provided by the Hazardous Waste Business Unit

Exhibit 3: Interview minutes

Exhibit 4: Corporate culture

Exhibit 5: Board structure of the Company and relevant regulations of the Hong Kong Stock Exchange  
Exhibit 6: “Compulsory waste classification to be fully implemented in Shanghai”, www.Chinanews.com

### Question 1

The Hazardous Waste BU is a core business unit of the Company and its business operation is mainly reflected in two different treatment methods for hazardous waste. At present, the BU is evaluating the “Hazardous Waste Disposal Project in the Jingnan Industry Concentration Zone” and has prepared corresponding investment proposals. According to the Company's latest decision-making process, new projects require independent evaluation by the Strategic Investment Department before being reviewed by the President's Office (the 13-people core decision-making team). To this end, the Strategic Investment Department also conducts research on the project. As the investment manager, you participate in the whole process.

**Based on the hazardous waste industry research report and other relevant information, please prepare a briefing (Memo) to the Strategic Investment Director. The Memo needs to analyze the hazardous waste industry, especially the detailed market sector of the investment projects currently being evaluated by the Hazardous Waste Department, and estimate the future development trend of this sector.**

Profession skills to be assessed: demonstrate your **commercial awareness** in investigating and considering relevant information contained in various materials.

**20 points in total, including 2 points for professional skill**

### Question 2

The Vice President in charge of the Hazardous Waste BU submitted the investment proposal and financial calculation of the “Hazardous Waste Disposal Project in the Jingnan Industry Concentration Zone” to the President's Office. The office requires the Strategic Investment Director to submit an evaluation report (Report) on the project before it holds a meeting to review the project.

**Please prepare the evaluation report (Report) for the Strategic Investment Director to assess whether the Company should approve investment in the project.**

Profession skills to be assessed: Demonstrate proper **Skepticism** in preparing the project evaluation report.

**20 points in total, including 2 points for professional skill**

### Question 3

After thorough discussion, the President Office decided to carefully consider the interests of various stakeholders before making the final investment decision, since they will inevitably be affected in the process of project construction and post-investment operations. The Board of Directors requires that the Investment Director submit a summary after the meeting, discussing comprehensively how to effectively manage these stakeholders in conjunction with the project.

**Please write the Summary for the Investment Director, summarizing the various stakeholders that may be involved in the project, and suggest how to effectively manage them.**

Profession skills to be assessed: Demonstrate your **Analysis skills** in analyzing the impact of various stakeholders on the Company and the project.

**15 points in total, including 2 points for professional skill**

#### Question 4

The project has gone through several rounds of discussion at meetings of the President's Office. The employees of the Hazardous Waste BU are all seized with anxiety for the project and the Vice President. The whole BU worked overtime for more than two consecutive months on everything from field visits to project evaluation. This would be unthinkable before 20X8. Some old employees once commented privately, "in the past, for similar projects, as long as the President made the decision, the Chairman's approval would normally follow. But now the Strategic Investment Department gets involved, and the investment manager has to thoroughly investigate the project. And after that, several rounds of discussion at the President's Office meetings are also needed."

**Please prepare a Memo based on the relevant materials of the case to discuss changes in corporate culture and help Company employees better understand the current way in which the Company operates.**

Profession skills to be assessed: Demonstrate **Communication skill** in explaining the changes in corporate culture to help employees understand and gradually adapt to the new culture.

**15 points in total, including 2 points for professional skill**

#### Question 5

The Company has been an A-share listed company in Mainland China for many years. For the long-term development of the Company and the needs to raise funds, the Company's Board of Directors is considering the possibility of splitting its hazardous waste business for overseas listing. Some directors proposed Nasdaq, and some the London Stock Exchange. However, various factors including language, regulatory requirements, and communication costs have to be taken into account. The Investment Director suggested the Hong Kong Stock Exchange, but all directors are concerned about the SEHK's requirements for the board establishment and board members. The Company's Board requires that the Investment Director make a presentation on the next board meeting to help the directors better understand the issues involved. In this regard, the Investment Director requires you to do the following.

**Please prepare a PPT presentation, accompanied by relevant explanatory Note, explaining the relevant requirements of the SEHK on the establishment of the board of directors, and suggesting corresponding solutions to the potential problems of the Company's current board structure.**

Profession skills to be assessed: Demonstrate proper Communication skill in presenting to the board and suggesting the improvements that the board can make.

**15 points in total, including 2 points for professional skill**

### Question 6

Shanghai launched garbage classification regulations in January 2019, attracting wide coverage by major news media. The Investment Director wants to know your views on this issue.

**Please write a short Memo to the Investment Director, and from the perspectives of business and society, talk about your understanding of the pros and cons of waste classification and the possible business impact.**

Profession skills to be assessed: Demonstrate proper **Evaluation skill** in evaluating the business impact of garbage classification.

**15 points in total, including 2 points for professional skill**

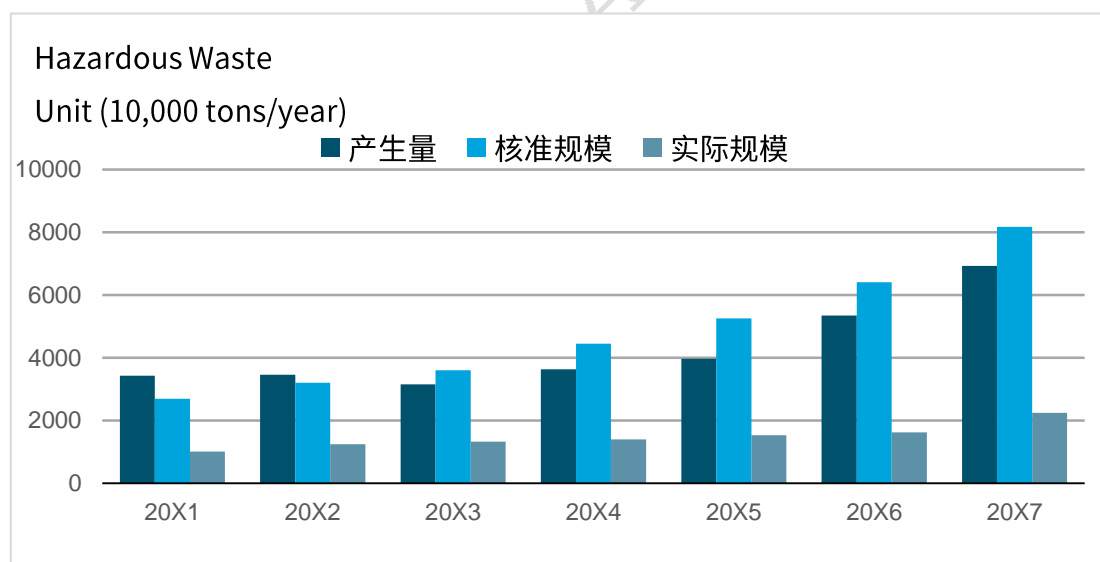
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## Exhibit 1: Research Report on the Hazardous Waste Industry

### 1. Definition of hazardous waste and industry overview

Definition of hazardous waste. Hazardous waste refers to harmful waste or by-product of industrial processes, and is generally generated in chemical, pharmaceutical, metallurgical and mining industries, etc. When generated at factories or plants, hazardous waste must be sent to qualified waste treatment facilities for disposal. And the waste-generating enterprise is most concerned about the cost of the waste disposal.

Part of the hazardous waste is handled by the waste-generating enterprises themselves with their own treatment facilities, while most of the waste is sent to qualified third-party enterprises for disposal. The license for hazardous waste disposal is issued by the government with an upper limit for the processing volume allowed for the license holder. Currently, the approved volume in China is 52.63 million tons in total, slightly higher than the total volume of hazardous waste actually generated according to relevant statistics. Over 2,000 licenses have been issued, but the actual processing volume is only 15.36 million tons, reflecting an urgent need for the waste treatment industry to increase its disposal capacity. It can also be seen from another set of data that more than 60% of the hazardous waste declared is not properly disposed of due to inadequate processing capacity. The following graph shows the volume of hazardous waste actually generated, the approved processing volume, and the actual disposal capacity over the years.

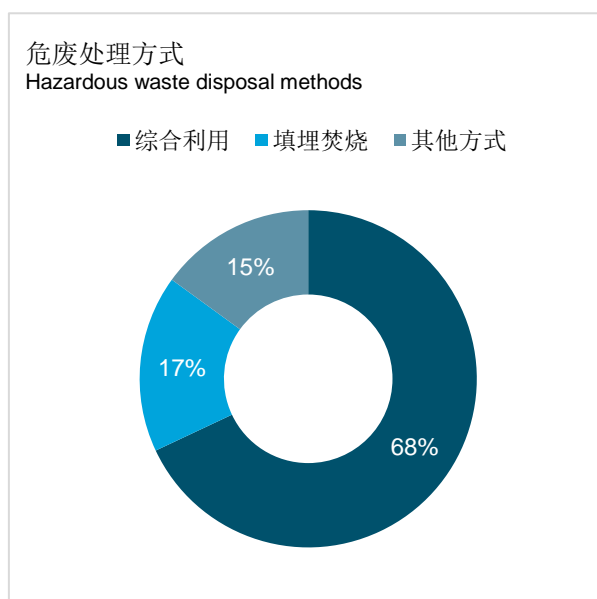


产生量 Actual volume generated    核准规模 Approved processing volume    实际规模 Actual processing capacity

Hazardous waste treatment is a law-based and policy-oriented industry. Shown by the history of this industry in countries around the world, countries with sound environmental protection standards and regulations and strict implementation usually have sophisticated hazardous waste disposal industry. In general, China's legislation in the field of hazardous waste has a history of less than 10 years, and regulation has tightened in the last 5 years. The judicial interpretations released by the Supreme Court and the Supreme People's Procuratorate as well as

the promulgation of the new Environmental Protection Law served as an important catalyst for the accelerated development of the industry.

## 2. Disposal methods of hazardous waste



There are 2 main methods for the disposal of hazardous waste: comprehensive utilization (resource recovery) and incineration.

Resource recovery usually refers to obtaining metals by dehydrating, concentrating, smelting, and purifying hazardous wastes containing scrap metals or continuing metal processing, and then selling them at market prices to obtain profits. Incineration and landfill refers to the disposal of hazardous waste by first incinerating the waste and then burying them at landfills, or first solidifying them and then burying them. Service fees will be charged for the treatment process.

Resource recovery of hazardous waste requires plants and smelting equipment (the thermo-processing mainly involves sintering, and the wet processing involves decomposition via acid and alkali). The daily operation income is mainly derived from the sales income of the smelt and purified metals. These metals are generally commodity goods with stable acquisition channels and transparent prices in the market. For this type of waste treatment companies, enterprises which generate scrap metals are their upstream suppliers, and generally they have to pay their suppliers for the scrap metals based on the types and concentration of the scrap metals. And the scrap metals acquisition cost accounts for a large proportion of their overall costs, and their profitability is mainly affected by metal prices.

Incineration and landfill mainly applies to some hazardous wastes with no value. No cost of acquiring this kind of wastes here, but instead a disposal fee will be charged for incineration and landfill. In recent years, the demand

for landfill and incineration has risen sharply, and the processing capacity is insufficient, resulting in a sharp rise in charges.

### 3. Market competition

Although it takes a long time to apply for the qualification for hazardous waste disposal, from 20x6, many listed companies have become players in this industry by acquiring existing hazardous waste projects. This type of projects have the following characteristics: rapid growth, with average gross profit margin exceeding 60%, and the net profit margin exceeding 40%. Generally, the market valuation is 10 times the net profit of the project for the year, that is, a PE of 10.

Due to strong profitability and good operating cash flow, those projects are sought after by many listed companies, especially the ones in non-environmental protection fields, and many small and medium-sized listed companies have also followed the trend. At present, there is no oligopoly in China. It is at the early stage of decentralized competition, and the number one player in this industry has only a market share of less than 5%.

Since the transportation radius of those projects is relatively limited and there are also certain regional characteristics, generally speaking, the competition is not fierce. Generally speaking, local governments give priorities to the capacity expansion of existing enterprises in their regions when approving new projects to be constructed.

## Exhibit 2: Investment Proposal (Including Financial Calculation) Provided by Hazardous Waste BU

Dear leaders:

Preliminary assessment, government communication, technical and economic calculations, and internal review have been done for the hazardous waste disposal project in Jingnan Industrial Zone, Jingzhou, Handong Province. It is now ready to be submitted to the President's Office for approval. The basic information of the project is as follows:

### I. Project background and preliminary plan

The Jingnan Industrial Zone (hereinafter referred to as the Zone) is a new district designated by the State Council to be jointly built by Handong Province and Jingzhou City. This zone is an industrial park for electroplating businesses which generate huge amount of electroplating sludge, plating tank waste and packaging waste. Currently there is no solid waste management center in the zone to deal with those hazardous wastes. Our company has contacted and communicated with the park's management committee and waste treatment center, and made the following plan:



Firstly, our Company cooperates with the treatment center on the hazardous waste disposal project, and the center is responsible for the project registration and environmental assessment approval. Our Company is responsible for technical support, mainly responsible for resource recovery business, and a small amount of incineration and landfill business, and pays RMB 10 million after obtaining the environmental assessment approval; secondly, the center is responsible for obtaining the project construction land and building the plant according to our requirements. Our Company leases the completed plant, and the project financing can be made through equipment leasing; thirdly, because a competitor company has already registered the project initiation with the management committee, the center wants our Company to persuade the management committee to cancel the registration of that competitor and sign a contract with us and approve our project registration as soon as possible.

## II. Business volume forecast

The project gives priority to the hazardous waste of the park's treatment center, and also caters to other similar needs of Jingzhou.

It is predicted that the treatment center will generate 58,000 tons of hazardous waste each year; there will be 77,000 tons in Jingzhou in 20x8, while the city's processing capacity is only 53,600 tons. Thus, in theory there will be a gap of 23,400 tons/year.

## III. Project scale

The total processing capacity of the project is 68,000 tons/year. Among them, precious metals are resourced at 58,000 tons/year and the incineration will be 10,000 tons/year.

## IV. Technical and economic analysis

After calculation, the total investment of the project will be RMB 175 million, and the annual average of net profit will be RMB 48.0913 million, with a total investment return rate of 25.57% (after tax). The investment recovery period is 6.32 years. (For details, see the attached financial calculation table.)

## V. Strategic significance

The project is located in the manufacturing base and industrial transfer demonstration zone of the Yangtze River Economic Belt. With convenient transportation and sufficient source of hazardous waste, the project has obvious strategic significance, location advantages and economic benefits.

## VI. Project progress

1. The management committee has agreed that a tripartite investment agreement should be signed (our Company, the management committee, and the treatment center) for cooperation in this project.
2. The planned site of the project has been determined and covers an area of about 100 mu.
3. Negotiations have been held with the management committee on the above-mentioned investment agreement.
4. The related lease agreement is being negotiated with the management committee.

## Annex: Financial Calculation

Main hypothesis:

- 1) After 18 months into construction, the Company will reach 50% of its processing capacity, and then there will be an increase of 10% each year until it reaches 90%;
- 2) The charge for incineration is RMB 4,000 per ton while the cost is RMB 2,000 per ton;
- 3) The charge for resource recovery is RMB 1500 per ton while the cost is RMB 800 per ton;
- 4) Sales price of the recovered metals is 1RMB 1,000 per ton.

### 财务评价指标汇总表 Financial Indicators

单位：万元 RMB 10,000

序号 Number	项目名称 Project Name	数据 Figure
<b>1</b>	<b>项目总投资 Total Project Investment</b>	<b>17507.27</b>
1.1	建设投资 Construction Investment	16219.76
1.2	建设期利息 Interest	510.92
1.3	流动资金 Working Capital	2588.61
<b>2</b>	<b>资金筹措 Raised Funds</b>	<b>19319.30</b>
2.1	项目资本金 Economic Capital	5642.51
2.2	项目债务资金 Debt Capital	13676.78
<b>3</b>	<b>年均销售收入 Average Annual Sales</b>	<b>18551.08</b>
<b>4</b>	<b>年均总成本费用 Total Cost (annual average)</b>	<b>11799.28</b>
5	年均销售税金及附加 Sales Tax and Extra Charges (annual average)	140.69
6	年均增值税 Value-Added Tax (annual average)	1172.38
7	年均息税前利润 (EBIT) EBIT (annual average)	6428.31
8	年均利润总额 Total Profit (annual average)	6204.06
9	年均所得税 Income Tax (annual average)	1394.93
<b>10</b>	<b>年均净利润 Net Profit (annual average)</b>	<b>4809.13</b>
<b>11</b>	<b>项目投资税后指标 After-tax Indicators of Project Investment</b>	
11.1	财务内部收益率 IRR (%) Financial Internal Rate of Return IRR (%)	25.57%
11.2	项目投资财务净现值 (折现率 i=12%) Net Present Value (Discount Rate i=12%)	41361.00
11.3	全部投资回收期 (年) Investment Recovery Period (Year)	6.32

### Exhibit 3 Interview Minutes

Interviewer: Strategic Investment Department

Interviewee: Hazardous Waste BU

**1. Please talk about the current situation of the hazardous waste business of our Company?**

**Answer:** Our Company currently operates 3 projects, one of which is a large-scale incineration project, which is doing well, with a profit margin of more than 50%, and an annual processing capacity of 30,000 tons. In the past two years, the disposal fee has increased from the original RMB 2,000 per ton to RMB 4,000. And some of the waste we process is sent to us from thousands of kilometers away. We also have two small scale but profitable medical waste projects, with an annual processing capacity of 2,000 tons. There is also one incineration project under construction.

**2. We found that there is already a resource recovery company in Jingzhou and its phase one construction is completed and put into operation with a processing capacity of 50,000 tons. In addition, it just obtained approval for its phase two construction, which is another 200,000 tons of processing capacity and has a service radius of 1,000 kilometers. How do you view this competition?**

**Answer:** Locating in the Jingnan Industrial Park, our project enjoys geographical advantages, which can save us a lot of transportation costs. And we will also build our second phase. So we think the impact of the competition is small.

**3. This project is planned to be underpinned by the industrial park, but the park has not yet been built and is still in the process of attracting businesses. How to ensure the disposal business volume and disposal fees in the future?**

**Answer:** We negotiated with the park, and the park agreed that the project will be operated exclusively by us, and the metal waste of the park will be given to us free of charge. The hazardous waste industry is market-oriented and there is no such thing as guaranteed volume. But we will not start operation until the occupancy of the park reaches 60%.

**4. This investment project is mainly about resource recovery, and the revenue will be affected by fluctuations in metal prices. The revenue forecast is based on metal prices of the most recent half year, but prices of the last half year were among the highest in recent years. Is it possible that we overestimate the project revenue?**

**Answer:** The price is something we cannot control.

**5. It is predicted that the capacity utilization rate will be 50% in the first year after project completion, and it will increase by 10% each year until it reaches 90%. Is it too optimistic?**

**Answer:** According to our Operations Department, this capacity utilization rate is relatively reasonable.

**6. What is the incentive mechanism of the Marketing Department?**

**Answer:** The incentives of the department are linked to the investment amount and will be issued at certain time points. Generally, it is between 0.2-1% of the investment amount of the entire project. There are two important

time points, one is when the cooperation agreement is signed, and the other is when project construction is completed and accepted.

**7. Is there a large number of residents around the project factory? Will it cause the not-in-my-backyard effect?**

**Answer:** The factory is located in a chemical industry park, and there are not many residents around. However, the transportation may pass through some residential areas. We have not issued environmental protection announcement yet. After we do that, there might be some protests by residents. But the government will assist us in dealing with that.

**8. How is our relation with the government?**

**Answer:** The government fully supports us because our project meets the park's needs for infrastructure construction. The park can attract more enterprises if there is a hazardous waste disposal center in it. So the park is ready to support us to make itself more attractive. Specific support measures include: giving us preferential policy subsidies and franchise protection in the park. At the same time, our business operation is subject to government supervision. Good relations with the government allows us to reduce the penalties when risks occur, or to avoid penalties. But in recent years, tabloid reporters and environmentalists have often caused adverse effects to us due to excessive or untrue reports, affecting our relations with the government.

### Exhibit 4 Corporate Culture

ETS has been established for more than 20 years and was initially a privately held company. In 20X5, AA, a state-owned enterprise, increased its stake in ETS to become the Company's largest shareholder. B, the original actual controller, retained only part of the shares and became the second largest shareholder. Considering that the Company's business was developing well, AA decided to maintain the original management under the control of B without major changes. In 20X8, the Company's performance declined, and AA reorganized the Board of Directors and began to take over the management of the Company.

During 20X5-20X8, the Company's organizational structure was like this: 9 directors, and 4 of them were appointed by AA, 2 by B, and the other 3 were independent directors. The Chairman was from B. The President was appointed by AA as a professional manager. The other senior management members remained basically the same - the original team under the control of B. AA only appointed a Vice President of Finance.

During this period, major matters were reported to the Board of Directors for approval, and other matters were ultimately decided by the Chairman. The executives directly report to the President and the Chairman, and the approval procedure was like this: obtain the President's approval first, and then the final approval by the Chairman. As the representative of small shareholders, the Chairman bore the main risks. When encountering disagreements with the President, the Chairman would always say, "my shares are bigger than yours, you can

rest assured" [1].

After the reorganization in 20X8, the Company established a party-enterprise joint committee of 13 members to conduct collective decision-making for major matters at committee meetings where each executive can express his/her opinions and finally the Chairman and the President make a decision after a joint discussion. A large number of review processes were added, and generally, much importance was given to compliance with the management regulations for state-owned enterprises. Stricter supervision policies were implemented to ensure legal compliance.

The major shareholder AA also reorganized the Board of Directors: the number of directors remained unchanged, but the Chairman was appointed by AA and a new President was appointed. The senior management also experienced major changes. Among the original 9 executives, only 2 remained in post, who were also directors. As for the posts of the 7 out-going executives, some of them were taken by people transferred from AA's affiliated companies, others by people recruited from the market by AA. B withdrew most of its presence from the senior management.

The color of the Company logo was changed from the original red to blue and green, and the color of the Company writing paper and report cover also changed accordingly. The office address was also changed from B's location to the AA's location, and the business scope was expanded from environmental protection to environmental protection and energy integration. The Company also added new business units such as the energy business unit and corresponding teams, entered new areas where AA enjoys advantages, and cultivated and used more people from AA.

In the past, under the management of B, the Company adopted profit-oriented KPIs and a very aggressive incentive system. Consequently, the executives paid too much attention to financial indicators, constantly relying on funds to obtain projects, and on projects to increase profits, while neglecting the improvement of management, talent and technology, resulting in many potential risks. This problem needs to be gradually addressed. After the restructuring in 20X8, the Company's development path changed from performance-orientation to stable operation, and commitment was made to improve technology and reduce risks. The Company took on board a Vice President for technology and a Vice President for internal control and risk management. It also increased internal party-themed learning sessions. At the same time, the Company raised overall remuneration for employees, reduced the share of performance bonuses, canceled those merely profit-oriented assessment KPIs, and paid more attention to people-oriented management. The Company will further utilize the resource advantages of state-owned enterprises and pursue steady growth to make itself bigger and stronger.

**Note [1]: The President of the Company is a professional manager appointed by AA, and the President holds very few shares.**

**Exhibit 5 Company's Board Structure and Regulations on Board and Directors from HKEX**

Board structure as of 31 Dec. 20x8

<b>董事会成员：姓名（年龄）</b>	
<b>Director: Name (Age)</b>	
<b>执行董事 EDs</b>	
董事长 Chairman	王先生 Mr. Wang (54)
副董事长 Vice Chairman	翁先生 Mr. Weng (48)
总裁 (CEO)	赵先生 Mr. Zhao (57)
<b>非执行董事 NEDs</b>	
董事 NED	马先生 Mr. Ma (47)
董事 NED	李先生 Mr. Li (41)
董事 NED	孙女士 Ms. Sun (36)
<b>独立非执行董事 Independent NEDs</b>	
黄先生 Mr. Huang (56)	现任某会计师事务所合伙人，副总裁。 Currently a partner and vice president of an accounting firm
刘先生 Mr. Liu (50)	现任某知名大学法学院教授、博士生导师
周先生 Mr. Zhou (64)	现任某知名大学教授、博士生导师，从事水环境污染治理理论与技术的研究与应用。
<b>战略委员会 Strategy Committee</b>	<b>提名委员会 Nomination Committee</b>
王先生（分支委员会主席） Mr. Wang (Committee Chairman)	翁先生 Mr. Weng
翁先生 Mr. Weng	赵先生 Mr. Zhao
赵先生 Mr. Zhao	刘先生 Mr. Liu
周先生 Mr. Zhou	周先生（分支委员会主席） Mr. Zhou (Committee Chairman)
<b>审计委员会 Audit Committee</b>	<b>薪酬委员会 Remuneration Committee</b>
胡先生 Mr. Hu [2]	韩先生 Mr. Han [2]
赵先生 Mr. Zhao	黄先生 Mr. Huang
黄先生（分支委员会主席） Mr. Huang (Committee Chairman)	刘先生（分支委员会主席） Mr. Liu (Committee Chairman)
刘先生 Mr. Liu	周先生 Mr. Zhou

**Note [2]: Both have left office on 3 May 20X8. Before leaving office, they served as non-executive directors of the Company.**

## Guidance on Board of Directors and its Members, HKSE (excerpts)

### 1. INTRODUCTION

1.1 An important role of the Stock Exchange of Hong Kong Limited (the “Exchange”) is to promote good corporate governance amongst issuers, and at the centre of good governance is an effective board. The long term success of the issuer is dependent on a high quality board on which the directors are competent, well-qualified, committed with diverse backgrounds and independence of mind and perspectives.

### 2. NEDs AND INEDs

2.1 NEDs are not part of the issuer's management and are not considered independent directors. INEDs are independent directors meeting the independence criteria under the Listing Rules. Both NEDs and INEDs are expected to keep up to date with the issuer's business affairs and contribute to the Board's strategic objective setting. They should be involved in scrutinizing the issuer's performance in achieving agreed corporate goals and objectives, and monitor performance reporting.

2.2 INEDs are expected to:

- bring independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and code of conduct;
- take the lead where potential conflicts of interests arise;
- serve on the audit, remuneration, nomination and other governance committees, if invited; and
- make effective contribution at board meetings.

2.3 INEDs add value to the board by providing a fresh pair of lens that help to scrutinize some of the board's major decisions. INEDs may not be industry practitioners or experts in the business, but they may have other skills and experience in areas such as legal, accounting, real estate, IT or others which help to enhance the board's balance of skills, experience and diversity of perspectives.

### 3. ROLE AND FUNCTIONS OF BOARD COMMITTEES

3.1 The board is responsible for performing the corporate governance duties but is permitted to delegate the responsibility to board committees.

3.2 The core committees of the board are nomination, audit and remuneration committees. There are increasing expectations on these committees to advise the board and carry out the boards corporate governance responsibilities. The chair of the audit and remuneration committees must be an INED. A nomination committee can be chaired by the chairman of the board or an INED. A majority of their members must or should be INEDs to allow strong representation of INEDs on these committees.

3.3 The chair of the board and each of the board committees is expected to be present and address shareholder



queries at general meetings. The issuer should explain with genuine and good reasons when the chair of the board or board committees failed to attend annual general meetings.

#### 4. BOARD DIVERSITY AND POLICY

4.1 A high performance board is one that composes of directors with a combination of competencies and diversity of perspectives aligned with the issuer's strategy and objectives, and which is in the best position to deal with the key issues that the issuer faces.

4.2 Recent years have seen a **growing focus on board diversity**. It is believed that greater diversity of directors is good for corporate governance because it promotes board effectiveness and enables better decisions to be made due to the lessened risk of groupthink.

4.3 When nominating a director, the board, assisted by the nomination committee, should consider the skills, experience and diversity of perspectives that the nominee is expected to bring to the board and the nominee's potential contributions. The board's consideration and rationale in this area should be explained clearly in the circular to shareholders accompanying the resolution to elect the directors.

4.4 Board diversity is also **increasingly important as a factor for investors when making investment decisions** and which is an area that our market cannot afford to ignore.

### Exhibit 6 新闻报道《上海将垃圾分类进行到底》

中新网上海 11 月 5 日电 作者 李京泽

《上海市生活垃圾管理条例》(以下简称《条例》)正式实施已百天有余。近日,中新网记者跟随“中华环保世纪行”采访组深入上海,发现垃圾分类在这里已初显成果,一场引领全国的环保“新时尚”正向着全民“新习惯”转变。

#### 成果初显:分类实效快速提升

《条例》将生活垃圾按照可回收物、有害垃圾、湿垃圾、干垃圾分为四大类,个人或单位未按规定分类投放垃圾将面临处罚。它不仅实现了管理区域、管理对象全覆盖,同时还加大了惩处力度。





根据最新数据,上海生活垃圾分类实效快速提升:可回收物回收量达到 5600 吨/日,较 2018 年增加了 5 倍;湿垃圾分出量已超过 9000 吨/日,较 2018 年增长 130%;干垃圾处置量控制在 15275 吨/日,比 2018 年底降低了 26%;有害垃圾分出量为 0.62 吨/日,较 2018 年增长了 5 倍。

### 绿色发展: 后端处理变废为宝

作为垃圾分类的重要环节,生活垃圾末端处置的能力稳步提升。在上海,像闵行区餐厨再生资源中心这样 200 吨以上规模的湿垃圾处理厂共有 6 座,除此之外大大小小的处理厂遍布每个城区,保障整个城市千万级的垃圾完成转变之路。

“老百姓垃圾分类做好了,我们从中受益也多了。”中心负责人告诉记者原来由于塑料袋易缠绕在轴环上,发酵机每个月都要清炉一次,而现在这个程序可以完全省去。

### 任重道远: “新时尚”成为“新习惯”

垃圾分类的实施是人与规则的互动,它给上海市基层治理工作提出了挑战,按照发现—分析—解决的路径,很多问题被化解。比如按时按点投放垃圾给一些上班族带来不便,小区便设置了专人管理的误时投放点。

朱心军表示市民习惯的养成需要各方面的合力,需要强化垃圾产生者的主体责任,加强志愿者的辅导,其最终目的是所有志愿者都能撤出社区,最后还要持续强化宣传力度。(完)