



元亨燃氣

YUANHENG GAS

YUAN HENG GAS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 332

2018/19

**Environmental, Social &
Governance Report**



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Mission

Create value for shareholders, employees, and society

Vision

To become China's leading sustainable clean energy group of companies, as well as the first-rated manufacturer, supplier and service provider in the energy sector



ABOUT THE REPORT

Yuan Heng Gas Holdings Limited together with its subsidiaries (collectively referred to as “Yuan Heng Gas” or the “Group”) has been engaged in (i) oil and gas products related transactions and providing related consulting services; and (ii) processing, distribution, sales, trading and transportation of liquefied natural gas and other ancillary businesses and networks in China. The Group owns two high quality liquefied natural gas processing plants in Erdos, Inner Mongolia and Dazhou, Sichuan.

This is the third Environmental, Social and Governance (“ESG”) Report issued by the Group, which describes the Group’s performance on material environmental and social issues for the period 1 April 2018 to 31 March 2019 (“the reporting year”). The Board of Directors of the Group has reviewed this Report and confirmed its accuracy, truthfulness and completeness.

REPORTING GUIDELINES

The Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, as well as the actual performance of the Company. The Group adheres to the reporting principles of materiality, quantitative, balance and consistency when reporting its environmental and social policies, management methods and indicators.

We follow the materiality principle when communicating with stakeholders and identify and disclose information related to their important concerns. Along with the management approach, the Report discloses relevant quantitative data where appropriate, explains the related performance and adopts a consistent statistical approach so that the data can be compared meaningfully. Data has been analysed on a year-on-year basis to identify and explain the trend. We also report ESG performance of the Group in a balanced manner to prevent undue influence on the judgment of the stakeholders.

The Report has been published in both Chinese and English. In case of any discrepancy between the two versions, the English version shall prevail. The report should be read along with our annual report. Information on corporate governance is contained in the corporate governance report on Pages 8–26 of the 2019 annual report.

REPORTING SCOPE

Unless otherwise stated, the scope of the Report covers the Group’s liquefied natural gas production business, focusing on the environmental and social performance of its two LNG processing plants located in Erdos, Inner Mongolia and Dazhou, Sichuan (hereinafter referred to as “Erdos Plant” and “Dazhou Plant”, collectively as “Each Operation Center”).¹ We determine the scope of the Report based on the degree of environmental and social impacts of our operations. The two LNG processing plants are the main sources of the Group’s impacts on the environment, and their employees account for more than 60% of the Group’s total workforce.

The Group values the opinions of stakeholders aiming to improve the level of ESG disclosure. Please contact the Group if you have any comments.

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¹ The two plants are operated by the Group’s two subsidiaries — Erdos Xingxing Energy Co., Ltd. and Dazhou Huixin Energy Co., Ltd.



CHAIRMAN'S STATEMENT



“THE CHINESE GOVERNMENT HAS BEEN PROMOTING ENERGY REFORM AND THE DEVELOPMENT OF GREEN AND LOW-CARBON STRATEGIES BY FORMULATING AND IMPLEMENTING A SERIES OF MEASURES FOR NATURAL GAS MARKET REFORM AND ENVIRONMENTAL PROTECTION POLICIES.”



Coping with the volatility of the international oil and gas market and the increasingly severe impact on the global economy brought by climate change, the Chinese government has been promoting energy reform and the development of green and low-carbon strategies by formulating and implementing a series of measures for natural gas market reform and environmental protection policies. As a leading sustainable clean energy group in China, Yuan Heng Gas actively accommodates the requirements of national policies, continuously optimises the Group's business operations, and attaches importance to the environmental impacts of the Group's business, promoting sustainable development of the society.

ESG management is an integral part of the day-to-day management of Yuan Heng Gas. Following the materiality principle, we pay special attention to issues that are of relatively greater concern to our stakeholders. Relevant information is cascading down to the subsidiaries to ensure ESG-related understanding and work practices are well-received and carried out. The related performance reports and data are regularly collected and reported. In accordance with the stakeholders' expectations, we have strengthened disclosure and risk management practices relevant to important ESG issues.

Yuan Heng Gas mainly engages in liquefied natural gas related businesses and is deeply conscious of the impacts of production, transportation and consumption of natural gas on the environment and climate change. Considering environment management as a key element of the Group's management strategy, we have established a series of environmental management systems to properly manage emissions such as exhaust gas, wastewater and wastes. We also use external resources for managing our environmental impact, e.g., engaging third-party organizations to regularly evaluate emissions of waste gas, wastewater to ensure compliance. In addition, we have installed gas regeneration systems in plants to recover boil-off gas for recycling, making better use of resources and reducing pollution.

Facing an energy market with both challenges and opportunities, the Group continuously optimises its business structure and product quality and focuses on management and development of upstream and downstream industrial chains to grasp the opportunities in the energy market reform and maintain the leading position in the clean energy industry. We understand the significance of supply chain management in our business operations. We seek stable partnerships with qualified suppliers through effective communication and regular evaluation, not only ensuring the quality of our products and services, but also benefiting the stable development of the Group's upstream industrial chain. We ensure the quality of products, provide gas buyers regular inspection reports and require gas transportation companies to ensure high quality products and services.



“People-oriented, win-win cooperation for harmonious development” is a key component of the enterprise culture of Yuan Heng Gas. Realizing that employees engaging in the natural gas industry, especially those involved in specific processes are exposed to relatively higher safety risks, health and safety of employees have always been our top concern. We have set up a management framework for safety issues, under which the Occupational Health Committee leads relevant departments, taking responsibility for the planning and implementation of safety education. Through a three-level safety training system, including training in plants, factories and teams, employees enhance their safety awareness and skills on an ongoing basis. We also strive to create good conditions for employees’ growth and all-rounded development. During the reporting year, the Group has reasonably allocated resources for talent training, which includes appointing qualified professionals as internal trainers and encouraging employees to participate in external training, so as to realize the mutual development of employees and Yuan Heng Gas.

Yuan Heng Gas is committed to giving back to the local communities where it operates. In addition to caring for the underprivileged, we also pay attention to environmental protection, in ways such as organizing activities to clean up the community, planting trees, etc., aiming to bring positive changes to the community through the Group’s efforts.

Looking ahead, we believe that the clean energy market will continuously maintain healthy and sustained growth. Leveraging on the leading industry position and the improving ESG management, Yuan Heng Gas will continue to develop its natural gas businesses and explore new businesses, to secure its position in the midst of fierce competition and contribute to sustainable development of the industry and the society. On behalf of the Board of Directors and senior management, I would like to thank all employees, partners, customers, shareholders and other stakeholders for their support to Yuan Heng Gas along its sustainable development journey. We strive to create more value for our stakeholders and move towards achieving win-win outcomes.

Wang Jianqing

Chairman and Chief Executive Officer

Yuan Heng Gas Holdings Limited



STAKEHOLDER ENGAGEMENT

Yuan Heng Gas attaches great importance to effective communication with internal and external stakeholders, ensuring stakeholders understand the operation and strategy of the Group. It also helps the Group to gauge the interests and concerns of stakeholders and identify the risks and opportunities related to the Group's sustainable development. The Group communicates with stakeholders through the following channels.

Stakeholders	Concerned Matters	Communication Channels	Relevant Section								
Internal	Board of Directors and Management	<ul style="list-style-type: none"> ✔ Corporate Governance ✔ Economic Performance ✔ Business Operation 	<ul style="list-style-type: none"> ✔ Annual General Meeting ✔ Meeting ✔ Plant Visit 	<ul style="list-style-type: none"> ✔ Lawful Operation 							
		Employees			<ul style="list-style-type: none"> ✔ Occupational Development and Training ✔ Occupational Health and Safety ✔ Employee Benefit ✔ Remuneration 	<ul style="list-style-type: none"> ✔ Suggestion Box ✔ Work Report ✔ Debriefing Meeting 	<ul style="list-style-type: none"> ✔ Employee Care 				
					External			Shareholders and Investors	<ul style="list-style-type: none"> ✔ Corporate Governance ✔ Economic Performance ✔ Operational Risk 	<ul style="list-style-type: none"> ✔ Annual General Meeting ✔ Company Website ✔ Plant Visit 	<ul style="list-style-type: none"> ✔ Lawful Operation
	Customers		<ul style="list-style-type: none"> ✔ Privacy Protection ✔ Quality Management ✔ Customer Communication 	<ul style="list-style-type: none"> ✔ Interview ✔ Company Website ✔ Exhibition 					<ul style="list-style-type: none"> ✔ Lawful Operation 		
			Suppliers								
	Government/ Regulatory authorities	<ul style="list-style-type: none"> ✔ Corporate Governance ✔ Business Ethic ✔ Employee Protection ✔ Environmental Compliance 		<ul style="list-style-type: none"> ✔ Annual General Meeting ✔ Announcement and Charity Program 	<ul style="list-style-type: none"> ✔ Employee Care ✔ Environmental Protection ✔ Lawful Operation 						



EMPLOYEE CARE

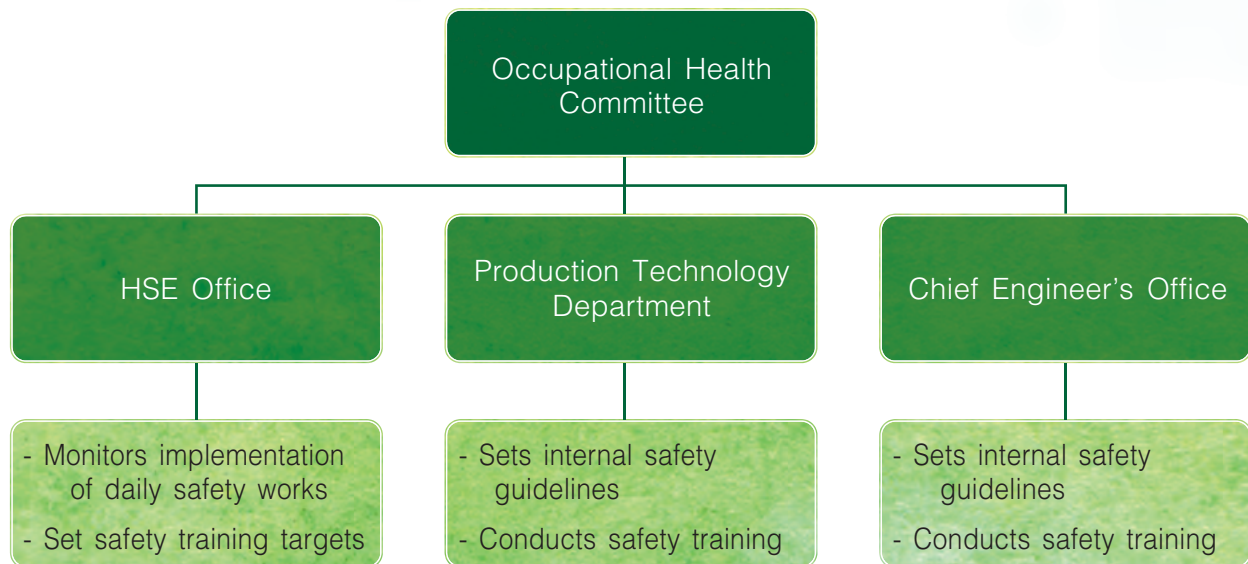
Yuan Heng Gas adheres to the philosophy of “Recruiting employees based on merits, integrity and talent; ensuring talents are developed and utilised to the fullest extent”. The Group supports the growth of its employees by providing them development opportunities and a safe and healthy workplace.

OCCUPATIONAL HEALTH AND SAFETY

To safeguard the health and safety of its employees, the Group has complied with the relevant laws and regulations, including but not limited to the Law of the People’s Republic of China (“PRC”) on the Prevention and Control of Occupational Diseases, Regulations on the Safety Production of Inner Mongolia Autonomous Region and Four Regulations of Sichuan Province on Safety in Production. There was no lost day due to work-related injury nor work-related fatalities during the reporting year.

Safety Management

To ensure compliance, the Group strictly adheres to the safety management principle of “precaution first, combine prevention and control, classified management and integrated treatment”. The production lines of the Erdos and Dazhou plants have been certified with the Work Safety Standardization Level II Corporate by the State Administration of Work Safety. An Occupational Health Committee, comprising three departments, namely the Health, Safety and Environment (“HSE”) Office, the Production Technology Department and the Chief Engineer’s Office, is established to oversee safety issues.

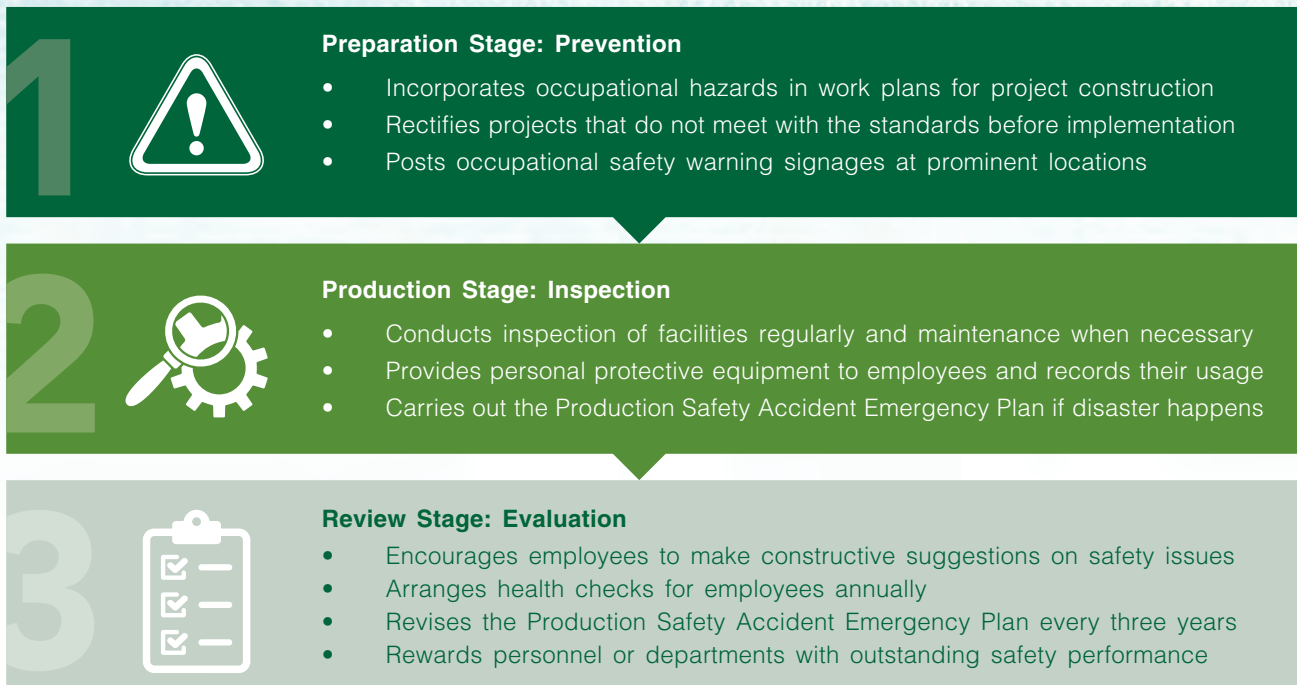


Safety Management Governance Structure



Given the nature of the natural gas industry, employees are exposed to relatively high safety risk when handling electrical work, welding or other thermal processes and in high-noise work environment. Safety measures are implemented across the entire operation process, which includes preparation, production and review stages. A series of internal policies related to occupational safety are set with reference to the national laws and all levels of employees are required to strictly follow the guidelines.

Safety Measures



During the reporting year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protection of employees from occupational hazards.

Safety Training

Education is always the most effective way of raising employees' safety awareness and minimizing occupational risks. HSE Office sets annual training targets with reference to the national and the Company's safety requirements. The Group provides three-level safety training to employees at different positions with standardized training hours requirement at least once a year. An annual safety examination is conducted for employees; they have to retake it if they fail. Passing the safety training assessment is a prerequisite for operating any machine.

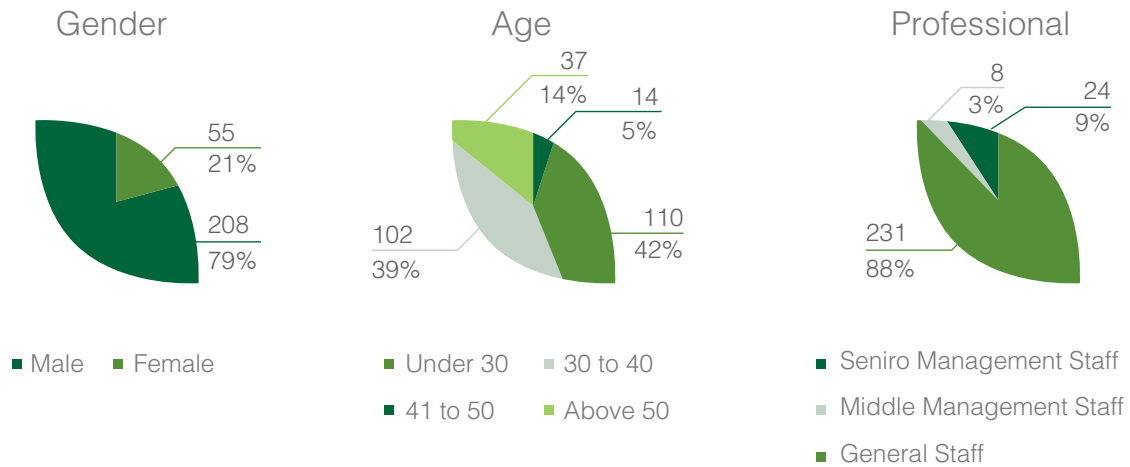


Three-level Safety Training

Safety Training in Plants	Safety Training in Factories	Safety Training in Teams
<ul style="list-style-type: none"> General safety guidelines Safety production rights and responsibilities Safety case studies from peers 	<ul style="list-style-type: none"> Dangerous factors in the working environment Potential occupational incidents Use and maintenance of safety facilities and personal protective equipment 	<ul style="list-style-type: none"> Safety operation guidelines Cooperation among different positions Safety case studies of incidents

EMPLOYEE PROFILE

The Group had a total of 263 employees in Erdos and Dazhou plants, almost evenly distributed between Sichuan Province (130 or 49%) and Inner Mongolia Autonomous Region (133 or 51%). The proportion of male to female was approximately 3.8:1, which is similar to last year. In terms of age profile, about 42% were aged under 30 and 39% were aged 30–40 years. Of the total 32 or 12% were managerial staff, including 8 or 3% senior management and 24 or 9% in middle management, while the rest were general staff.



The overall turnover and new hire rate were approximately 22% and 18% respectively. The distribution by geographical regions, age, gender and professional profile is presented in the Performance Data Summary on Page 22–23.



LABOUR STANDARDS

Striving to protect employees' rights and welfare, the Group adheres to the relevant laws and regulations, including but not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC. Hiring child or forced labour is strictly prohibited in the Group. To ensure compliance, the labour contracts and related policies are formulated with mutual agreements between the staff and the Group. Identification documents are checked at the time of interview and on the reporting day to affirm that the candidates are aged 16 or above. If child labour is identified, they are prohibited from working and scheduled for health check-ups. The Group provides financial aid for them to continue study if necessary. There was no reported case regarding child or forced labour during the reporting year.

The Group is committed to providing a working environment free from harassment and discrimination. Any form of discrimination, on grounds such as race, social status, nationality, religion, disability or sexual orientation, throughout the employment process and daily operations is strictly prohibited. If employees are subject to discrimination or harassment, they can complain to the Administration Department through email and all cases are investigated seriously. Violators have to bear their legal responsibility.

To recognize the efforts of its dedicated workforce and to retain it, the Group offers competitive remuneration packages. Rest periods and working times are set in accordance with lawful standards. If the staff are required to work overtime, they are given compensatory leave or monetary compensation. They can enjoy benefits including social insurance and housing allowance. Other than statutory welfare, the Group encourages its talents to come up with constructive ideas which are rewarded by way of cash bonus.

During the reporting year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Employee Communication

The Group values the voices of its employees and has established various communication channels (mailbox and WeChat) for collecting their suggestions and opinions. In addition, recreational activities, such as basketball competition and barbecue gathering, were organized during the reporting year for the purpose of strengthening cohesion and relieving stress.

TRAINING AND DEVELOPMENT

As a corporation that encourages its employees to realize their full potential, the Group has allocated adequate resources for developing talents. During the reporting year, all employees received training and the average training hours were approximately 18 hours. Distribution of training hours by gender and professional profile is listed in the Performance Data Summary on Page 23. The HSE Office and other departments formulate training plans based on needs.

Education in delivering professional techniques is provided to facilitate further progress in daily work. To encourage internal knowledge exchange, qualified professional technicians from different departments are hired as internal trainers. The Group subsidizes external training if internal training cannot meet the requirements.

Trained employees are required to take examinations for evaluating effectiveness of the courses, and the results are also considered while assessing individuals' performances. Records of internal trainers and trained talents are kept for further analysis and for identifying possible improvements.



ENVIRONMENTAL PROTECTION

ENVIRONMENTAL MANAGEMENT

At Yuan Heng Gas, employees at all levels shoulder the responsibility of protecting the environment. The Group's environmental stewardship is spearheaded by the General Manager, who leads the environmental protection initiatives of the HSE office, functional departments, production workshops and individual teams. The Group follows the internal guidelines set out in the Compilation of Environmental Protection Management Systems to manage and monitor environmental factors and conscientiously implements the environmental management system to prevent non-compliance and any environment related events and accidents.

The Group is committed to minimising the environmental impacts of all its business operations and strictly comply with the relevant environmental laws and regulations, including the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, the Law of the PRC on the Prevention and Control of Environmental Noise Pollution and the Law of the PRC on Conserving Energy. From time to time, the Group commissions third-party agencies to carry out assessments of exhaust gas and discharged wastewater to ensure the compliance of its emissions with national standards.

EMISSION CONTROL

Air Emissions

Air pollutants generated and emitted by the Group's operations include nitrogen oxides from the two LNG processing plants and sulphur oxides, nitrogen oxides and particulate matters from its vehicles. The Group has commissioned external supervision and assessment regularly to ensure its emissions meet the national standards. During the reporting year, the Group's air emissions were assured by a third party to meet the Emission Standard of Air Pollutants for Boiler (GB 13271-2014) and the Integrated Emission Standard of Air Pollutants (GB 16297-1996).



During the reporting year, the Group generated a total of 12,770.4 kg of nitrogen oxides from its LNG processing plants. In addition, the Group's vehicles generated a total of 1.0 kg of sulphur oxides, 78.9 kg of nitrogen oxides and 6.9 kg of particulate matters. The air emissions data of the two LNG processing plants is summarised in the table below:

Air Emissions (unit: kg)				
	2018–19		2017–18	
	Erdos Plant	Dazhou Plant	Erdos Plant	Dazhou Plant
Nitrogen oxides – Stationary source (plant exhaust²)	10,485.4 ³	2,285	2,748	2,160
Nitrogen oxides – Mobile source (vehicle exhaust)	47.0	31.9		
Sulphur oxides	0.7	0.3	Not applicable	
Particulate matters	4.0	2.9		

During the reporting year, the Group was not aware of any non-compliance of laws and regulations that have a significant impact to the Group relating to emissions of exhaust and greenhouse gases, discharge of pollutants to water or soil or the generation of hazardous or non-hazardous waste.

Boil-off gas recovery in Erdos Plant and Dazhou Plant

Boil-off gas is generated during storage and transportation of LNG. To avoid the escape of LNG to the environment and lead to air pollution, the Group has established gas regeneration systems in two of its LNG processing plants that recover boil-off gas for recycling. During the reporting year, there was no release of LNG to the environment during production processes, nor emissions of air pollutants associated therewith.

² Only emissions from purification units and utilities are included.

³ The increase was due to change in computation method; the stationary NOx emissions in financial year 2017–18 were calculated based on the project completion monitoring report, while emissions in financial year 2018–19 were calculated according to guidelines from the Environmental Protection Bureau, including the Industrial Source Pollution Discharge Coefficient Manual and the Sewage Declaration and Registration Practical Manual.



WASTE DISPOSAL

Hazardous wastes generated by the Group include waste activated carbon and waste molecular sieves generated in natural gas purification processes and wastewater treatment processes. During the reporting year, Erdos Plant generated a total of 31.3 tonnes of hazardous waste (0.09 tonnes per tonne of LNG production). The increase was due to the two activated carbon replacement works completed during the year which generated 26.82 tonnes of activated carbon waste.

The Group has established a hazardous waste management system and has formulated various internal guidelines in accordance with the law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes to regulate collection, temporary storage, transfer and disposal of hazardous wastes. Responsible staff must classify and clearly label the waste type prior to transporting it to the special storage site for further handling by qualified personnel.

In addition to ensuring availability of adequate fire-fighting equipment at the hazardous waste storage site, the Group has formulated precautionary and emergency plans for the elimination or minimisation of environmental impacts of hazardous waste and any pollution related accidents. The Group strictly prohibits illegal stacking and dumping of hazardous waste to prevent contamination of land.

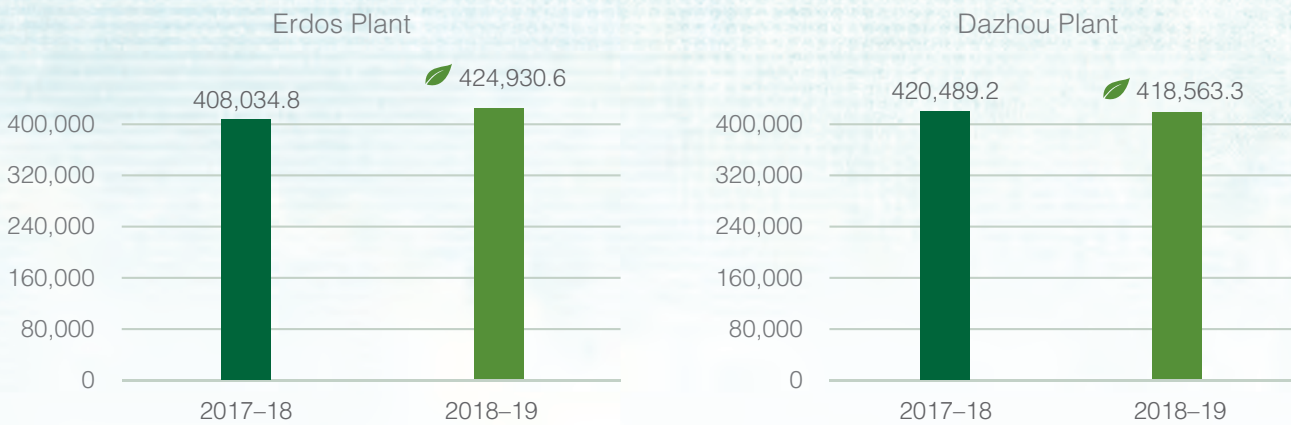
Non-hazardous wastes generated by the Group include construction waste, domestic waste and other solid waste generated in the production processes. They are properly transferred to and handled by qualified external parties. During the reporting year, the Group produced and disposed a total of 25 tonnes of non-hazardous waste.

Waste (unit: tonne)		
	2018–19	2017–18
Hazardous waste	31.3	5.5
Hazardous waste production intensity (tonne/tonne of LNG production)	0.09	0.02
Non-hazardous waste	25.0	25.1
Non-hazardous waste production intensity (tonnes/tonne of LNG production)	0.07	0.08



RESOURCES CONSUMPTION

The Group consumes energy of several types in its daily business operations, which mainly include natural gas, petrol, diesel and purchased electricity. During the reporting year, total energy consumption of the Group amounted to 843,493.9 GJ, among which natural gas consumption accounted for approximately 25% of the total. Energy consumption intensity was 2.5 GJ per tonne of LNG production. The Group's business operations do not consume packaging materials.



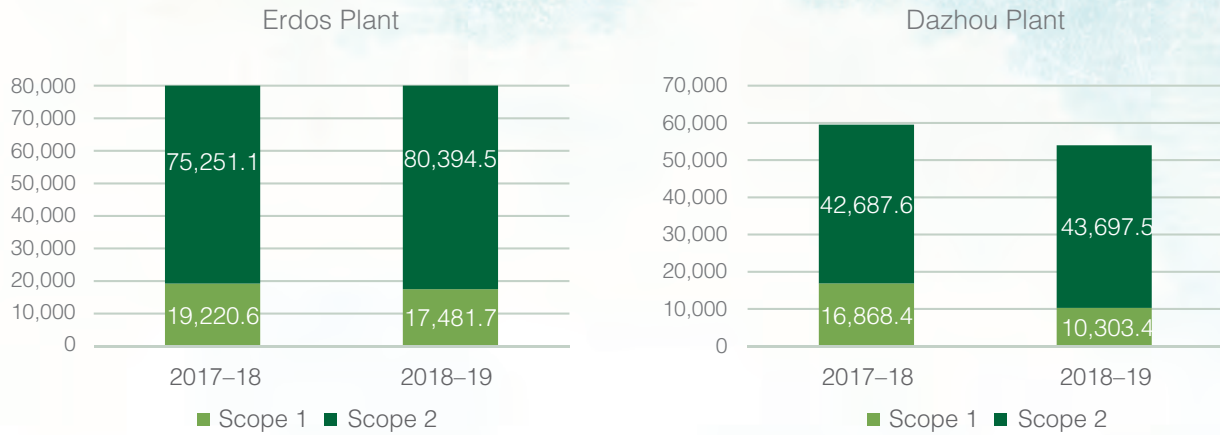
Total Energy Consumption (Unit: GJ)

Greenhouse Gas Emissions

Carbon dioxide is produced in the gas regeneration systems, flare system and domestic boiler in the Group's LNG processing plants. Fuel consumption in plants and company vehicles and consumption of electricity also generate emission of greenhouse gases (GHG). The Group refers to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions from China Petroleum and Natural Gas Production Enterprises (Trial), as well as the GHG Protocol to account for greenhouse gas emissions at various operating points.




During the reporting year, our total GHG emissions were 151,877 tonnes of carbon dioxide equivalent (tCO₂e), of which direct emissions and indirect emissions amounted to 27,785 tCO₂e and 124,092 tCO₂e, respectively. The emission intensity was 0.44 tCO₂e per tonne of LNG production. The Group reduces its carbon footprint through measures illustrated below.




GHG Emissions (Unit: tonne of carbon dioxide equivalent)

The Group has implemented various measures in accordance with its internal environmental policies, such as the Water, Electricity and Gas Use Management Regulations and Office Paper Management Trial Measures, aiming to conserve resources in its daily operations. These measures include:



Energy

- Conduct routine maintenance of the power supply lines
- Repair and report faults in a timely manner
- Switch off lightings, computers and other electronic appliances when not in use
- Avoid high electricity-consumption appliances e.g. electric stoves and electric heaters



Paper

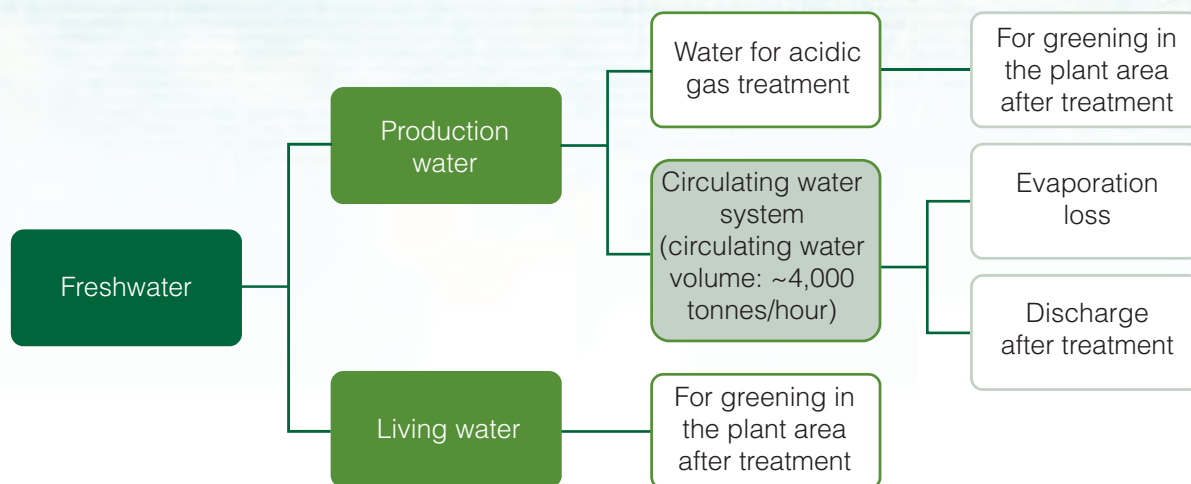
- Keep record of the use of paper
- Use recycled paper and double-sided printing for informal documents such as internal notices
- Promote the use of electronic communication
- Promote a paperless office



WATER MANAGEMENT

The Group consumes water for production and daily living purposes. During the reporting year, the Group consumed approximately 549,676 cubic metres of water, with a consumption intensity of 1.6 cubic metres per tonne of LNG production. Water used in Erdos plant was sourced from groundwater and water used in Dazhou plant was sourced from the municipal supply. The Group did not have any issue in sourcing water that is fit for the purpose.

The Group is committed to optimising water efficiency and reducing generation of wastewater in its operations. In the LNG production process, the Group has adopted a water circulating system which recirculates used water for cooling. The consumption of freshwater and generation of wastewater in the cooling process can therefore be largely reduced.



Process of Water Use

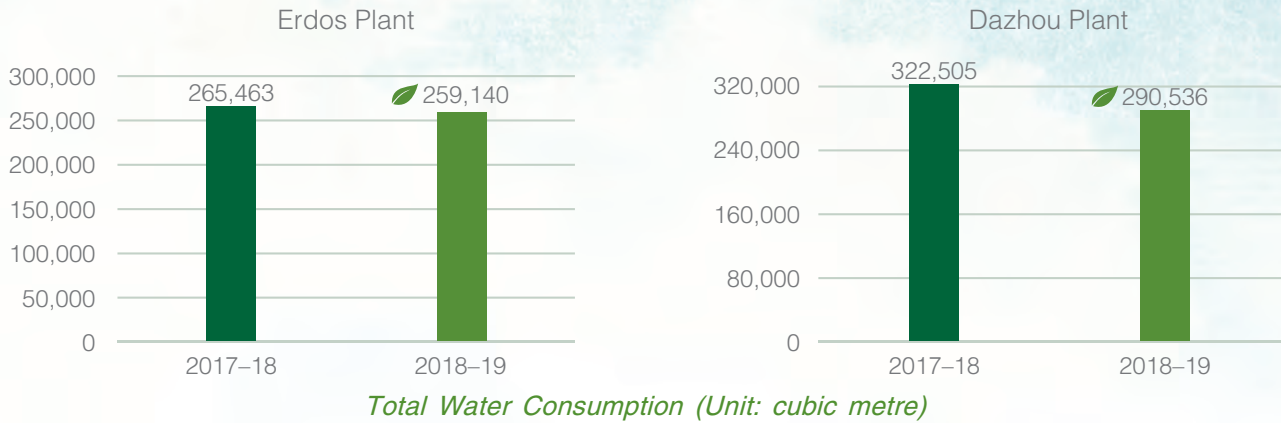
The Group properly treats wastewater before discharge or (re)use for factory greening. During the reporting year, quality of the Group's wastewater discharged was assured by a third party to meet requirements of level one of the Integrated Wastewater Discharge Standard (GB 8978-1996). Erdos Plant produced a total of 130,835 tonnes of wastewater; the wastewater discharge data of Dazhou Plant is not available as the Dazhou Plant discharges wastewater into the municipal pipe network and a measuring instrument is not installed.

Energy-saving renovation of the circulating water system

Understanding that water pumps in circulating water systems consume a huge amount of electricity, Erdos Plant has upgraded two of its water pumps in its circulating water system to high-efficiency models. This renovation has greatly enhanced the efficiency of the water pumps, with an average energy saving of approximately 78,000 kWh per month.



To conserve water in production plants as well as in offices, the Group advocates responsible use of water by all staff and promotes practices such as closing the water faucet immediately after use. The Production Technology Department conducts routine maintenance and inspections of the water supply facilities, and the security personnel of the Group repair or report water leakage problems in a timely manner.



ENVIRONMENTAL EMERGENCY MANAGEMENT

The Group understands that gas leakage from its operations can result in severe environmental problems, such as air pollution, combustion and explosion. Improper discharge of industrial waste may also lead to pollution of the water sources. In this regard, the Group has developed an Environmental Accident Emergency Mechanism in accordance with the Fire Control Law of the PRC, Measures for the Administration of Contingency Plans for Work Safety Accidents and other national laws and regulations. The Group has also formulated internal guidelines and established an Emergency Command Centre to coordinate the preparation for and response to emergency environmental incidents. In daily operations, the Group holds emergency drills and training every year to enhance the emergency response capabilities of employees, striving to reduce negative impacts of its operations to the environment and natural resources.



LAWFUL OPERATION

SUPPLY CHAIN MANAGEMENT

Yuan Heng Gas selects its suppliers by standardizing procurement procedure and regular evaluation, ensuring the quality of products and services provided by the suppliers. The Group's main suppliers include companies supplying raw natural gas, machinery and equipment, etc. As at 31 March 2019, Erdos Plant and Dazhou Plant had 62 and 60 suppliers respectively located in Mainland China.

In order to standardize the materials procurement process and improve work efficiency, the Group has formulated the "Material Purchasing Management System" which states each department's procurement responsibilities and provides guidelines for the procurement process, approval procedures, etc. Upon arrival of the delivery, concerned departments designate specific persons such as warehouse personnel and the procurement team to conduct joint inspections for the goods. Goods received are put into the warehouse only after passing the inspection.

Through the "Suppliers Performance Evaluation Form", the Group strictly selects, evaluates and monitors the performance of suppliers and aims to establish long-term partnerships with qualified suppliers. The Group regularly conducts risk assessments of suppliers in terms of quality, delivery time, price and service, scoring and re-rating them. The Group also emphasizes communication with suppliers and adopts applicable communication channels for different types of suppliers, such as conducting regular visits and meetings with large suppliers such as electricity suppliers and pipeline natural gas suppliers, using network communication and other channels to communicate with small suppliers.

Basic requirements

- Good qualification and reputation
- Product quality in line with national standards or group technical requirements
- Products arrive in time

Points that add marks

- ISO9001 quality management system certification
- Better than peers
- High quality after-sales service
- Excellent corporate performance and advanced management

Points that deduct marks

- Unqualified acceptance of products or incidents happen when using the products
- Suppliers cannot deliver in time
- Poor quality of after-sales service
- Product and service lag behind the industry level

Disqualification of supplier status

- Product recorded two consecutive incidents
- Large economic losses caused by the suppliers
- The enterprise has non-compliance behaviours or poor credit standing
- The enterprise has experienced operational difficulty or poor management

Suppliers Performance Evaluation Form



PRODUCT RESPONSIBILITY

Quality Management

With an effective production management system, Yuan Heng Gas ensures the quality of products and services. The Group strictly complies with “Product Quality Law of the PRC”, “Safe Production Law”, “Hazardous Chemicals Management Regulations” and other relevant laws and regulations. To ensure compliance, the Group has also formulated documents such as “Production Management System”, “Basic Knowledge and Skills of Technology Specialty Position”, “Basic Knowledge and Skills of Equipment Specialty Position”, etc., to standardize its production process.

The Group has signed the “Liquefied Natural Gas Supply Contract” with gas buyers to safeguard customers’ interest by clarifying the risks and promising the quality of natural gas provided to the buyers in line with the national standards. The Group also promises to provide the buyers with “Inspection Reports” of natural gas regularly during the contract period. In order to guarantee continuous and stable gas supply, the Group carries out annual maintenance of production equipment and regular repairs of power supply lines and equipment in the plants.

Considering the risks involved in natural gas transportation, Yuan Heng Gas has signed the “Safety Management Agreement” with gas transportation companies, setting demands on qualifications of the transportation companies and drivers, to eliminate or reduce the occurrence of accidents.

Intellectual Property and Privacy Protection

The Group respects and protects intellectual property rights of others as well as its own and complies with the “Tort Liability Law of the PRC” and other related laws and regulations. To ensure compliance, the Group has established the “Intellectual Property Management System”. The Group’s Knowledge Management Unit is responsible for intellectual property management. Professional management positions have been set for management of the Group’s patents, trademarks, trade secrets, etc. Persons who infringe or cause an infringement of the Group’s intellectual property are liable to economic responsibility. The Knowledge Management Unit may report the case to the judicial office. Yuan Heng Gas has also signed confidentiality agreements with people involved in the Group’s technical and trade secrets to protect its intellectual property rights. During the reporting period, the Group was not involved in any litigation relating to infringement of intellectual property rights.

The Group respects and pays attention to customer privacy and information confidentiality. To safeguard customers’ privacy and data, the Group has incorporated clauses relating to confidentiality in agreements with customers.

Customers Engagement

To improve customer satisfaction and protect the reputation of the Group, Yuan Heng Gas has standardized the procedures for handling customer complaints by formulating the “Management System and Process for Client Complaints”.



Management System and Process for Client Complaints

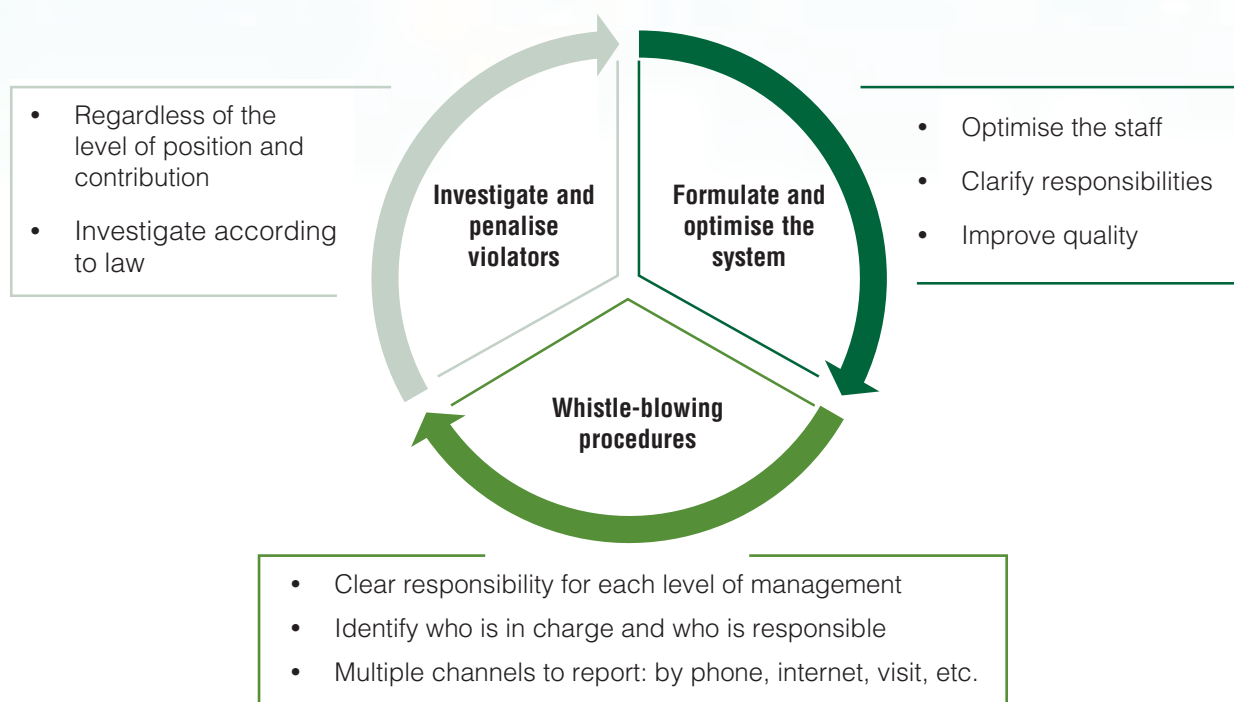


During the reporting year, the Group did not receive any complaints about products and services. The Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

ANTI-CORRUPTION

Upholding the principles of integrity and lawful operation, Yuan Heng Gas strictly prohibits bribery, extortion, fraud and money laundering. In addition to complying with the “Anti-Corruption and Bribery Law of the PRC”, “General Principles of the Civil Law of the People’s Republic of China” and other applicable regulations, the Group has formulated relevant policies to ensure compliance, such as the “Anti-corruption Management System”, “Anti-corruption Management Commitment”, “Anti-corruption Prevention Measures and Reporting Procedures”, offering guidelines for the employees to enhance their legal awareness and prohibits illegal conduct.

Employees of the Group are not allowed to accept or claim money or securities for any reason at work. If necessary, relevant cases are transferred to judicial authorities. Employees who assist their relatives and others to accept bribes are deemed to have accepted bribes and would be subject to investigation in accordance with the “Anti-corruption and Bribery Law of the PRC”.



Anti-corruption Prevention Measures and Reporting Procedures

During the reporting year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.



COMMUNITY INVOLVEMENT

Yuan Heng Gas is committed to supporting local communities in areas where it operates, serving the local people and building a harmonious community through varied and colourful volunteer services. The Group actively organises activities about caring for vulnerable groups, such as supporting financially-disadvantaged party members and union members, caring for local students in trouble and helping the disabled to get employed. The Group also places emphasis on devotion to environment. For instance, the Group organized volunteer activities for picking up garbage and planting trees, held volunteering service activity named “Care the earth, Protect our home”, which helped popularize environmental knowledge and advocate living in a resource-conservative and environmentally-friendly way. In addition, the Group assists the locals in selling local specialties, boosting their income.

During the reporting year, the Group contributed RMB 62,900 to the society and environment and recorded 16 hours of volunteering work.



PERFORMANCE DATA SUMMARY

ENVIRONMENTAL PERFORMANCE

	2018-19	2017-18
Air Pollutants		
Nitrogen oxides (kg)	12,849.3	4,908
Sulphur oxides (kg)	1.0	Not applicable
Particulate matters (kg)	6.9	Not applicable
Greenhouse Gases (GHG) Emissions		
Scope 1: Direct carbon emissions (tCO ₂ e)	27,785.2	36,089
Scope 2: Indirect carbon emissions (tCO ₂ e)	124,092.1	117,938.7
Total GHG emissions (tCO ₂ e)	151,877.3	154,027.7
Total GHG emission intensity (tCO ₂ e/tonne of LNG production)	0.44	0.47
Waste		
Hazardous waste (tonnes)	31.3	5.5
Hazardous waste intensity (tonne/tonne of LNG production)	0.09	0.02
Non-hazardous waste (tonnes)	25.0	25.1
Non-hazardous waste intensity (tonne/tonne of LNG production)	0.07	0.08
Direct Energy Consumption		
Natural Gas (GJ)	214,814.3	229,850.3
Petrol (Litre)	63,682.2	Not applicable
Diesel (Litre)	3,389.4	Not applicable
Indirect Energy Consumption		
Purchased electricity (MWh)	174,035.7	166,298.3
Total Energy Consumption (GJ)		
Energy consumption intensity (GJ/tonne of LNG production)	2.5	2.6
Packaging Materials	The Group's operations do not involve the use of packaging materials.	
Water		
Total water consumption (cubic metre)	549,676	587,968
Water intensity (cubic metre/tonne of LNG production)	1.6	1.8
Total wastewater discharge (cubic metre)	130,835	110,926



SOCIAL PERFORMANCE

	2018–19		2017–18	
	Erdos Plant	Dazhou Plant	Erdos Plant	Dazhou Plant
Total Headcount	133	130	134	134
By Gender				
Male	103	105	104	105
Female	30	25	30	29
By Professional Profile				
Senior management	4	4	4	4
Middle management	11	13	13	14
General staff	118	113	117	116
By Age				
20 – 30	66	44	123	47
31 – 40	50	52	54	—
41 – 50	13	24	11	24
Above 50	4	10	—	9
Employee Turnover Rate	32.3%	11.5%	17.9%	16.4%
By Gender				
Male	37.9%	11.4%	—	—
Female	13.3%	12.0%	—	—
By Professional Profile				
Senior management	0%	0%	—	—
Middle management	0%	7.7%	—	—
General staff	36.4%	12.4%	—	—
By Age				
20 – 30	53.0%	18.2%	—	—
31 – 40	12.0%	11.5%	—	—
41 – 50	15.4%	0%	—	—
Above 50	0%	10.0%	—	—



	2018–19		2017–18	
	Erdos Plant	Dazhou Plant	Erdos Plant	Dazhou Plant
Employee New Hire Rate	20.3%	14.6%	16.4%	19.4%
By Gender				
Male	23.3%	16.1%	—	—
Female	10.0%	8.0%	—	—
By Professional Profile				
Senior management	0%	0%	—	—
Middle management	0%	0%	—	—
General staff	22.9%	16.8%	—	—
By Age				
20 – 30	34.8%	25.0%	—	—
31 – 40	8.0%	11.5%	—	—
41 – 50	0%	8.3%	—	—
Above 50	0%	0%	—	—
Average Training Hours (Percentage of Employees Trained)				
By Gender				
Male	4.9 (100%)	20 (100%)	20.7 (100%)	68.6 (100%)
Female	58.0 (100%)	20 (100%)		
By Professional Profile				
Senior management	16.8 (100%)	20 (100%)		
Middle management	16.4 (100%)	20 (100%)	20.7 (100%)	68.6 (100%)
General staff	16.9 (100%)	20 (100%)		
Occupational Safety and Health Performance				
Work-related fatalities		0		0
Number of workers injured		0		0
Lost days due to work-related injury		0		0
Work-related injuries per 1,000 workers		0		0



HKEX ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
A. Environment		
Aspect A1: Emissions	<p>General Disclosure</p> <p>Information on:</p> <p>a) the policies; and</p> <p>b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	Environmental Management
KPI A1.1	The types of emissions and respective emissions data.	Emissions Control
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Control
KPI A1.3	Total hazardous waste generated (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Disposal
KPI A1.4	Total non-hazardous waste generated (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Disposal
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions Control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Disposal



KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on efficient use of resources, including energy, water and other raw materials.</p> <p>KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).</p> <p>KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).</p> <p>KPI A2.3 Description of energy use efficiency initiatives and results achieved.</p> <p>KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.</p> <p>KPI A2.5 Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.</p>	<p>Environmental Management, Resource Consumption</p> <p>Resource Consumption</p> <p>Water Management</p> <p>Water Management</p> <p>Water Management</p> <p>The Group's operations do not involve the use of packaging materials.</p>
Aspect A3: The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimising the issuer's significant impact on the environment and natural resources.</p> <p>KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>	<p>Environmental Management, Environmental Emergency Management</p> <p>Environmental management, Environmental Emergency Management</p>



KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B1: Employment	<p>General Disclosure</p> <p>Information on:</p> <p>a) the policies; and</p> <p>b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p> <p>KPI B1.1 Total workforce by gender, employment type, age group and geographical region.</p> <p>KPI B1.2 Employee turnover rate by gender, age group and geographical region.</p>	Labour Standards
Aspect B2: Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>a) the policies; and</p> <p>b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p> <p>KPI B2.1 Number and rate of work-related fatalities.</p> <p>KPI B2.2 Lost days due to work injury.</p> <p>KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.</p>	Occupational Health and Safety



KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
	KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development
	KPI B3.2 The average training hours completed per employee by gender and employee category.	Performance Data Summary
Aspect B4: Labour Standards	General Disclosure Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Labour Standards
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
	KPI B5.1 Number of suppliers by geographical region.	Training and Development
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management



KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B6: Product Responsibility	General Disclosure Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
	KPI 6.3 Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
	KPI 6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility
	Aspect B7: Anti-Corruption	General Disclosure Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Involvement
	KPI 7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	KPI 7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment	KPI 8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Involvement
	KPI 8.2 Resources contributed (e.g. money or time) to the focus area.	Community Involvement

