

元亨燃氣

YUANHENG GAS

YUAN HENG GAS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 332



2019/20

Environmental,
Social and Governance
Report



Vision

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

Mission

Create value for shareholders, employees, and society

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ABOUT THE REPORT

Yuan Heng Gas Holdings Limited and its subsidiaries (collectively referred to as “Yuan Heng Gas” or the “Group”) have been engaged in (i) oil and natural gas products related transactions and providing related consulting services; and (ii) processing, distribution, sales, trading and transportation of liquefied natural gas, besides other auxiliary businesses and networks in the PRC. The two high-quality liquefied natural gas processing plants owned by the Group are located in Erdos, Inner Mongolia and Dazhou, Sichuan.

This is the fourth Environmental, Social and Governance (“ESG”) Report published by the Group, disclosing the Group’s performance on material environmental and social topics for the financial year from 1 April 2019 to 31 March 2020 (“the reporting year”). The Board of Directors of the Group has reviewed this report and confirmed the truthfulness, accuracy and completeness of the content.

REPORTING GUIDELINES

The Report has been prepared in compliance ESG Reporting Guide set out in Appendix 27 to the Listing Rules on the Stock Exchange of Hong Kong Limited (“HKEX”). The Group is determined to adhere to the reporting principles of materiality, quantitative, balance and consistency when disclosing its management approach concerning environmental and social topics and their corresponding quantitative indicators.

We engage with stakeholders, identifying topics that they are concerned about. We follow the materiality principle to prioritise these topics for management and disclosure. In addition to disclosing the management approach, the Report adopts a consistent approach when disclosing the performance of quantitative data, enabling meaningful comparison and explaining reasons for any changes. We are committed to disclosing our ESG performance in a balanced manner, preventing any undue influence on stakeholders’ decision-making or judgment.

The Report is presented in both Chinese and English versions. The English version shall prevail in case of any discrepancies between the two versions. This Report should be read along with our annual report. For governance section, please refer to the Corporate Governance Report on pages 9 to 27 of the 2020 Annual Report.

REPORTING SCOPE

The Report covers the Group’s liquefied natural gas production and transportation business, focusing on the environmental and social performance of its two liquefied natural gas processing plants located in Erdos, Inner Mongolia; Dazhou, Sichuan; and the natural gas transportation company situated in Zunyi, Guizhou (hereinafter referred to as “Erdos Plant”, “Dazhou Plant”, and “Huaheng Energy”, collectively as “Each Operation Center”). Unless otherwise stated, the data collection scope covers the Erdos Plant and Dazhou Plant during the reporting year, while the narrative information covers the entire Group. The Group is continuously improving the data and narrative information collection mechanism, and will expand the reporting scope gradually to further enhance the transparency of ESG management and performance.

The Group values stakeholders’ opinions and strives to raise the levels of ESG disclosure. Please contact the Group for any comments.

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CHAIRMAN'S STATEMENT



Encountering the global economic downturn caused by COVID-19 and the intensifying competition in the oil and natural gas market, Yuan Heng Gas has been facing significant challenges. Nevertheless, national energy market reform has brought opportunities to the Group's development. The Chinese government has made substantial and outstanding efforts for developing clean energy usage for production and put strong emphasis on the opening up of the natural gas market, ensuring the natural gas market will be able to maintain stable growth in the future.



As a leading sustainable clean energy group in China, we are concerned with the operating environment, implementing policies actively to tackle challenges and alleviate unfavourable impacts. For instance, the Group has been gradually incorporating the concept of sustainable development management in the company's operations, engaging with stakeholders to understand the issues that they pay close attention to, and achieving our mission of ensuring returns to shareholders, employees and the society. Through this Report, we regularly collect ESG data for rectifying issues related to ESG management of the Group and continuously enhancing the Group's ESG management and performance.

We put strong emphasis on the occupational health and safety of our employees. Upholding the safe production culture of "Safety first, Prevention-based, Integrative governance, People-oriented", both Erdos Plant and Dazhou Plant carried out an annual maintenance initiative which lasted for an entire month during the reporting year to ensure safe production. To raise employees' safety awareness, we have commenced three-level safety training which is designed for employees working in different positions.

We understand that measures for enhancing product quality and customer satisfaction are essential. In the course of natural gas production, processing and transportation, we are committed to ensuring the quality and stability of gas supply, enhancing safety education initiatives for natural gas end-users. In supply chain management, we have not only improved the environmental and social risk management for our suppliers, but have also commenced green procurement to establish a more sustainable supply chain.

The Group actively responds to the government's initiatives for developing clean energy and environmental protection, expediting the construction of gas pipelines network that contributes to the low-carbon industry development. We understand the environmental impacts on the nearby community brought by the Group's business operations. In our daily operation, we effectively manage emissions of exhaust gas, wastewater and wastes, managing resources consumption. During the reporting year, we have completed several energy-saving initiatives, for instance, retrofit of cooling towers and turbines and high-efficiency water pumps. These projects have helped improve the application level of the Group's energy-saving efforts.





CHAIRMAN'S STATEMENT

We continuously take measures to fulfill our social responsibilities, both in regular times as well as during special circumstances such as the pandemic. We make full use of our resources and contribute to the society by different ways including making donations, expressing sympathy to low-income families, and facilitating employment of those with disabilities. Furthermore, we incorporate environmental protection values in all our activities, as reflected in organisation of and participation in environment related charitable activities.

Looking ahead, we believe that the Group's operations should increasingly align with sustainable development. The Group will continue to grow in the natural gas industry and actively exploring new opportunities. Upon continuous improvement of the Group's ESG management, we will be able to identify significant ESG risks and opportunities promptly and actively adopt corresponding measures, which shall facilitate moving forward in the direction of sustainable development. On behalf of the Board of Directors and senior management, I would like to thank all stakeholders for their continuous support to the Group. We will continue to work hard and keep moving forward in cooperation with our stakeholders.

Wang Jianqing

Chairman and Chief Executive Officer

Yuan Heng Gas Holdings Limited

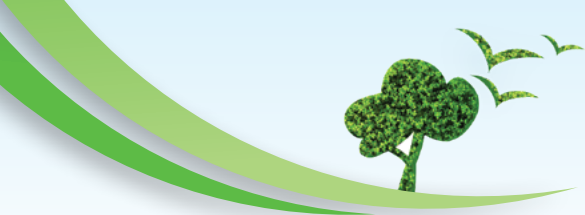


STAKEHOLDERS ENGAGEMENT

Yuan Heng Gas attaches importance to effective engagement with stakeholders, aiming to raise their understanding and support of the Group. The Group has established an ongoing communication mechanism, reaching out to stakeholders including employees, shareholders and investors, customers, government/regulatory bodies and suppliers through multiple channels. By learning the needs of stakeholders and actively respond to their concerns, we are able to incorporate the risks and opportunities into the Group's decision-making and management approach subsequent to prioritization in accordance with the materiality principle. During the reporting year, the Group engaged 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 Mail 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 	<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"> Face-to-face dialogue Company Website Exhibition 	<ul style="list-style-type: none"> Lawful Operation
	Suppliers	<ul style="list-style-type: none"> Business Ethics Operational Risk 	<ul style="list-style-type: none"> Face-to-face dialogue Telephone Direct mail 	<ul style="list-style-type: none"> Lawful Operation
	Government/Regulatory Authorities	<ul style="list-style-type: none"> Corporate Governance Business Ethics Employee Protection Environmental Compliance 	<ul style="list-style-type: none"> Annual General Meeting Regulatory Announcement Charity Program 	<ul style="list-style-type: none"> Employee Care Environmental Protection Lawful Operation





EMPLOYEE CARE

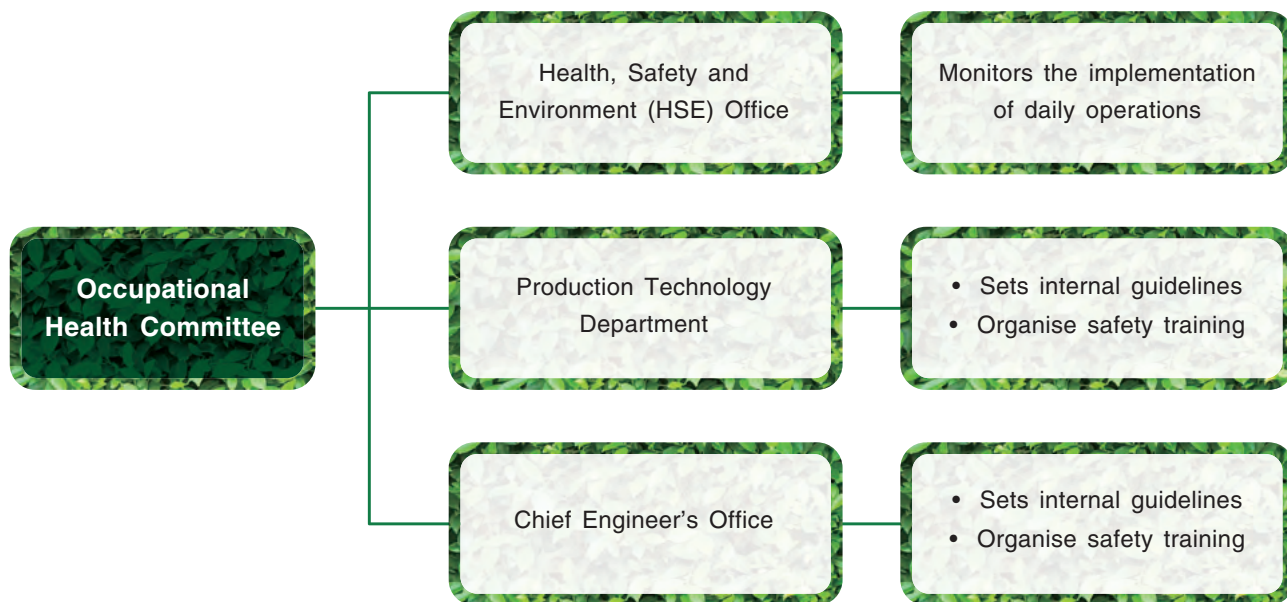
Adhering to the doctrine of “Recruiting employees based on merits, integrity and talent; Ensuring talents are developed and utilised to the fullest extent”, Yuan Heng Gas is dedicated to offering a healthy and safety workplace where employees can thrive and realise their full potential.

OCCUPATIONAL HEALTH AND SAFETY

Health and safety of our staff is of paramount importance. Complying with the relevant laws and regulations,¹ the Group undertakes measures to ensure efficient occupational health and safety management. In addition, the Group has formulated a safety management approach of “Safety first, Prevention-based, Integrative governance, People-oriented” and set safety targets accordingly. These include zero cases of significant safety incidents such as fire, explosion, leakage and environmental pollution. Through formulating various occupational safety management systems, as well as irregular check and supervision, we foster the achievement of safety performance targets. During the reporting year, there was no lost day due to work-related injury nor work-related fatalities.

Safety Management

Every decision the Group makes is based upon the safety management principle of “Precaution first, Syndicate prevention and rectification, Classified management and Integrated governance”. An Occupational Health Committee has already been set up to minimise and eliminate risks associated with occupational health and safety. The committee comprises the following three departments:



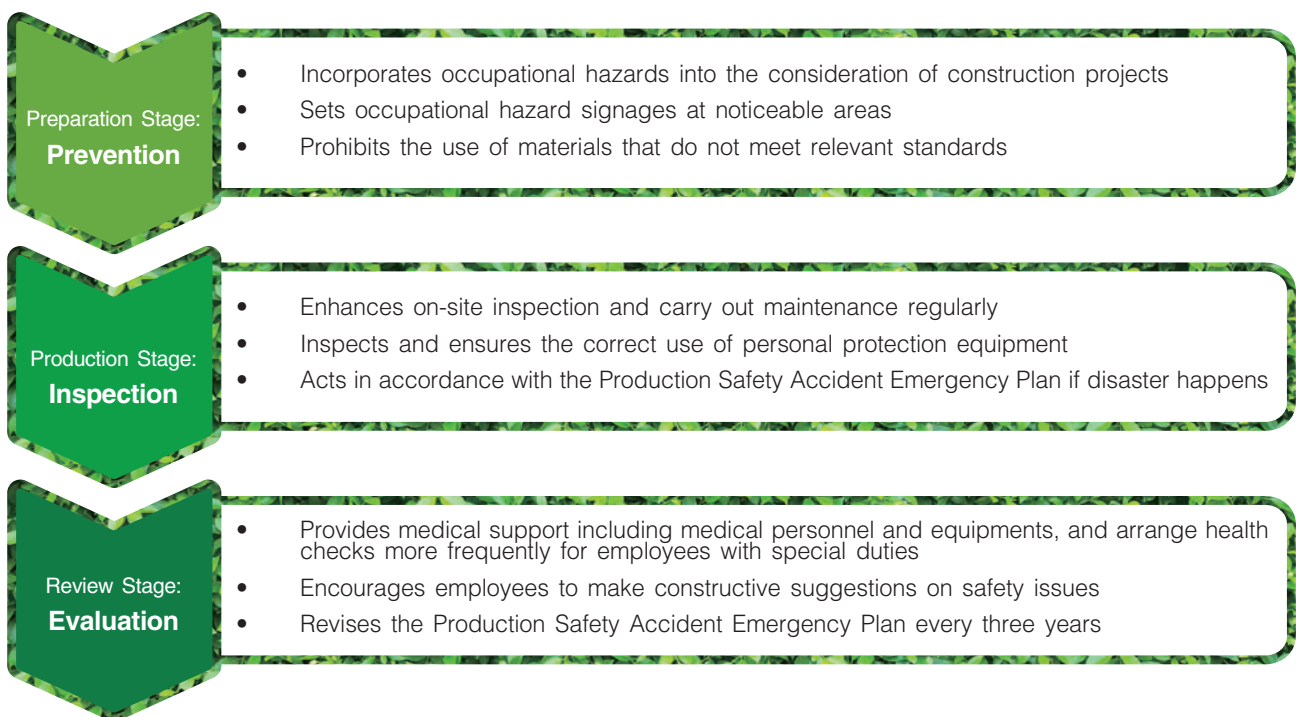
Safety Management Governance Structure

¹ For laws and regulations in relation to occupational health and safety, please refer to the section headed “Laws and Regulations”

EMPLOYEE CARE

The HSE office is held fully accountable for safety in production, environmental protection and occupational diseases prevention in the Group. It organises, formulates and supervises the implementation of the Group's various occupational safety and health systems and regulations. In addition, the office prepares the Group's safety training plan and requirements, ensuring the occupational health and safety initiatives are supported by needed resources and implemented effectively.

Production Technology Department and Chief Engineer's Office are responsible for guidance regarding occupational health and safety. They also organise and launch safety training programmes and monitor the implementation of safety protection measures, etc. During the reporting year, the Erdos and Dazhou plants have completed reviews of the Work Safety Standardisation by the Emergency Management Department of Inner Mongolia Autonomous Region and Sichuan Province, respectively.



Given the nature of the natural gas industry, employees of the Group are particularly susceptible to high safety risk when handling electrical work, welding or other thermal processes in environment exposed to high levels of noise. As such, the Group has enacted a set of safety measures that span through the entire operations process, including preparation, production and review stage. Also, internal policies associated with occupational safety are implemented with reference to national laws which employees at all levels are expected to strictly abide by.





EMPLOYEE CARE

Case study: 2019 Integrated Checking and Maintenance Initiative

The Erdos plant conducted the annual maintenance of LNG facilities from May 7th to May 30th, 2019. A total of 32 projects were completed, covering testing and investigation of safety hazards in various aspects such as power units and pipelines. During the maintenance period, a designated safety management supervision team was established to supervise and promote the smooth operation of various professions, groups and construction units to ensure the normal and stable operation of various indicators. The maintenance initiative effectively rectified the issues exposed by devices such as equipment aging, corrosion, cracking, etc., successfully eliminating safety hazards and avoiding potential incidents.



The Dazhou plant underwent annual shutdown for major maintenance from June 26th to July 23rd, 2019. This overhaul was carried out by a combination of self-building and external commissions, covering a total of 41 projects. The facilities found to have safety hazards were rectified and maintained. In addition, during the maintenance period, Yuan Heng Gas puts safety at the forefront, ensuring strict supervision regarding the necessary requirements for safety equipment and protective measures for maintenance personnel.



Safety Training

Aiming to enhance employees' knowledge and ability to handle safety issues, thereby reducing occupational hazards and accidents, the Group formulates occupational health and safety training plans and provides regular safety training to all staff. The HSE Office is responsible for providing guidance and inspection of the three-level safety training. It ensures the training contents are prepared with reference to national laws and regulations as well as company's policies. The HSE Office has specified minimum training hours and assessment criteria which staffs have to satisfy before reporting for duty.

EMPLOYEE CARE



Safety Training in Factories

- Occupational hazards related cases
- Evacuation and emergency handling
- Use and maintenance of safety facilities and personal protective equipment



Safety Training in Plants

- Safety case studies in industry
- Safety production rights and responsibilities
- Safety production status and basic knowledge



Safety Training in Teams

- Cooperation among different positions
- Safety operation guidelines
- Safety case studies of incidents

Three-level safety training

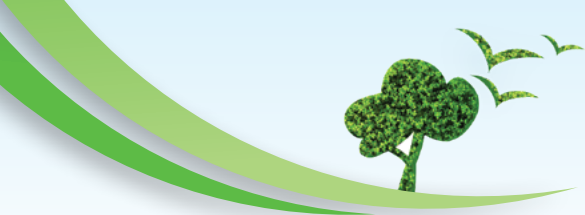
During the reporting year, the Group organised multiple Integrated Emergency Response Drills that raised employees' awareness and ability to respond to emergencies. In addition, we carried out rectifications for identified problems and further strengthened the safety line of defense, making sure the safety production status of the Group continues to improve. In view of the risks in the natural gas transportation process, the Group and natural gas transportation company signed a "Safety Management Agreement", which set out qualifications of the transportation company and drivers to improve the safety of the transportation process.

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

EMPLOYEE PROFILE

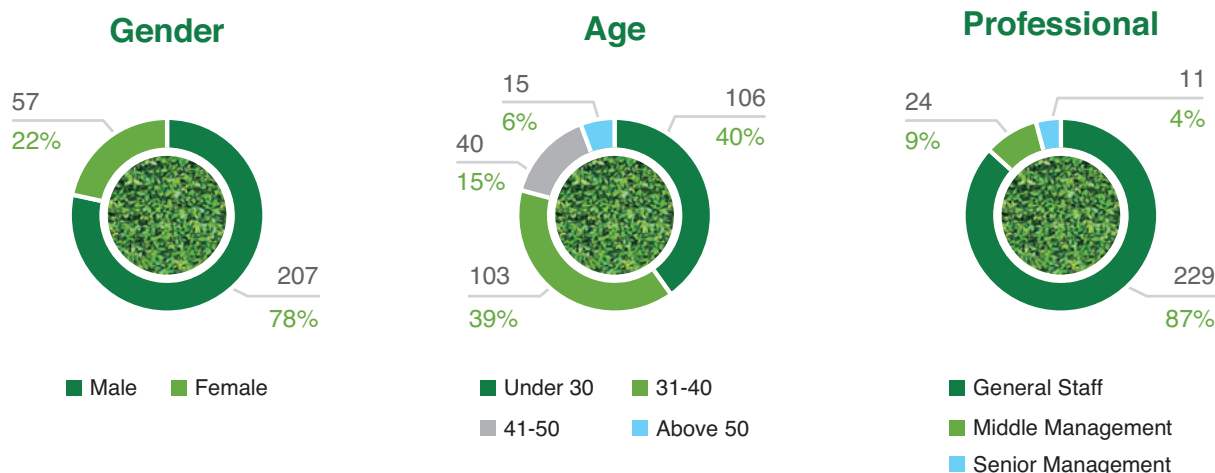
The Group had a total of 264 employees in Erdos and Dazhou plants, almost evenly distributed between the two (Sichuan Province 133 or 50% and Inner Mongolia Autonomous Region 131 or 50%). The proportion of males to females was approximately 3.6:1, which is similar to last year. In terms of age profile, approximately 39% were aged under 30 and 40% were aged 30–40 years. Of the total 35 or 13% were managerial staff, including 11 or 4% senior management and 24 or 9% in middle management, while the rest were general staff.





EMPLOYEE CARE

The overall turnover and new hire rate were approximately 15% and 12% respectively. The distribution by geographical regions, age, gender and professional profile is presented in the Performance Data Summary of this report.



LABOUR STANDARDS

We are dedicated to ensuring that our employees are treated with dignity and respect. To cultivate a working environment free of harassment and discrimination, we have zero tolerance for any form of discrimination against one's age, gender, marital status, race, religion and disability. Any staff subjected to harassment and discrimination could file a complaint through the company complaint mailbox. All cases are investigated by the Administration Department. Employees who are found to have engaged in such misconduct face corrective education or legal consequences, depending on the severity of the violation.

To prevent recruitment of child and forced labour, we strictly comply with relevant laws and regulations. To ensure compliance, we make sure all employment contracts are signed voluntarily. Prior to employment, applicants must show valid identity documents for age verification. In case child labour is found, such persons are escorted back home and handed over to their guardians. The Group also provides economic aid to such children and follows up their education status. There was no reported case regarding child or forced labour during the reporting year.

Employees are our greatest strength that contributes to long-term development of the Group. At Yuan Heng Gas, we are committed to maximising the satisfaction of our staff by offering decent remuneration packages. In addition to statutory welfare such as social insurance and paid annual leave, there are attractive company packages including health checks, festival allowance and insurance. The voice of our employees is treasured. An award system is in place to encourage staffs to give constructive opinions. Furthermore, we have a range of recreational and caring activities to convey the Group's caring and warmth to its employees.

EMPLOYEE CARE

The Group is strictly adhered to applicable laws and regulations.² 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.



TRAINING AND DEVELOPMENT

The competency and professionalism of our employees are crucial to the success of the Group. To improve the suitability of the internal training delivered, collaborations between departments are established in the planning and implementation stages. For instance, the administration office is responsible for setting training targets and designing training materials while other departments help to conduct training need analysis annually to ensure that the training content matches the development trend of the company.

Staffs who have received training are required to sit for examination to assess the knowledge they acquired. Those who fail or are absent from examination are subject to further training and re-examination. In addition to the performance assessment, effectiveness of training is verified and evaluated through analysing the examination results. This procedure can test whether the associated targets are met, identify any potential problems for corrective actions and serve as a guide for making training plans for the year after.

To facilitate internal knowledge transfer, we have developed an internal lecturer team formed by individuals with departmental recommendation and professional technicians. Also, we promote active engagement in external training by providing staffs with subsidies. During the reporting year, the training coverage of our employees reached 100% and the average training hours were approximately 18 hours.

² For the laws and regulations in relation to the labour standards, please refer to the section headed "Laws and Regulations"





ENVIRONMENTAL PROTECTION

ENVIRONMENTAL MANAGEMENT

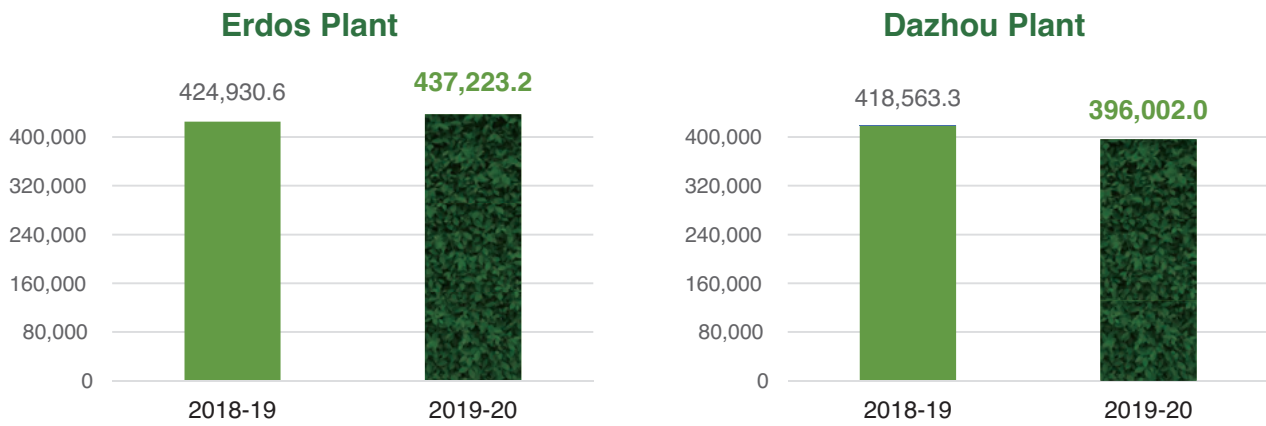
The Group is committed to becoming an outstanding provider of clean energy, offering safe and clean natural gas to its clients. We strictly follow related laws and regulations in operations and management,³ paying close attention to a series of national environmental policies such as the “Action Plan on Air Pollution Prevention and Control”, “Three-Year Action Plan to Fight Air Pollution”, and the “Guidance on Strengthening the Response to Heavy Pollution Weather and Effectively Conducting Emergency Response and Emission Reduction Measures” (Letter No. 648 [2019] of the general office of the Ministry of Environmental Protection). On an irregular basis, the Group commissions third-party agencies for carrying out assessments of exhaust gas and wastewater produced in its operations to ensure emissions are in compliance with the national standards.

Through establishing and improving energy conservation measures, the Group continuously strengthens energy management and environmental practices, mitigating impacts on the environment in the operations process. The Group sets out “the Compilation of Environmental Protection Management Systems”, constituting a guideline for environmental management initiatives. The guidelines help ensure the management and supervision of the Group’s environmental issues, facilitating each operation unit to optimize environmental management. Having a clear environmental management approach, the General Manager and Vice General manager lead the environmental management initiatives, supervising the HSE office, functional departments, production workshops and individual teams. Departments from different levels coordinate together and implement the environmental management system conscientiously, preventing non-compliance incidents or environmental-related accidents.

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 generation of hazardous or non-hazardous waste.

RESOURCES CONSUMPTION

The Group consumes several types of energy in its daily business operations, including natural gas, petrol, diesel and purchased electricity. During the reporting year, the total energy consumption of the Group amounted to 833,225.2 GJ, similar to that in the previous reporting year. The energy consumption intensity was 2.5 GJ per tonne of LNG production.



Total Energy Consumption (Unit: GJ)

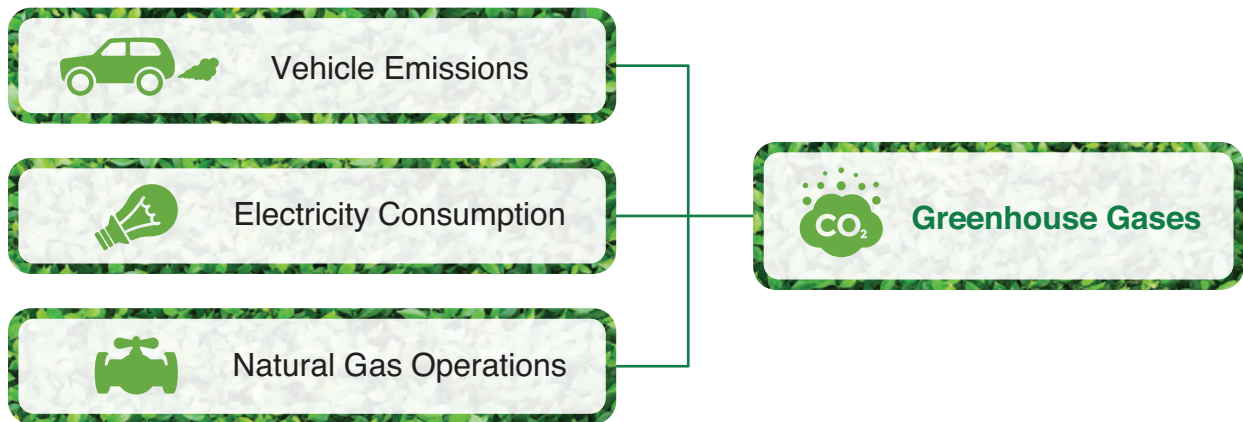
³ For the laws and regulations in relation to the environmental management, please refer to the section headed “Laws and Regulations”

ENVIRONMENTAL PROTECTION

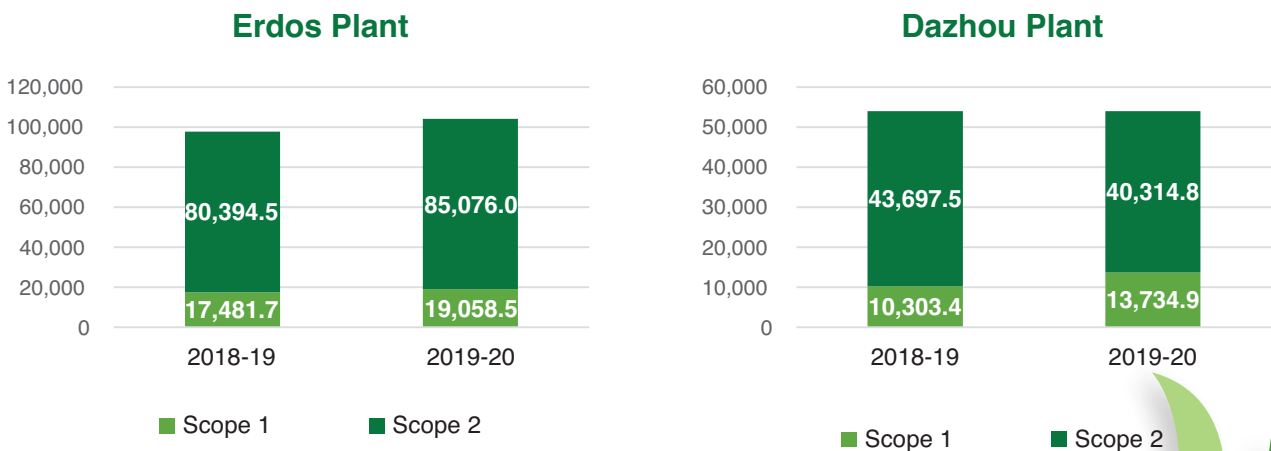
Greenhouse Gas Emissions

The Group is aware of the carbon footprint of its business operations. Reference is made to the “Guidelines for Accounting and Reporting Greenhouse Gas Emissions from China Petroleum and Natural Gas Production Enterprises (Trial)” published by the National Development and Reform Commission of the PRC and GHG Protocol to calculate greenhouse gas emissions at various operating points. The Group will continue to monitor information of greenhouse gases emissions of its business operations and deliver updates accordingly.

The greenhouse gases emissions of the Group mainly include Scope 1, direct greenhouse gases emissions, and Scope 2, energy indirect greenhouse gases emissions. Direct greenhouse gases emissions mainly include combustion of petroleum and diesel at factories and company vehicles, as well as the emissions induced by natural gas processing. Energy indirect emissions mainly include emissions from purchased electricity.

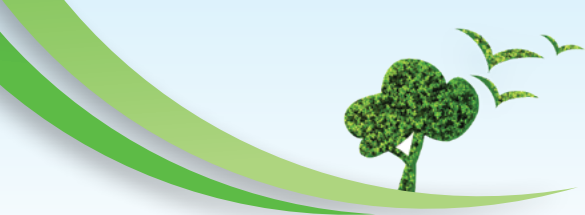


During the reporting year, the Group's total greenhouse gases emissions were 158,184.2 tonnes of carbon dioxide equivalent (tCO₂e), of which direct emissions and indirect emissions amounted to 32,793.4 tCO₂e and 125,390.8 tCO₂e respectively. The emission intensity was 0.48 tCO₂e per tonne of LNG production.



GHG Emissions (Unit: tonne of carbon dioxide equivalent)





ENVIRONMENTAL PROTECTION

Introduction of Dazhou Plant energy saving renovation projects

Cooling tower turbines retrofit

To ensure safe functioning of equipment and conservation of energy, the Dazhou Plant carried out improvement works on cooling tower turbines during the reporting year. Through enhancing the frequency conversion control system, the motor of cooling tower turbines is controlled by a variable-frequency drive. Since the completion of the retrofit in late February 2020, temperature of the circulating water is better controlled in March 2020, lowering the loading of the cooling compressor and saving 470,000 kWh in March.

Energy-saving retrofit of the circulating water pumping system

In the precondition to fulfill craft requirements, the production plant carried out technical renovations on circulating water pumps. The plant has adopted a new type of energy-saving pumps, renovating two out of three water pumps (two in use, one in reserve) in the craft circulating water system. Since the completion of technical renovations on 6th September 2019, energy consumption of two water pumps on average has declined by 3,145 kWh per day. Until 31st March 2020, there was a total energy saving of 650,000 kWh.

The Group understands that the proper use of resources is an indispensable element in sustainable development. This is achieved through daily management and controlling the usage of resources and enhancing efficiency of energy use. Yuan Heng Gas actively advocates green concepts in office management, aiming to integrate conserving energy and environmental protection with daily operations and other activities.



- Promote a paperless office. Follows the principle of "Saving is not trivial", fully exhibits the functions of working electronically, reducing the frequencies of repeated printing; in the precondition of safety and confidentiality, promoting double-sided use of papers; circulating files and documents in the workplace, and reduce repeated printing.



- Avoid turning on office lights when there is adequate natural light; turning off electrical appliances after work, except for necessary appliances.

ENVIRONMENTAL PROTECTION



- Turn off the tap after usage of water, and avoid consistently flowing out of water. Set out irregular checks on the water supply systems to prevent the occurrence of water dripping and water leakage.



- Reduce the number of times motor vehicles are used, and board on the same car with colleagues when working out of office.

WATER MANAGEMENT

The Group acknowledges availability of water resources as a long-term challenge. The Group consistently supports protection of water sources, expanding the use of recycled water, and enhanced usage efficiency of water resources. During the reporting year, the Group consumed water for production and daily living purposes, with a total consumption of approximately 472,111 cubic meters of water. The consumption intensity was 1.4 cubic metres per tonne of LNG production. The total water consumption was lower than in the previous year, mainly due to improvements in circulating water quality control at the Dazhou Plant, resulting in a decrease of daily water consumption. The Group did not have any issue in sourcing water that is fit for the purpose.

	Municipal Supply (Dazhou Plant)	Groundwater (Erdos Plant)	Total
2019–20	210,008 ⁴	262,103	472,111
2018–19	290,536	259,140	549,676

Total water consumption according to the source (Unit: cubic metre)

Wastewater mainly originates from the production processes, washing facilities, and domestic wastewater generated in daily activities of employees. The Group strictly complies with national policies and guidelines for the prevention and control of water pollution and the emission permit management system, properly treats wastewater before discharge or uses it for factory greening. During the reporting year, the Group's total wastewater discharge was 284,515 tonnes, while the Erdos Plant generated 122,867 tonnes of wastewater the Dazhou Plant generated 161,648 tonnes of wastewater.

⁴ The factor accounting for water consumption decrease of the Dazhou Plant in 2019–20 was changes of pharmacy prescription in circulating water systems of the suppliers. There is a better performance in circulating water quality with a decrease in daily water consumption, resulting in a decrease of total water consumption as compared to 2018–19.





ENVIRONMENTAL PROTECTION

EMISSION CONTROL

Air Emissions

Actively responding to the calls of the government for developing clean energy and protecting the environment, the Group has expedited the construction of gas pipelines to reduce significantly the economy's reliance on coal. The Group's actions broaden the coverage of natural gas and contribute to the low-carbon industry development.

Yuan Heng Gas strictly controls air emissions from each of its operating units, complying with the "Integrated Emission Standard of Air Pollutants" (GB 16297-1996) and the "Emission Standard of Air Pollutants for Boiler" (GB 13271-2014), to ensure equipment operate in a stable manner. Air pollutants generated by the Group include stationary sources, i.e., nitrogen oxides emitted from the two LNG processing plants, and mobile sources, i.e., sulphur oxides, nitrogen oxides and particulate matters emitted from the Group's vehicles.

During the reporting year, the Group generated 5,634.7 kg of nitrogen oxides from its LNG processing plants.

In 2019, Huaheng Energy has developed a total of 86 industrial clients, 13 public construction clients, and commenced service provision for 100 industrial clients, 13 public construction clients. Total emissions of 293.6 tonnes was recorded from gas boilers.

Air Emissions (Unit: kg)				
	2019-20		2018-19	
	Erdos Plant	Dazhou Plant	Erdos Plant	Dazhou plant
Nitrogen oxides – Stationary source (plant exhaust⁵)	3,120 ⁶	2,514.70	10,485.4	2,285
Nitrogen oxides – Mobile source (vehicle exhaust)	34.2	30.2	47.0	31.9
Sulphur oxides	0.5	0.4	0.7	0.3
Particulate matters	2.9	2.7	4.0	2.9

⁵ Only emissions from purification units and utilities are included.

⁶ The decrease in value was due to changes in computation method. The stationary NOx emissions in financial year 2018-19 were calculated according to the guidelines from the Environmental Protection Bureau, while emissions in financial year 2019-20 were calculated based third-party testing reports of waste water, waste gas and noise at the factory boundary.

ENVIRONMENTAL PROTECTION

WASTE DISPOSAL

During the reporting year, the Group generated 23.0 tonnes of non-hazardous waste, mainly domestic waste, construction waste and other solid waste generated in the production process. The Group generated 37.4 tonnes of hazardous waste, mainly lubricants waste, waste molecular sieves and waste activated carbon from the LNG production processes. The hazardous waste production intensity was 0.11 tonnes per kiloton of LNG production, similar to previous year.⁸ On storing and managing hazardous waste, we strictly comply with the “National Catalogue of Hazardous Wastes” and the requirements of the location of operations, and have commissioned accredited companies for handling hazardous waste. Non-hazardous waste is delivered to environmental departments in the municipal level for collection, transportation and handling.

Waste (unit: tonne)		
	2019–20	2018–19
Hazardous waste	37.4	31.3
Hazardous waste production intensity (tonnes/kiloton of LNG production)	0.11	0.09 ⁷
Non-hazardous waste	23.0	25.0
Non-hazardous waste production intensity (tonnes/kiloton of LNG production)	0.07	0.07 ⁷

The Group strives to adopt multiple methods to control the generation of pollutants, for lowering emissions and reducing impacts on the environment. Huaheng Energy actively adopts effective measures to control the pollution and health risks generated by dust, air pollutants, wastewater and solid waste in the construction of gas pipelines. In the construction process, the company prevents dust pollution by categorising construction materials or waste, depositing regularly, laying out dust gauze, watering properly, and handling wastewater promptly to prevent leakage.

⁷ The hazardous waste production intensity in the 2018–19 reporting year was adjusted to 0.09 tonnes per kiloton of LNG production, while the non-hazardous waste production intensity was adjusted to 0.07 tonnes per kiloton of LNG production.





ENVIRONMENTAL PROTECTION

ENVIRONMENTAL EMERGENCY MANAGEMENT

The Group pays extra attention to impacts on natural environment from its operations, understands that natural gas or industrial waste leakage in the operations process may lead to severe environmental incidents. Natural gas leakage may lead to air pollution, fire risk, and explosion, while industrial waste leakage may possibly lead to contamination of water sources and soil pollution in nearby areas. In this regard, the Group follows national laws and regulations to implement the Environmental Accident Emergency Mechanism, regularly holding emergency drills to environmental incidents, for enhancing employees' capabilities for emergency response.



During the reporting year, the Group's Erdos Plant organised emergency drills for enhancing employees' emergency response capabilities and handling level in emergency environmental pollution incidents, which ensures that the Group can effectively organise, quickly respond to and largely minimise risks and threats caused by significant incidents affecting environmental pollution.

LAWFUL OPERATION

SUSTAINABLE SUPPLY CHAIN

Supplier Management

The main suppliers of Yuan Heng Gas include companies supplying natural gas, machinery and equipment, etc. To manage environmental and social risks along the supply chain, the Group considers the ESG performance of its suppliers during the supplier selection process. The Group adopts multi-level supply management and establishes contacts with multiple regions and suppliers, so as to maintain the stability of the supply chain and avoid disruption caused by regional or individual suppliers' natural, social environmental changes. Through the Supplier Periodic Evaluation Form, the Group assesses suppliers on a regular basis in terms of quality, delivery time, price and service.

Environmental factors	Social and operational factors
<ul style="list-style-type: none">• Environmental management certification• Emission compliance• Harmful substance content• Violations and penalties	<ul style="list-style-type: none">• Qualification of materials• Business license for special materials• Quality and price• Terms of payment

Supplier environmental, social and operational risk factors

As at March 31, 2020, there are a total of 112 suppliers located in mainland China. Erdos Plant and Dazhou Plant had 52 and 60 suppliers respectively.

Supplier Engagement

Yuan Heng Gas has established multiple and efficient communication channels with suppliers. Through the combination of online and offline communication modes, the Group is able to know the supply level and quality control of products promoting long-term and stable cooperation with suppliers. For suppliers involved in bidding for projects, the Group conducts field visits, interviews, meetings and telephone calls. The Group also keeps close communication with other suppliers through regular visits, telephone, network and other ways of communication.

Green procurement

In order to standardise the materials procurement process and establish a safe and stable upstream supply team, the Group has formulated the "Materials Purchasing Management system" which manages the process of materials procurement, inspection, storage and distribution to improve efficiency and reduce procurement costs. This system covers 100% of the materials procurement of the Group.

The Group actively responds to the national call for promoting green procurement and considers both economic and environmental factors of the products purchased. Comparing suppliers with the same supply level, the Group prefers suppliers with environmental protection certification, products and services with low energy consumption. In addition, the Group encourages use of electronic contracts instead of paper contracts to save paper consumption.





LAWFUL OPERATION

PRODUCT RESPONSIBILITY

Quality Management

Adhering to applicable laws and regulations,⁹ the Group has developed a comprehensive production management system and formulated management documents, including “Production Management System”, “Basic Knowledge and Skills of Technology Specialty Position”, “Basic Knowledge and Skills of Equipment Specialty Position” and “Basic Knowledge and Skills of Electrical Professional Position”, etc. To guarantee the quality of the natural gas provided, the Group has signed the “Liquefied Natural Gas Supply Contract” with gas buyers, providing “Inspection Reports” of the sold gas to the buyers regularly. The Group puts strong emphasis on equipment’s maintenance works, and carries out regular inspection of power supply lines and equipments. Both the Erdos Plant and Dazhou Plant have undergone an annual overhaul and maintenance for approximately one month during the year to ensure safe production and product quality.

With a “Pipeline Inspection Management System” already in place to identify potential risks and ensure safe operations, Huaheng Energy has set up a winter gas supply leading group to promote users’ safe gas use, conduct equipment inspection, and ensure stable gas transmission and distribution system in winter.

Intellectual Property and Privacy Protection

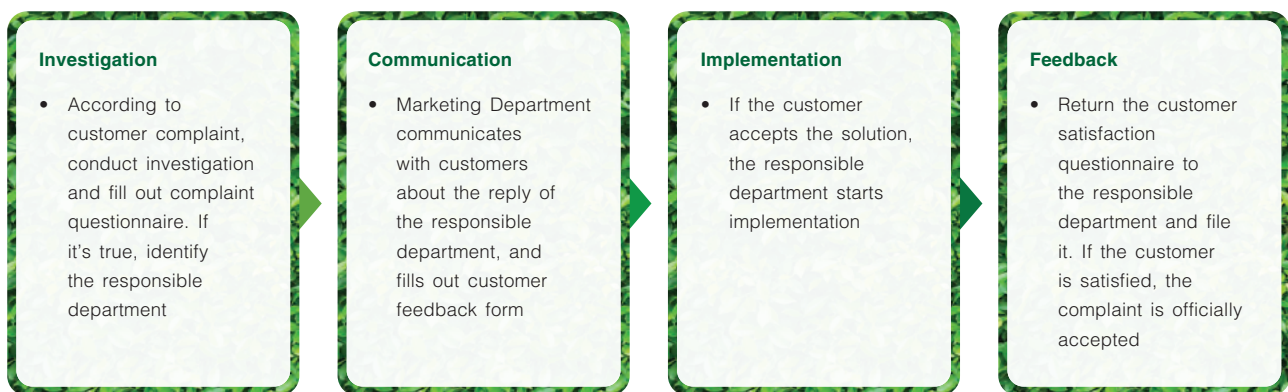
The Group strictly complies with laws and regulations related to intellectual property protection,⁸ and has established “Intellectual Property Management System” to standardise management procedures. The Intellectual Property Management Department is responsible for the overall planning and implementation. Patent, trademark, trade secret and other professional management positions are set to organise publicity of legal knowledge related to intellectual property rights. Yuan Heng Gas has also signed confidentiality agreements with relevant personnel involved in the Group’s technical and trade secrets to protect the Group’s intellectual property rights. Any personnel infringing upon intellectual property rights of the Group would be investigated for economic responsibility or reported to the judicial authorities.

During the reporting year, the Group was not involved in any litigation related to violation of intellectual property rights. Placing strong focus to protecting customer privacy and information confidentiality, the Group has incorporated clauses relating to confidentiality in agreements safeguard customers’ privacy and data.

⁸ For the laws and regulations relating to product responsibility, please refer to the section headed “Laws and Regulations”

Customer Engagement

The Group has standardised the customer complaint mechanism through the “Management System and Process for Client Complaint”. The Marketing Department receives customer complaints and keeps record. A reply will then be given to the customer within 5 working days. According to the following four steps, the marketing department conducts customer return call and fills in the customer satisfaction questionnaire within 5 working days after the implementation is carried out by the responsible department. Finally, the case is filed, completing the entire handling process.



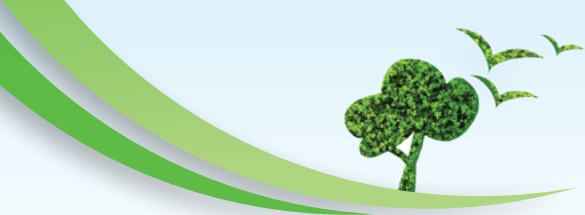
During the reporting year, the Group did not receive any complaints about products and services. The Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating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

ANTI-CORRUPTION

Upholding the principles of integrity, honesty and trustworthiness, the Group strictly prohibits bribery, fraud, extortion and money laundering. In addition to strictly abiding by the relevant laws and regulations,⁹ the Group has formulated “Anti-corruption Management System”, “Anti-corruption Management Commitment” and “Anti-corruption Prevention Measures and Reporting Procedures”. Raising legal awareness and prohibiting any misconducts, these documents provide guidelines for employees and stipulate behaviours that may constitute corruption should be avoided, whether it involves monetary and non-monetary transactions in standardising employees’ behaviour.

⁹ For the laws and regulations in relation to anti-corruption, please refer to the section headed “Laws and Regulations”

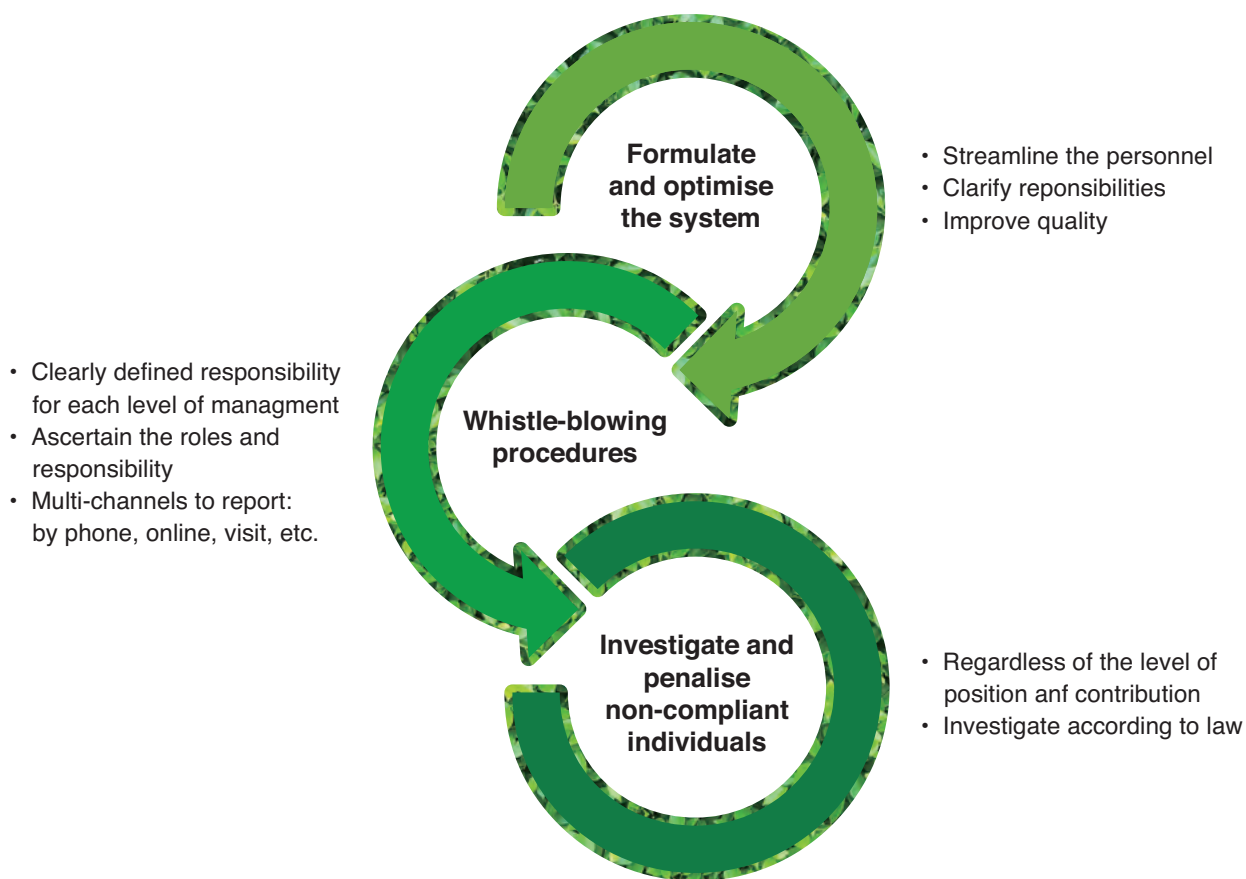




LAWFUL OPERATION

Employees are strictly prohibited from abusing their powers for any reason to conduct transactions in which they have a personal interest in any form, such as receiving kickbacks, improper remuneration, contracts, etc. If any violation is found the senior management will handle the incidents seriously. If required, employees are reported to the judicial authorities. If employees assist their relatives or others in accepting bribes, they would be considered as cooperating bribes and shall be investigated in accordance with the “Anti-corruption and Bribery Law of the PRC”. During the reporting year, Huaheng Energy sent more than 20 key employees to participate in integrity practices, promoting probity in the workplace.

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.



Anti-corruption Prevention Measures and Reporting Procedures

COMMUNITY INVOLVEMENT

Bearing its share of social responsibility, the Group is committed to contributing and supporting local communities where it operates, serving the local people and building a harmonious community through a variety of volunteer services. For example, the Group donated funds for epidemic prevention and control, assisted poor households in poverty-stricken villages, targeted purchase of crops from local farmers, and promoted employment of the disabled. In addition, the Group attaches great importance to natural environment protection, such as carrying out “building beautiful countryside” garbage collection activities, and voluntary tree-planting activities to advocate the concept of afforestation and environmental protection. During the reporting year, the Group contributed RMB138,800 to the social and environmental sectors and provided 552 hours of volunteer work.





LAWS AND REGULATIONS

The Group strictly abides by the following laws and regulations and has formulated internal management policies and guidelines based on these relevant laws and regulations.

Aspect	Applicable laws and regulations	Corresponding section
Environment	<ul style="list-style-type: none"> • The Environmental Protection Laws of the People's Republic of China • The Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution • The Law of the People's Republic of China on the Prevention and Control of Water Pollution • The Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution • The Law of the People's Republic of China on Conserving Energy 	Environmental Protection
Employment and Labour Standards	<ul style="list-style-type: none"> • The Labor law of the People's Republic of China • The Labor Contract Law of the People's Republic of China 	Employee Care – Labour Standards
Health and Safety	<ul style="list-style-type: none"> • The Law of the People's Republic of China on Prevention and Control of Occupational Diseases • The Regulations on Safety Training for Production and Business Operation Entities • The Regulations on the Safety Production of Inner Mongolia Autonomous Region • The Regulations on the Safety Production of Sichuan Province • The Regulations on the Safety Administration of Dangerous Chemicals 	Employee Care – Occupational Health and Safety
Supply Chain Management	<ul style="list-style-type: none"> • The Contract Law of the People's Republic of China • The People's Mediation Law of the People's Republic of China • The Law of the People's Republic of China on Tenders and Bids • The Law of the People's Republic of China on Product Quality • The Regulations on Quality Responsibility for Industrial Products 	Lawful Operation – Sustainable Supply Chain
Product Liability	<ul style="list-style-type: none"> • The Law of the People's Republic of China on the Protection of Petroleum and Natural Gas Pipelines • The Patent Law of the People's Republic of China • The Intellectual Property Law of the People's Republic of China • The Tort Liability Law of the People's Republic of China 	Lawful Operation – Product Responsibility
Anti-corruption	<ul style="list-style-type: none"> • The Law of the People's Republic of China on Anti-corruption and Bribery • The General Principles of the Civil Law of the People's Republic of China 	Lawful Operation – Anti-corruption

PERFORMANCE DATA SUMMARY

ENVIRONMENTAL PERFORMANCE

	2019–20	2018–19
Air Pollutants		
Nitrogen oxides (kg)	5,699.10	12,849.3
Sulphur oxides (kg)	0.9	1.0
Particulate matters (kg)	5.6	6.9
Greenhouse Gases (GHG) Emissions		
Scope 1: Direct carbon emissions (tCO ₂ e)	32,793.4	27,785.2
Scope 2: Indirect carbon emissions (tCO ₂ e)	125,390.8	124,092.1
Total GHG emissions (tCO ₂ e)	158,184.2	151,877.3
Total GHG emission intensity (tCO ₂ e/tonne of LNG production)	0.48	0.44
Waste		
Hazardous waste (tonnes)	37.4	31.3
Hazardous waste intensity (tonne/thousand tonne of LNG production)	0.11	0.09
Non-hazardous waste (tonnes)	23.0	25.0
Non-hazardous waste intensity (tonne/thousand tonne of LNG production)	0.07	0.07
Direct Energy Consumption		
Natural Gas (GJ)	208,864.9	214,814.3
Petrol (Litre)	57,672.6	63,682.2
Diesel (Litre)	2,796.5	3,389.4
Indirect Energy Consumption		
Purchased electricity (MWh)	172,895.0	174,035.7
Total Energy Consumption (GJ)		
Energy consumption intensity (GJ/tonne of LNG production)	2.5	2.5
Packaging Materials	The Group's operations do not involve the use of packaging materials.	
Water		
Total water consumption (cubic metre)	472,111	549,676
Water intensity (cubic metre/tonne of LNG production)	1.4	1.6
Total wastewater discharge (cubic metre)	284,515	130,835





PERFORMANCE DATA SUMMARY

SOCIAL PERFORMANCE

	2019-20		2018-19	
	Erdos Plant	Dazhou Plant	Erdos Plant	Dazhou Plant
Total Headcount	131	133	133	130
By Gender				
Male	102	105	103	105
Female	29	28	30	25
By Professional Profile				
Senior management	5	6	4	4
Middle management	11	13	11	13
General staff	115	114	118	113
By Age				
20-30	66	40	66	44
31-40	48	55	50	52
41-50	13	27	13	24
Above 50	4	11	4	10
Employee Turnover Rate	22.1%	7.5%	32.3%	11.5%
By Gender				
Male	24.5%	7.6%	37.9%	11.4%
Female	13.8%	7.1%	13.3%	12.0%
By Professional Profile				
Senior management	0.0%	0.0%	0%	0%
Middle management	0.0%	7.7%	0%	7.7%
General staff	25.2%	7.9%	36.4%	12.4%
By Age				
20-30	36.4%	10.0%	53.0%	18.2%
31-40	6.3%	10.9%	12.0%	11.5%
41-50	0.0%	0.0%	15.4%	0%
Above 50	50.0%	0.0%	0%	10.0%

PERFORMANCE DATA SUMMARY

	2019–20		2018–19	
	Erdos Plant	Dazhou Plant	Erdos Plant	Dazhou Plant
Employee New Hire Rate	14.5%	9.0%	20.3%	14.6%
By Gender				
Male	18.6%	8.6%	23.3%	16.1%
Female	0.0%	10.7%	10.0%	8.0%
By Professional Profile				
Senior management	20.0%	0.0%	0%	0%
Middle management	0.0%	0.0%	0%	0%
General staff	15.7%	10.5%	22.9%	16.8%
By Age				
20–30	24.2%	15.0%	34.8%	25.0%
31–40	2.1%	9.1%	8.0%	11.5%
41–50	7.7%	3.7%	0%	8.3%
Above 50	25.0%	0.0%	0%	0%
Average Training Hours (Percentage of Employees Trained)				
By Gender				
Male	6.2 (100%)	18.4 (100%)	4.9 (100%)	20 (100%)
Female	55.0 (100%)	18.4 (100%)	58.0 (100%)	20 (100%)
By Professional Profile				
Senior management	16.8 (100%)	10.7 (100%)	16.8 (100%)	20 (100%)
Middle management	16.5 (100%)	16.0 (100%)	16.4 (100%)	20 (100%)
General staff	17.1 (100%)	19.1 (100%)	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. Environmental		
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
	<p>KPI A1.1 The types of emissions and respective emissions data.</p>	Emissions Control
	<p>KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	Emissions Control
	<p>KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	Waste Disposal
	<p>KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	Waste Disposal
	<p>KPI A1.5 Description of measures to mitigate emissions and results achieved.</p>	Emissions Control
	<p>KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.</p>	Waste Disposal

HKEX ESG CONTENT INDEX

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





HKEX ESG CONTENT INDEX

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>	Labour Standards
	<p>KPI B1.1 Total workforce by gender, employment type, age group and geographical region.</p>	Employee Profile
	<p>KPI B1.2 Employee turnover rate by gender, age group and geographical region.</p>	Employee Profile
	<p>Aspect B2: Health and Safety</p> <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>	Occupational Health and Safety
	<p>KPI B2.2 Lost days due to work injury.</p>	Occupational Health and Safety
	<p>KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.</p>	Occupational Health and Safety

HKEX ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	Training and Development
	<p>KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</p>	Training and Development
	<p>KPI B3.2 The average training hours completed per employee by gender and employee category.</p>	Performance Data Summary
Aspect B4: Labour Standards	<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 preventing child or forced labour.</p>	Labour Standards
	<p>KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.</p>	Labour Standards
	<p>KPI B4.2 Description of steps taken to eliminate such practices when discovered.</p>	Labour Standards
Aspect B5: Supply Chain Management	<p>General Disclosure</p> <p>Policies on managing environmental and social risks of the supply chain.</p>	Sustainable Supply Chain
	<p>KPI B5.1 Number of suppliers by geographical region.</p>	Sustainable Supply Chain
	<p>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.</p>	Sustainable Supply Chain





HKEX ESG CONTENT INDEX

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 B6.3 Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
	KPI B6.5 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.	Anti-corruption
	KPI B7.1 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 B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
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 B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Involvement
	KPI B8.2 Resources contributed to the focus area (e.g. money or time) to the focus area.	Community Involvement