

元亨燃氣
YUANHENG GAS

YUAN HENG GAS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 332



2017/18

Environmental, Social & Governance Report

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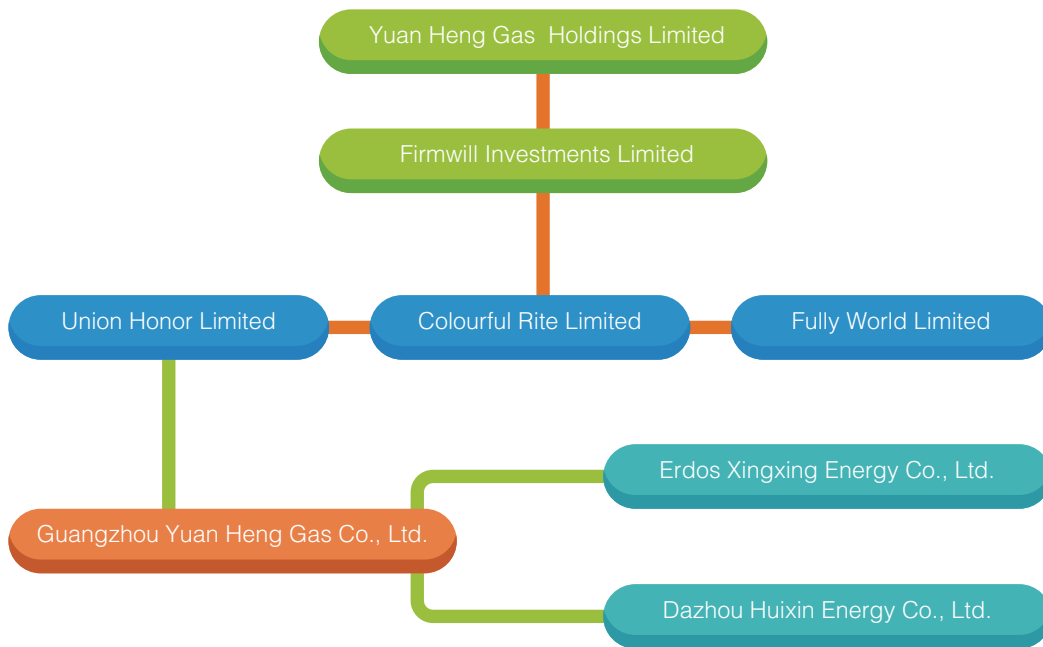


ABOUT THE GROUP

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 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 liquefied natural gas processing plants in Erdos, Inner Mongolia and Dazhou, Sichuan.

The Group is committed to becoming a leading clean energy group in China. As the “Coal to Gas Transformation” policy drives the rapid growth of natural gas consumption demand, the Group expects that the reform of natural gas market will benefit the Group’s business development.

ENTERPRISE ARCHITECTURE



Corporate Mission
Become China’s leading sustainable clean energy group company and leading manufacturer, supplier and service provider in energy industry



ABOUT THE REPORT

This is the second Environmental, Social and Governance Report issued by the Group (“the Report”). The Report allows each stakeholder to understand the process and direction of sustainable development issues of the Group through the report of policies, measures and performance of the Group on environmental, social and governance. The Report has been prepared in both Chinese and English, and uploaded to the Hong Kong Exchanges and Clearing Limited (“Hong Kong Stock Exchange”) and the Group’s website at www.yuanhenggas.com.

REPORTING SCOPE

The Report discloses the environmental, social and governance performance of the Group from 1 April 2017 to 31 March 2018 (“the Year”). The reporting scope includes the Group’s liquefied natural gas production business, and the Report focuses on the two LNG processing plants of the Group located in Erdos, Inner Mongolia and Dazhou, Sichuan (hereinafter referred to as “Erdos Plant” and “Dazhou Plant”, collectively as “Each Operation Center”)¹. In order to facilitate the readers to compare the annual performance of the Group, the structure of the Report is also as close as possible to the first report. The Report currently does not cover all of the Group’s operations, however, the Group is continuously upgrading its internal data collection procedures and will gradually expand its disclosure.

REPORTING STANDARDS

The Report complies with the requirements regarding Non-compliance and Interpretation of the Environmental, Social and Governance Reporting Guide (“the Guide”) of Appendix 27 to the Listing Rules issued by Hong Kong Stock Exchange. The four reporting principles — importance, quantification, balance and consistency — are taken as the basis for the preparation of the Report. To ensure the accuracy of environmental key performance indicators, the Group has commissioned a professional consultancy company Carbon Care Asia to conduct carbon assessments. In addition, the Report also includes individual key performance indicators in the “Recommended Disclosure” in the Guide to enhance the reporting effect. The final chapter of the Report is accompanied by a complete index so that readers can read the Report in accordance with the Guide.

CONFIRMATION AND APPROVAL

All information cited in the Report is derived from the Group’s official documents, statistical data, national standards & policies as well as management and operational data collected in accordance with the Group’s systems. The Report has been confirmed and approved by the Board of Directors of the Group.

FEEDBACK

The Group values the opinions of stakeholders. If you have any doubt or suggestions about the content or reporting form of the Report, please don’t hesitate to contact the Group by:

Address: Room 4102, 41/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong
Email: yhad@yuanhenggas.com

Tel: (852) 3583 1120
Fax: (852) 2116 1339

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





CHAIRMAN'S STATEMENT

The impact of climate change on the world is growing. To reduce greenhouse gas emissions, we are committed to providing our customers with cleaner energy. In keeping with the stable supply of energy, we are closely following the requirements of national policies, working with stakeholders such as business partners, customers and investors to operate the business in line with environmental protection principles and assist the society to achieve sustainable development.

To effectively control the greenhouse gases generated by the natural gas processing business, we conducted a carbon assessment this year to understand the source and extent of emissions, so as to develop appropriate emission reduction measures and plans. In addition, we have established an environmental protection facility management system to properly manage emissions such as wastewater, waste gas and wastes.

We believe that the health and safety of employees is the key to long-term stability. We develop a safety production training and education system at the group level to educate employees and safety management personnel engaged in high-risk work to avoid accidents. Our safety guidelines also have a reward and punishment system to further encourage employees to focus on safety.

To stabilize the team, we focus on the long-term development of employees. We hope that employees can enrich themselves and grow together with the Group. Through the development of a series of policies on skills training, we set the required training programs according to the needs of each employee and the business development of the Group, and conduct assessments to assess the performance of the training.

As China promotes energy reform, the energy market will be healthy and sustainable. In the future, we will continue to develop our natural gas business, incorporate the principles of sustainable development into our business development, and create more value for our stakeholders.

Wang Jianqing

Chairman and Chief Executive Officer

Yuan Heng Gas Holdings Limited



STAKEHOLDERS ENGAGEMENT

Yuan Heng Gas attaches importance to the participation of stakeholders² and communicates with internal and external stakeholders through daily operations and different communication channels to establish mutual trust. This will not only ensure that they understand the development and operation guidelines of the Group, but also provide opportunities for the Group to listen to their views and examine the Group's potential risks and opportunities in sustainable development, in order to further identify the priorities of different issues and formulate corresponding policies and measures.

MAIN STAKEHOLDERS COMMUNICATION METHODS DURING THE YEAR

Internal stakeholders	External stakeholders
<ul style="list-style-type: none"> • Board of Directors • Management • Executives • Employees 	<ul style="list-style-type: none"> • Shareholders • Investors • Customers • Suppliers • Government/Regulatory authorities
<p>COMMUNICATION METHOD:</p> <p>Meeting, interview, direct email, phone call, company website, suggestion box, debriefing meeting, work report, exhibition, plant visit, lecture, annual general meeting, announcement, and charity program</p>	

SIGNIFICANT SUSTAINABLE DEVELOPMENT ISSUES

In order to establish the Group's sustainable development strategies and direction, as well as to identify environmental and social issues that are critical to the Group and stakeholders, Yuan Heng Gas commissioned a professional consultancy company Carbon Care Asia to conduct management interviews. Based on the interviews and the opinions of the consultants, the Group selected three out of the 11 environmental and social aspects of the Guide as the focus of the Report.

Yuan Heng Gas understands the importance of communication with stakeholders, establishes effective and accurate communication channels for this purpose, and provides timely response. In the future, the Group will strengthen its interaction with stakeholders, explore more diversified channels, increase opportunities for contact with them, and create mutually beneficial and win-win relationships.



² "Stakeholders", also known as "interest holders" or "equity holders", refer to groups and individuals that have a significant impact on the business of the company or may be effected by the business, including internal boards, management, administrative staff and general employees, as well as external shareholders, business partners, customers, government and regulatory agencies, banks and investors, and community groups.





CHERISH EMPLOYEES

HEALTH AND SAFETY

As a group focused on the production of liquefied natural gas, Yuan Heng Gas focuses on the health and safety of its employees, and adheres to the management principle of “precaution crucial, prevention and control, classification management, treatment integrated”, committing to reducing the occurrence of dangerous accidents. Erdos Plant and Dazhou Plant have formulated the Occupational Health Management System, Emergency Rescue Management System, Safe Production Training and Education System, and Occupational Health Education and Training System in accordance with relevant national safety production regulations.

Based on the specificity of natural gas industry, employees handling electrical work, welding or other thermal processes and in high-noise work environments are exposed to high safety risks. The Group pays attention to safety training, and has established the HSE (Health, Safety and Environment) Supervision and Management Office led by the Occupational Health Committee, and the three departments including the Production Technology Department and the Chief Engineer’s Office are responsible for the planning and implementation of safety education and training. Different types of employees are required to receive safety training in the Safety Production Training and Education System so as to ensure that employees have sufficient safety awareness and skills to reduce accident risks.

Employee Type	Specific requirements
Main safe officers and safe managers	<ol style="list-style-type: none"> 1. Relevant personnel must pass the safety qualification training organized by the safety production supervision and management departments and obtain the safety qualification certificate. 2. Relevant personnel must first complete at least 48 hours of safety qualification training; then participate in retraining at least 16 hours per year.
Special operators³ and special equipment operators⁴	<ol style="list-style-type: none"> 1. Special operators must pass the safety technology theory training and practical operation training, and obtain the special operation certificate. 2. Special equipment operators must pass the safety technology theory training and practical operation training organized by local quality and technical supervision bureau and obtain the special equipment operator certification.
Other employees (such as temporary workers, contract workers, laborers, rotation workers, etc.)	<ol style="list-style-type: none"> 1. Relevant personnel must pass the safety education training organized by the production plant, various production departments and production groups and pass the examination. Relevant safety training includes: safety production and basic knowledge thereof, safety production rules and regulations as well as labor discipline, the use and maintenance of safety equipment and personal protective equipment. 2. Relevant personnel must first complete at least 72 hours of pre-job safety training; then attend retraining at least 20 hours per year.
Contractor’s operation personnel (such as personnel, interns and visitors who are working in the plant)	<ol style="list-style-type: none"> 1. Relevant personnel must pass the safety education training organized by the production plant and various production departments and pass the examination before they can go through the formalities of entering the plant. 2. Personnel requiring long-term construction are required to carry out safety education every year; construction organs with construction period of less than half a year must conduct safety education before the operation.

³ Refers to operations that are likely to cause significant harm to oneself, others, and operating equipment.

⁴ Refers to operators and their management personnel who operate special equipment such as boilers, elevators, lifting appliances and pressure pipes.



EMERGENCY MANAGEMENT

The work of the Group to prevent occupational hazards is also the responsibility of the HSE Office. Before a project is constructed, the Group must incorporate occupational hazards into the consideration of project construction. If relevant projects do not meet the standards for preventing occupational hazards, they need to be rectified to achieve compliance. For places that may cause occupational hazards, the Group has set warning signs in accordance with relevant regulations, and provided individual protective equipment and washing facilities to relevant employees. The Group has also established a sound emergency rescue plan. If a disaster occurs in plant, the Production Technology Department will start the Production Safety Accident Emergency Plan to carry out rescue work, and at least one emergency rescue simulation exercise will be conducted each year, and the effect of the exercise will be evaluated.

The Group established the work-related injury management according to New Regulations on Work-related Injury Insurance and Work-related Injury Identification Measures. From 2017 to the current year, no work-related injury occurred in the Group.

The Group complies with relevant laws and regulations, such as the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Fire Control Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China Law, the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Special Provisions on Labor Protection for Female Employees, Regulations on Safety Management of Hazardous Chemicals and Regulations on the Safety Production of Inner Mongolia Autonomous Region. The Group did not identify any health and safety related violations during the Year.

DEVELOPMENT AND TRAINING

The development of employee professional skills is the focus of the Group. On the basis of the Employee Training Management System and the Management Measures for Job Skills Training, Yuan Heng Gas has formulated the 2018 Employee Position Operation Skills Training Program to enhance the professional skills of employees, and the relevant training results are also used as the basis for employees to post, promote or cancel.





In order to enhance the training effect of the Group's employees, the Group has established a three-level training management structure based on the HR Department, the HSE Supervision and Management Office, the training department head and training instructors, and through internal training and external training, committing to improve the internal training system. Under the guidance of the three-level training management structure, the Group implemented this year's training programs for the needs of different employees, with the following key points:

Professional category	Name of training	Training content	Training type	Teaching method
Safety	Safety standardization basics training	Refer to the safety standardization work implementation guide training basics	Safety training	Internal training
	Standardized management of hazardous waste	Understand the treatment of hazardous waste	Environmental training	Internal training
	Occupational health responsibility and management personal training	Learn about occupational health management knowledge	Management training	External training
	Natural gas safety knowledge training	Natural gas/liquefied natural gas production technology training	Professional training	Internal training
Electric	Routine maintenance of electrical equipment	Understand how to deal with common faults in electrical equipment	Professional training	Internal training
Process	Analysis of dangerous and harmful factors	How to quickly identify risks during the operation process	Professional training	Internal training

After the training is completed, the employees evaluate the training results through written tests and actual operations, and use the assessment results as one of the evaluation contents of the employees' individual performance. The HR Department and other departments evaluate the training objectives, training arrangements and training content according to the business needs, employee development and training problems each year, and prepare the annual training summary report and the training plan of the following year based on the evaluation results.



**100% employees
Receive training**



**Average employee
training hours**



EMPLOYMENT

Yuan Heng Gas provides a good working environment for employees and protects their rights and interests by establishing a comprehensive employment system. The Group has formulated policies and corresponding measures such as Labor Contract Management System, Attendance Management System, Remuneration and Welfare Management System, and Anti-Discrimination and Harassment Regulations, and continued to improve management of salary and layoffs, recruitment and promotion, hours of work, holidays, equal opportunities and benefits.

During the Year, the Group recently formulated the Anti-Discrimination and Harassment Provisions to ensure that each employee is not subject to any form of discrimination and harassment in the workplace. The Group undertakes not to use race, gender, nationality or political opinions as a determining factor in recruitment, promotion or salary increase. For female employees, the Group promises that, in addition to some positions that are not suitable for women, the employment standards of qualified female applicants or female candidates should not be rejected or upgraded for any reason, and the salary standard for equal pay for equal work for men and women should be gradually implemented.



The Group also respects the right of employees to enjoy religious freedom and protects legitimate religious activities from discrimination. In addition, Yuan Heng Gas prohibits any sexual harassment, including sexual coercion, insult or threatening speech. In response to the above matters, the Group has set up an appeal mailbox, and employees can communicate with the Administration Department at any time when encountering such problems. If the case is true, the offender will be held liable.

Yuan Heng Gas is committed to improving the welfare of its employees. The Group provides special bonuses to outstanding performers, including the Innovation Award to recognize employees who contribute to the development of work ideas and work efficiency, and the Outstanding Awards to recognize those who make reasonable recommendations on the future development of the Group. In addition, the Group also provides per-employee allowances such as holiday fee, birthday allowances and communication subsidies, and allows eligible employees to reimburse the family visit fees twice a year and provide free accommodation to family members of visiting relatives.

During the Year, the Erdos Plant implemented various measures to reduce employee turnover rate, such as strengthening recruitment management, so that applicants can fully understand the working environment and corporate culture of the Group. The Group also strengthens the training of its employees to meet the career development requirements of employees at all levels; pays attention to the work pressure of employees, guides employees to resolve pressure through communication and employee assistance programs, and expands the development prospects of the Group to provide competitive career platform for employees.

The Group complies with relevant laws and regulations, such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Rights and Interests of Women, the Law of the People's Republic of China on the Protection of Minors and the Social Insurance Law of the People's Republic of China. The Group did not involve in any cases of illegality related to employment during the Year. Looking ahead, the Group will implement the formulation of a diversified policy to create a diverse and equal working environment.





LABOUR STANDARDS

Yuan Heng Gas is committed to safeguarding human rights and it is strictly forbidden to use child labor or forced labor. During the Year, the Group formulated the Prohibition of Child Labor Policy and the Misuse of Child Labor Remediation Measures and Prevent Forced Labor Related Policies in accordance with the Labor Law of the People's Republic of China and the relevant provisions of the International Labor Organization on prohibiting the use of child labor and forced labor.

The Group stipulates that the legal age for workers to recruit is 16 years old. During the recruitment process, the Group requires candidates to provide valid identification documents to determine their age meets the requirements. If the Group finds that the misuse of child labor occurs, it will immediately stop its work and send it to the hospital for medical examination to ensure the health of the child laborer. Second, the child laborer will be handed over safely to its guardian. The expenses incurred by the above two acts will be borne by the Group. Third, the Group will continue to track the situation of child labor education and keep in touch with local government or child laborers to ensure that they complete the statutory nine-year compulsory education.

The Group prohibits any form of mandatory labor. On issues such as overtime work, the Group follows the principle of voluntariness. If there is any need to work overtime due to production, the Group will designate relevant responsible persons to negotiate with employee representatives and employees and obtain approval from local labor department, and the overtime hours must not exceed legal time and overtime charge will be paid in accordance with relevant standards. In addition, relevant management personnel must not use their job rights to force employees to carry out high safety and health risks or illegal operations.

The Group complies with relevant laws and regulations, such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. The Group did not involve in any cases of violations of child labor or forced labor during the Year.



ENVIRONMENTAL PROTECTION

Yuan Heng Gas is committed to reducing the environmental impact of liquefied natural gas production business. For emissions generated by Each Operation Center, the Group have formulated the Compilation of Environmental Protection Management Systems, including Management System of Environmental Protection Facilities, Solid Waste Management and Disposal System, Hazardous Wastes Management System, and Operation Management System of Sewage Treatment Facilities, etc. At the same time, the Group has also established management policies such as Office Paper Management System and Emergency Plan for Environmental Emergencies so as to conserve resources and protect natural environment from damage.

EMISSIONS

Air Emissions

A certain amount of air pollutants will be generated during the production of liquefied natural gas by Yuan Heng Gas. Liquefied natural gas will generate boil-off gas in the process of storage and transportation. The Group established the gas regeneration system in the two plants, to recover boil-off gas for recycling, so no natural gas will be emitted during the production process, thus avoiding air pollution. During the Year, the main sources of air pollutants were the purification units of the two plants and the nitrogen oxides produced by the public works.

Air pollutants emission				
Type	2017–18 Annual discharge volume (kg)		2016–17 Annual discharge volume (kg)	
	Erdos Plant	Dazhou Plant	Erdos Plant	Dazhou Plant
Nitrogen oxides ⁵	2,748	2,160	2,150	2,010

Greenhouse gases

Chinese government continues to promote clean energy and is now strongly promoting the “Coal to Gas Transformation” policy to enhance the widespread use of natural gas. By selling natural gas products, the Group expects users to reduce the use of coal and help to mitigate climate change in line with national policies.

During the operation, the gas regeneration system, flare system and domestic boiler in the two plants will generate the CO₂ emissions. In order to reduce the carbon emissions, the two plants have optimized the operation of equipment to lower gas consumption and flare discharge. In order to improve management, Yuan Heng Gas commissioned a consultancy Carbon Care Asia for Erdos Plant and Dazhou Plant to conduct carbon assessments this year, in order to quantify the greenhouse gas emissions (or “Carbon Emissions”) generated by its operations; the process of quantification refers to the Guidelines⁶ issued by the PRC National Development and Reform Commission and international standards such as ISO 14064-1.

⁵ Only emissions from purification units and utilities are included.

⁶ “Guidelines for Accounting and Reporting of Greenhouse Gas Emissions by Chinese Oil and Gas Producers (Trial)”.



Greenhouse gas emission

Scope/source	2017–18 Annual Discharge Volume (tons of carbon dioxide equivalent)		
	ErDOS Plant	Dazhou Plant	Total Discharge Volume
Scope 1 — Direct greenhouse gas emission			
Fossil fuel combustion	5,647.6	7,118.1	12,765.7
Torch combustion emissions	1,988.3	3,883.6	23,323.3
Greenhouse gas emission of oil and gas processing business	14,000.6	11,071.4	
Greenhouse gas emission of oil and gas storage and transportation business	1,078.6	1,078.6	
Greenhouse gas recovery and utilization	(3,494.5)	(6,283.3)	
Scope 2 — Energy indirect greenhouse gas emission			
Outsourcing power	75,251.1	42,687.6	117,938.7
Total greenhouse gas emission	94,471.7	59,556.0	154,027.7
Greenhouse gas density (calculated based on liquefied natural gas production per ton)			0.47

During the Year, the total Carbon Emissions of the two plants was approximately 154,000 tons of carbon dioxide equivalent, of which Carbon Emissions from outsourcing power from the grid accounted for approximately 77% of total Carbon Emissions. The Group will continue to assess, record and disclose its greenhouse gas emissions and other environmental data on an annual basis, and use the current year's data as a benchmark to compare with future data, which will help the Group to further develop emission reduction targets in the future.



Wastes

For this year, Erdos Plant produced 5.5 tons of hazardous wastes, including waste activated carbon and waste molecular sieves from natural gas purification processes and wastewater treatment processes. To properly handle hazardous wastes, employees must transport wastes to a special storage site for hazardous waste for storage, set up a hazardous waste identification mark and manage it with relevant personnel and equip it with relevant fire-fighting equipment, and then transfer it to a qualified organ for disposal. In addition, the two plants produced about 25 tons of non-hazardous wastes, which have been incinerated and sent to domestic waste disposal stations.

Wastes		
Wastes type	2017-18 Annual production (tons)	2016-17 Annual production (tons)
Hazardous wastes	5.5	30.1
Non-hazardous wastes	25.1	Not disclosed

Wastewater

Erdos Plant produced a total of 110,926 tons of wastewater this year; the wastewater from Dazhou Plant was not installed with measuring instrument due to its discharge to the municipal pipe network, so no specific discharge data was collected. For sewage treatment, relevant operators need to make operational and monitoring records for sewage treatment equipment. The water quality after treatment by sewage treatment equipment shall meet the Integrated Sewage Discharge Standard (GB8978-1996), then the sewage can be discharged or recycled.

The Group complies with relevant laws and regulations, such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the Regulations on Safety Management of Hazardous Chemicals. The Group did not involve in any violations related to emissions during the Year.



USE OF RESOURCES

Yuan Heng Gas takes “saving, reducing consumption, reducing pollution and increasing efficiency” as its tenet and attaches importance to the economical use of resources. The Group has established policies such as Environmental Protection Management System in Production Process, Corporate Water, Electricity and Gas Use Management Regulations, and Office Paper Management Trial Measures, and actively implements development concept of green, environmental protection and energy conservation.

During the Year, the main resources used at Each Operation Center include natural gas, electricity and water.

Resource use		
Energy use	Energy consumption	
	ErDOS Plant	Dazhou Plant
Direct energy — natural gas (GJ)	101,686.3	128,164.0
Indirect energy — outsourcing power (MWh)	85,096.8	81,201.5
Total energy consumption (GJ)	408,034.8	420,489.2
Energy density (calculated by production)	2.6 GJ per ton of liquefied natural gas	
Water use	Water consumption (cubic meters)	
	ErDOS Plant	Dazhou Plant
Total water consumption	265,463	322,505
Water consumption density (calculated by production)	1.8 cubic meters per ton of liquefied natural gas	



In order to ensure the efficiency of resource utilization, the Group has developed various measures to prevent waste of resources, such as:

- √ The Production Technology Department is responsible for the routine maintenance of power supply lines, water supply facilities and air compressor stations;
- √ Security personnel should strengthen inspections. If problems occur in water and power facilities, they should be repaired or reported in a timely manner;
- √ Office paper is managed by a special person and the use is recorded;
- √ Intra-group informal documents and draft papers must use recycled paper;
- √ Promote paperless office;
- √ Cultivate the concept of saving for employees, and turn off lights and water to reduce man-made waste; and
- √ Both plants' cooling water systems use recycled water to reduce water consumption.

The Group will continue to improve the utilization efficiency of resources in all production processes, and gradually establish the quantitative targets for future electricity and water use based on the resource consumption of the current year.

THE ENVIRONMENT AND NATURAL RESOURCES

Yuan Heng Gas is committed to reducing the impact of natural gas business on the environment and natural resources. The Group identifies risks in the course of its operations. Possible environmental emergencies are mainly caused by air pollution or combustion explosions due to natural gas leakage, and pollution of water resources in adjacent areas due to industrial wastes leakage. The Group established an environmental accident emergency response mechanism, and formulated the Environmental Emergency Response Plan as a guide according to the Environmental Protection Law of the People's Republic of China, the Fire Control Law of the People's Republic of China, and the Administration Measures of Production Safety Accident Emergency Plan.

For the emergency organization structure, the Group established an emergency command center to conduct unified command and coordination on early warning, response and disposal of environmental emergency. The Group classifies environmental emergency into four levels based on the impact severity by the incident on surrounding environment, and clarifies the responsibilities and procedures of the corresponding emergency department. In daily operations, Each operation Center regularly organizes environmental event emergency drills annually, and provides different types of emergency training for employees in different positions to enhance their emergency response capabilities. In the event of an environmental emergency, the chief commander of the emergency command center will prepare a processing report after handling the incident, evaluate the processing progress and propose an improvement plan.



DUE DILIGENCE OPERATION

SUPPLY CHAIN MANAGEMENT

Yuan Heng Gas attaches importance to supply chain management, and manages and controls the environmental and social risks of the supply chain by selecting responsible suppliers and conducting regular evaluations. The main suppliers at Each Operation Center include companies that supply raw natural gas. The Group has specially formulated the Material Purchasing Management System and evaluation criteria for management.

In selecting and evaluating suppliers, the Group, in addition to the supplier's goodwill and price of natural gas supplied, also pays attention to the quality of its products and services, such as on-time delivery rates, whether it has a comprehensive after-sales system or has obtained ISO9000 quality management system certification. At the same time, the Group also requires suppliers to pay attention to environmental risks, such as compliance with the Safe Production Law and Hazardous Chemicals Management Regulations and other relevant regulations, and be with relevant qualifications for transporting hazardous chemicals and ensure that vehicle drivers understand emergency treatment method of dangerous chemicals. Suppliers must transport dangerous chemicals in accordance with the routes and time stipulated by the state, and must not park vehicles in crowded places such as residential areas and restaurants so as to prevent environmental risks.

Looking ahead, although the current standards do not fully cover the environmental scope, the Group will continue to update the standards to improve the management of the supply chain.

PRODUCT RESPONSIBILITY

Quality Management

The Group is committed to ensuring the quality of natural gas products and services so as to ensure the health and safety of customers.

To ensure product quality and strengthen the management of production processes, Erdos Plant has prepared such documents as Basic Knowledge and Skills of Process Jobs and Basic Knowledge and Skills of Process Jobs; meanwhile Dazhou Plant has also prepared Production Management System. The Group also regularly entrusts qualified third-party organizations to inspect natural gas quality and obtain product quality inspection reports to track the quality of natural gas in a timely manner. This year, Dazhou Plant has conducted a total of 28 natural gas quality tests with a pass rate of 100%. The Group's products and services do not involve recycling matters, and no complaints were received from customers during the Year.

Customer Data Maintenance

Yuan Heng Gas also regards the maintenance of customer privacy as an important area for maintaining good corporate governance. It also includes confidentiality clauses in the contract and enters into confidentiality agreements with customers to protect customers' data from infringement.

As the Group's business currently does not involve plans for product advertising and labeling, so no policies have been developed. The Group complies with relevant laws and regulations, such as the Product Quality Law of the People's Republic of China. During the Year, the Group did not involve in any violations of the law relating to product liability. In the future, the Group will formulate policies on the protection of intellectual property rights to improve the management of product liability.



ANTI-CORRUPTION

Yuan Heng Gas is strictly prohibited from bribery, extortion, fraud and money laundering. The Group has formulated the Anti-Corruption Management System, the Anti-Corruption Commitment, the Anti-Corruption Prevention Measures and Reporting Procedures, and updated the Management System against Corruption and Bribery, Fraud and Money Laundering, and clarifies its management policy and promises to conduct business in an ethical and honest manner.

Employees of the Group are not allowed to accept or claim money or gifts for any reason at work. If the employee receives money or gift which cannot be refunded temporarily, he/she must establish a property receipt list and submit it to the anti-corruption team for processing. The Group has set up a reporting procedure specially during the Year. Anyone is welcome to report the internal corruption of the Group in real name or anonymity by means of a report letter, telephone or online report. If violations are found, the management will handle them seriously and transfer the suspected criminals directly to the judicial authorities.

The Group complies with relevant laws and regulations, such as the Anti-Corruption and Bribery Law of the People's Republic of China and other applicable laws and regulations. The Group did not involve in any cases of violations related to corruption in this year, nor was involved in any corruption litigation cases related to the Group and the employees.



BUILD COMMUNITY TOGETHER

The Group actively assumes social responsibility and pays attention to the real needs of the community where the project is located. During the Year, the Group focused on activities to help the poor and care for special groups, and strove to create a harmonious social environment, such as volunteer service activities caring for disabled people, caring for the elderly, and promotional activities “caring for the earth and protecting homes”.

This year, Erdos Plant carried out poverty alleviation activities in Wudinghe Village, Inner Mongolia Autonomous Region, donated RMB100,000 and sold rice to assist local residents.

Looking ahead, the Group will implement the formulation of relevant community investment policies and strive to standardize and improve the community’s investment behavior.



KEY PERFORMANCE INDICATORS OVERVIEW

ENVIRONMENTAL PERFORMANCE

Environmental key performance indicator	Quantity	Unit
Emissions types and related emissions data		
Nitrogen oxides	4,908	Kg
Sulfur oxide	N/A	Kg
Total greenhouse gas emission		
Scope 1 — Direct emission	36,089	Tons of carbon dioxide equivalent
Scope 2 — Indirect emissions	117,938.7	Tons of carbon dioxide equivalent
Total greenhouse gas emission	154,027.7	Tons of carbon dioxide equivalent
Greenhouse gas density (calculated by production)	0.47	Tons of carbon dioxide equivalent per ton of liquefied natural gas
Total hazardous wastes		
Total hazardous wastes production	5.5	Tons
Hazardous wastes density (calculated by production)	0.02	Tons per kiloton of liquefied natural gas
Total non-hazardous wastes		
Total non-hazardous waste production	25.1	Tons
Non-hazardous wastes density (calculated by production)	0.08	Tons per kiloton of liquefied natural gas
Total energy consumption		
Direct energy	229,850.3	GJ
Indirect energy	166,298.3	MWh
Energy density (calculated by production)	2.6	GJ per ton of liquefied natural gas
Total water consumption		
Total water consumption	587,968	Cubic meter
Water consumption density (calculated by production)	1.8	Cubic meter per ton of liquefied natural gas
Total packaging materials used in finished products		
Total packaging materials	N/A	
Packaging material density	N/A	



SOCIAL PERFORMANCE

Operation Center	Distribution of employees			Total staff	Ratio of male to female employees
Erdos Plant	Gender	Male	104	134	3.5:1
		Female	30		
	Rank	Senior management staff	4		
		Middle management staff	13		
		General staff	117		
	Age	20 to 40	123		
		41 to 50	11		
Dazhou Plant	Gender	Male	105	134	3.6:1
		Female	29		
	Rank	Senior management staff	4		
		Middle management staff	14		
		General staff	116		
	Age	Under 30	47		
		30 to 40	54		
		41 to 50	24		
Above 50		9			



Operation Center	Distribution of retired employees			Total retired employees	Percentage of lost employees
Erdos Plant	Gender	Male	22	24	17.9%
		Female	2		
	Rank	General staff	24		
	Age	Under 30	24		
Dazhou Plant	Gender	Male	16	22	16.4%
		Female	6		
	Rank	Middle management staff	1		
		General staff	21		
	Age	Under 30	10		
		30 to 40	8		
		41 to 50	1		
		Above 50	3		





Operation Center	Distribution of new employees			Total new employees	Percentage of new employees
Erdos Plant	Gender	Male	18	22	16.4%
		Female	4		
	Rank	General staff	22		
	Age	20 to 40	22		
Dazhou Plant	Gender	Male	18	26	19.4%
		Female	8		
	Rank	General staff	26		
	Age	Under 30	15		
		30 to 40	8		
		41 to 50	2		
		Above 50	1		

Occupational safety and health performance	Grand total
Number and rate of deaths due to employment	0, 0%
Number of workers injured	0
Number of working days lost due to work injury	0
Work injury rate per 1,000 workers	0



Operation Center	Distribution of trainees			Total training hours (hours)	Percentage of employees trained	Average training hours
Erdos Plant	Gender	Male	104	2,778	100 percent	20.7
		Female	30			
	Rank	Senior management staff	4			
		Middle management staff	13			
General staff		117				
Operation Center	Distribution of trainees			Total training hours (hours)	Percentage of employees trained	Average training hours
Dazhou Plant	Gender	Male	105	9,192	100 percent	68.6
		Female	29			
	Rank	Senior management staff	4			
		Middle management staff	14			
General staff		116				



CONTENT INDEX OF THE ESG REPORTING GUIDE

Subject Areas	Content	Page index
A1 Emissions		
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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	11-13
A1.1	Emissions types and related emissions data.	11-13, 19
A1.2	Total greenhouse gas emission (in tons) and (if applicable) density (if per production unit, per facility).	12, 19
A1.3 (partial)	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	13, 19
A1.4 (partial)	Total non-hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	13, 19
A1.5	Describe measures to reduce emissions and the results.	11-13
A1.6	Describe methods for dealing with hazardous and non-hazardous wastes, measures to reduce production and results.	13
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	14-15
A2.1	Total consumption of direct and/or indirect energy (such as electricity, gas or oil) by type (calculated by thousands of KWh) and density (if per production unit, per facility).	14, 19
A2.2	Total water consumption and density (if per production unit, per facility).	14, 19
A2.3	Describe the energy utilization efficiency plan and the results.	14-15
A2.4	Describe any problems that can be applied to the applicable water source, as well as improve water efficiency plans and results.	15; The Group has no problem in obtaining applicable water sources
A2.5	Total packaging materials used in finished products (in tons) and (if applicable) use per production unit.	The Group does not use packaging materials

Subject Areas	Content	Page index
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	15
A3.1	Describe the significant impact of business activities on the environment and natural resources and actions that have been taken to manage the impact.	15
B1 Employment		
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	9
B1.1	Total employees by gender, type of employment, age group and region.	20
B1.2	Employee turnover ratio by gender, age group and region.	21
B2 Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards.	6-7
B2.1	Number and rate of deaths due to work.	22
B2.2	Number of working days lost due to work injury.	22
B2.3	Describe the occupational health and safety measures adopted, as well as related implementation and monitoring methods.	6-7
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	7-8
B3.1	Percentage of trained employees by gender and employee category (such as senior management, middle management, etc.).	8, 23
B3.2	Average number of training hours each employee completed by gender and employee category.	8, 23



Subject Areas	Content	Page index
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 and forced labour.	10
B4.1	Describe measures to review recruitment practices to avoid child labor and forced labor.	10
B4.2	Describe the steps taken to eliminate the situation when a violation is discovered.	10
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	16
B5.2 (partial)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	16
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.	16
B6.2	Number of complaints received about products and services and resolutions.	16
B6.4	Describe the quality verification process.	16
B6.5	Describe consumer data protection and privacy policies, as well as related implementation and monitoring methods.	16
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.	17
B7.1	Number of corruption proceedings cases filed and concluded by the issuer or its employees during the reporting period and the proceedings outcome.	17
B7.2	Describe preventive measures and reporting procedures, as well as related implementation and monitoring methods.	17

Subject Areas	Content	Page index
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.	18
B8.1	Focus on areas of contribution (such as education, environmental issues, labor needs, health, culture, sports).	18
B8.2	Use resources (such as money or time) in a focused area.	18

