



中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132



Environmental, Social and
Governance Report

2018

INTRODUCTION

This Environmental, Social and Governance (“ESG”) Report (the “Report”) has been prepared by China Oil Gangran Energy Group Holdings Limited (stock code: 08132) (together with its subsidiaries, the “Group” or “we”) in accordance with the requirements of Appendix 20 “Environmental, Social and Governance Reporting Guide” of the GEM Listing Rules of the Hong Kong Stock Exchange (“HKEx”) to help stakeholders better understand our ESG policy, measures and performance.

The Report covers the principal business of the Group for the period between 1 April 2017 and 31 March 2018 (“2018 Financial Year” or “Reporting Period”), i.e., the business in relation to the trading of refined oil and chemicals, as well as manufacturing and sales of power cords and data cords in Hong Kong and the PRC, including the Hong Kong head office, Sun Fair Electric Wire & Cable (Shenzhen) Company Limited (“Sun Fair Shenzhen”) in Shenzhen, Guangdong Province and Jiangxi China Oil Gangran Energy Technology Company Limited (“Jiangxi China Oil”) in Jiujiang City, Jiangxi Province of the PRC. Sun Fair Shenzhen is engaged in the manufacturing and sales business of power cords and inlet sockets for household electric appliances, and power cords and data cords for mobile phones and medical control devices in Shenzhen, while Jiangxi China Oil is primarily engaged in the refined oil sales business through leased bunker barges in the Yangtze River, Gan River and Poyang Lake basins of the PRC. The determination of reporting scope is detailed in the below section headed “Stakeholder Engagement and Materiality Assessment”.

ESG MISSION AND VISION

Climate change and other environmental and social issues have continued to become the centre of attention. Both the Hong Kong and PRC governments have launched various policies to promote corporate social responsibility and green business principle. As the Group pursues business development as well as stable and long-term return for shareholders, it undertakes corporate social responsibilities and incorporates the concept of sustainability in various operations. The Group seeks to operate in an environmentally and socially friendly manner and contributes to society with concrete actions.

The board of directors is responsible for supervising the ESG strategy, policy and measures of the Group and is vested with the power to make final decisions. Our ESG initiatives are carried out by the management team, which ensures the effectiveness of ESG risk management and related internal control system, thereby driving our sustainable development.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

To gather stakeholders’ opinion, the Group maintains ongoing communication with them through different channels, which enables it to timely respond to their expectation on business and sustainability performance.

The Group mainly adopts the following channels to communicate with the stakeholders:

Stakeholders	Communication channels
Investors/shareholders	<ul style="list-style-type: none">• Annual general meetings and notices• Annual reports, consolidated financial statements and announcements• Company website• Investor briefings
Customers	<ul style="list-style-type: none">• Company website• Customer service hotline
Employees	<ul style="list-style-type: none">• Notices and circulars• Team briefings• Staff opinion survey• Employee performance appraisals
Suppliers	<ul style="list-style-type: none">• Contract• Supplier guidelines• Vendor audit reports
Communities	<ul style="list-style-type: none">• Company website• Annual reports• Code of conduct

The Group is endeavoured to improve sustainability performance. If you have any suggestions on this Report, please contact us via:

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For details of the economic performance and development of the Group, please refer to the 2018 Annual Report.

After gaining insight into stakeholders' expectation through the above communication channels, the Group reviewed its business operation and conducted materiality analysis in various ESG areas to determine the reporting scope for the Report as follows:

“Environmental, Social and Governance Reporting Guide” aspects

Material ESG aspects of the Group

A. Environmental

A1. Emissions

- Carbon emission
- Waste

A2. Use of Resources

- Energy consumption
- Use of water resources

A3. The Environment and Natural Resources

- Environmental management
- Hazardous materials
- Clean energy

B. Social

B1. Employment

- Remuneration and benefits
- Promotion and development
- Employee care
- Equal opportunity

B2. Health and Safety

- Workplace safety and health

B3. Development and Training

- External communication and training

B4. Labour Standards

- Prevention of child labour and forced labour

B5. Supply Chain Management

- Procurement system

B6. Product Responsibility

- Product and marketing
- Information privacy

B7. Anti-corruption

- Prevention of bribery and money laundering

B8. Community Investment

- Social commitment

ENVIRONMENTAL

The Group is committed to the sustainability strategy and puts in place a stringent management system to reduce energy consumption and emission in all production and operation activities with best efforts. In implementing the ISO14000 environmental management system standards, the Group provides training and regulatory guidelines to staff on environmental protection, resources conservation and waste reduction, while encouraging recycling and environmentally-friendly office practices to raise employees' green awareness. The management monitors all resources consumption through monthly financial reporting to exercise precise cost control and promote production efficiency and energy saving. These initiatives not only facilitate environmental conservation, but also lower operating and compliance cost, thereby delivering win-win results.

The Group strives to comply with all environmental protection laws and regulations, including the "Environmental Protection Law of the People's Republic of China" and the "Law on Prevention and Treatment of Environmental Pollution by Solid Waste of the People's Republic of China". During the Reporting Period, the Group has not identified any breach of environmental protection related laws and regulations.

Emissions

Carbon emission

The principal activities of the Group include the trading of refined oil and chemicals, and the manufacturing and sales of power cords and data cords. Thus, there was no significant emission of air pollutants, sewage and hazardous wastes in the course of operation. Our carbon emissions mainly comprise energy consumption in the form of electricity, gasoline and diesel.

Data of carbon emission generated from energy consumption during the Reporting Period are set out below:

	Trading of refined oil and chemicals		Manufacturing and sales of power cords and data cords	
	Emission tonnes of carbon dioxide equivalent	Intensity tonnes of carbon dioxide equivalent/tonne	Emission tonnes of carbon dioxide equivalent	Intensity tonnes of carbon dioxide equivalent/unit
Total ¹	530	0.009	607	0.000053

¹ The calculation of carbon emission is based on the Reporting Guidance on Environmental KPIs of the HKEx, the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of China Petrochemical Enterprises, the 2017 Sustainability Report of CLP, the China Regional Grid Baseline Emission Factor published by the Climate Change Office of National Development and Reform Commission of China, the Greenhouse Gas Emissions Factors of the Department for Environment, Food & Rural Affairs of the United Kingdom (DEFRA), the 2017 Sustainability Report of the Water Supplies Department and the 2017 Sustainability Report of the Drainage Services Department.

The Group has implemented various energy saving and emission reduction initiatives, including the use of vehicles that outperform the national emission standards. It also carries out proper planning of the production and delivery schedule to coordinate all processes for maximum energy and time efficiency. It is our aim to promote low-carbon travel and reduce air emissions through the effective use of resources. For more details of emission reduction measures, please refer to “Energy consumption” below.

Wastes

During the Reporting Period, the Group consumed approximately 22.2 tonnes of paper, packaging paper and cartons and 0.751 tonnes of other wastes in the manufacturing and sales of power cords and data cords and office operation.

The Group eliminates wastes mainly through the “reduce, reuse and recycle” approach. To cut paper consumption, it introduces various e-platforms for paper-less operation, which reduces waste paper from administrative works. It also encourages staff to print internal documents on both sides of paper whenever possible. Recycling boxes are placed near photocopiers to collect single-sided paper for reuse as draft paper or printing of internal documents, so as to boost the rate of reuse. Moreover, the Group places waste separation bins at offices and production workshops to collect wastes, which are then processed by qualified waste recyclers in accordance with environmental regulations.

During the Reporting Period, the Group consumed a total of 7.8 tonnes of plastic packaging materials, including plastic bags, paper boxes, envelopes and gift boxes. The Group is determined to minimize packaging materials by removing unnecessary wrappings and giving priority to recycled and degradable green materials, which help reduce resources wastage.

As a result of the above waste reduction and recycling measures, the Group generated far fewer wastes in total during the Reporting Period as compared with last year.

Use of Resources

Energy consumption²

Our main sources of energy consumption include electricity used in production³ and diesel and unleaded gasoline for transportation. Set out below is our energy consumption for the trading of refined oil and chemicals and the manufacturing and sales of power cords and data cords during the Reporting Period:

	Trading of refined oil and chemicals		Manufacturing and sales of power cords and data cords	
	Total	Intensity per tonne	Total	Intensity per unit
Electricity (kWh)	897,923	16.0	1,109,114 15,412	0.097
Unleaded gasoline (litre)	24,339	0.43	(including diesel)	0.0014
Natural gas (standard m ³)	1,000	0.018	–	–

As compared to other electrical appliances, lighting fixtures and air conditioners account for a higher portion of the Group's energy consumption. On account of that, we have introduced a number of energy saving initiatives targeting such usage at the plants and offices in Hong Kong and the PRC. For example, we turn off lights when not in use, set the air conditioners at not lower than 26°C in summer and not higher than 22°C in winter, and install lights with motion sensors. Employees are also required to maintain the lighting and air conditioning system in good and proper condition and turn off idle equipment to maximize efficiency and minimise energy consumption. Besides, the Group gives preference to efficient production and transport machinery in procurement.

During the Reporting Period, these energy saving initiatives cut energy consumption of certain subsidiaries by approximately 25-30% as compared with the normal level.

² The bunker barges of the Group are moored at fixed location for prolonged periods and have low fuel consumption, hence they are not included in the calculation.

³ Refers to electricity consumption directly attributable to and controllable by the Group and excludes usage attributable to third parties (such as property management companies or logistics suppliers).

Use of water resources

The production and operation process of the Group does not involve substantial water usage. Our water consumption⁴ mainly comprises drinking water and daily water use of employees, and there are no difficulties in sourcing water that is fit for purpose. During the Reporting Period, our water consumption for the trading of refined oil and chemicals amounted to 1,128m³ and the intensity was 0.02 m³/tonne, while our water consumption for the manufacturing and sales of power cords and data cords amounted to 7,567 m³ and the intensity was 0.001 m³/unit.

For the manufacturing business, the Group has established the water separation system and recycling program for the production lines at plants to reduce water consumption. In terms of daily water consumption, the Group fulfils its corporate social responsibility by encouraging employees to cut water usage. It also puts water conservation signs in conspicuous places in the workplace to raise staff's awareness. During the Reporting Period, these energy saving initiatives cut water consumption of certain subsidiaries by approximately 5-10% as compared with the normal level.

The Environment and Natural Resources

Environmental management

The Group pays close attention to the impact of its business operation on the environment and natural resources. Thus, it not only follows national environmental regulations and international standards, but also adopts green management practices and encourages staff participation in environmental protection. To achieve green operation, a multi-pronged approach is adopted to raise staff awareness, formulate green policies, implement environmental initiatives and optimise monitoring on an ongoing basis.

The Group also regularly assesses the environmental impact of its business activities to identify potential environmental risks. Based on the assessment results, it formulates appropriate measures to mitigate the negative impact and carries out continuous monitoring, control and management.

Hazardous materials

A limited amount of hazardous substances is used by the Group in manufacturing power cords and data cords, which include PVC, heavy metals and halogen compounds. With the view of reducing the risk, the Group adopts strict production procedures and minimizes the use of such materials in the products. All of the Group's products for export are designed to meet international quality standards and they have passed the Restriction of Hazardous Substances (RoHS), REACH, Waste Electrical and Electronic Equipment (WEEE) and other environmental tests which ensure that they are in line with various standards.

⁴ Refers to water consumption directly attributable to and paid by the Group and excludes usage attributable to third parties (such as property management companies or logistics suppliers).

Clean energy

One of the various green policies under China's Thirteenth Five Year Plan advocates the replacement of diesel as traditional fuel with the cleaner liquefied natural gas (LNG) in the water transportation industry. In view of such, the Group decides to fully support the initiative and sets to assist the eco-friendly development of the water transportation industry. With the patented technology held through Jiangxi China Oil, the Group helped shipping carriers to convert their vessels into LNG-powered ones. This not only cuts the emission of nitrogen oxides by 70%, but also reduces fuel costs by 15% and extends engine life. In order to promote LNG fuel in the water transport industry, the Group also actively seeks cooperation with China's renowned education and research institutions while conducting research on "oil-to-gas" conversion technology for shipping vessels.

SOCIAL

Employment

Remuneration and benefits

As of 31 March 2018, the Group had 281 employees in total (2017: 232 employees). We recognize the importance of staff's contribution and cooperation in achieving business success, therefore we strive to develop a comprehensive staff motivation mechanism to attract and retain high-calibre talents who share our vision. For example, we offer basic benefits as required by laws such as the "Five Insurances and One Fund", medical insurance, annual leave, sick leave and double pay for overtime work. In addition, we provide other fringe benefits as well, which include performance-based bonus, free lunch, travel allowance, transport allowance, study subsidy, overseas training, marriage leave and maternity leave. Staff remuneration is determined based on the job nature, qualification, experience and performance of individual employees. The Group also conducts market studies on the remuneration level in the industry. The management of the Group adjusts employees' wages with reference to the performance appraisal and market studies every January.

Promotion and development

The Group carries out evaluations to better understand employees' performance at the end of each year. Staff members who have attained remarkable achievements and made outstanding contribution will be recognized by means of material rewards, honours and promotion opportunities. Meanwhile, for employees with average performance, the Group drives them towards improvement mainly through encouragement complemented with two-way review as appropriate. We offer suitable vocational training, arrangements and career path to promising employees as well, so as to equip them for more responsibilities and facilitate the growth of both the Group and the employees.

Employee care

The Group places great emphasis on staff engagement and cohesion. It adopts an open door policy to encourage internal communication and invites employees to raise questions, concerns, recommendations and complaints regardless of their departments or position levels. Employees may give feedbacks directly to the Chairman of the board of directors through his assistant as necessary. As to complaints relating to suspected ethical and legal violations, they may report to the Chairman of the Audit Committee in writing or via mail. The Group protects the interests of the whistleblowers by upholding the confidentiality of all communication channels.

Equal opportunity

The Group offers fair and excellent employment and promotion opportunities. Staff members are not discriminated against or deprived of such opportunities on the basis of gender, nationality, marital status, religious belief, disability, pregnancy or any other grounds prohibited under applicable laws. We prevent all forms of discrimination at the workplace by maintaining strict compliance with applicable local anti-discrimination laws. Employees are encouraged to report discrimination cases to the human resources department for investigation and resolution. For substantiated cases, the Group will impose the appropriate penalty and hand them over to the judicial authorities as necessary.

In order to provide appropriate protection to staff, all of our human resources policies are in compliance with national and local labour laws and regulations in relation to employment, dismissal, remuneration and benefits, working hours and leaves. During the Reporting Period, the Group has not identified any material breach of employment laws and regulations, including the Employment Ordinance of Hong Kong, the Labor Law of the People's Republic of China and the Contract Law of the People's Republic of China.

Health and Safety

Workplace safety and health

Helping employees to stay healthy and safe is the key to productivity. Therefore, the Group seeks to create an excellent working environment and takes into consideration occupational health and safety in workplace design and arrangement. In terms of hardware, fire safety equipment and evacuation signs are placed in conspicuous places at offices, factory workshops and refined oil retailing vessels. With the emergency protocol and the ancillary safety equipment in place, the Group is able to provide a working environment that meets the national safety standards. Furthermore, in order to ensure staff's safety, all employees are required to strictly follow the safety instructions on the proper storage of machines, equipment and raw materials for production.

In the meantime, the Group devotes its best efforts to raise staff awareness of occupational health and safety. It communicates health and safety knowledge and guidelines to employees by formulating health and safety policy and procedure, staff manual, orientation and on-the-job training, and various safety notices, posters and slogans, which remind them to stay safe when performing job duties. For employees at factories and on decks who are in high-risk positions, the Group will offer risk-specific training such as lessons on fire safety. The Group encourages office staff in low-risk positions to work out more and puts up occupational safety and health posters as precautions against occupational diseases. Employees with driving duties contribute to workplace safety through orientation training for drivers and enhanced inspection of vehicle safety. These occupational health and safety initiatives help to minimise risks and safeguard the interests of employees, customers and other stakeholders.

During the Reporting Period, the Group organized the following safety training for its staff:

Training	Participant	Topic
Fire safety training	All employees	Emergency response
Fire safety drill	All employees	Emergency evacuation and protecting personal and property safety
Offshore fire safety training	Lanfeng Offshore Fuelling Station	Education on fire safety
Fire emergency drill	Ruichang Offshore Fuelling Station	Simulation of the fire emergency protocol
Fire safety lecture	Xingzi Offshore Fuelling Station	Training on fire safety policy
Use of fire-fighting equipment	Hukou Offshore Fuelling Station	Lecture on the use of fire-fighting equipment
Fire emergency drill	Duchang Offshore Fuelling Station	Simulation of the fire emergency protocol

The Group implements safety measures in accordance with the applicable occupational safety and health laws. During the Reporting Period, there was no occupational fatality and a total of 115 days was lost due to work-related injuries, representing 0.41 day for each employee. There was no material breach of laws and regulations relating to occupational safety and health.

Development and Training

External communication and training

The Group has a well-established system to provide suitable training opportunities to different departments and positions, so that staff members, regardless their roles, have access to the knowledge and skills required to keep the efficiency and productivity, which is beneficial to our long-term development.

The Group encourages all departments to participate in external communication and training. For instance, the human resources department attends seminars held by large institutions, as well as programs organised by the Labour Department and other institutions, to learn about the market trend on human resources and salary, and widen the professional network for future recruitment and social events. The finance department encourages new employees to obtain professional accounting licenses and offers relevant support to facilitate the development of themselves and the Group. It also gets regular updates on financial related technology that helps reduce complicated procedures. Moreover, the Group sends staff to negotiation courses and other special courses as necessary to sharpen their skills for communicating with external parties on its behalf.

Employees of Jiangxi China Oil involving in high-risk operation are required to undertake monthly safety training organized by the station director, which is under the supervision of the senior management to ensure training effectiveness. The Group also subsidizes staff members who are pursuing further studies, so that their new knowledge can boost the competitiveness of both themselves and the Group.

In order to foster team spirit, our employees take part in team building exercises organized by professional institutions, where staff in different positions can get to know each other and develop cohesion and mutual trust through cooperation. As a result, they can work towards the common goal more efficiently.

Labour Standards

Prevention of child labour and forced labour

The Group believes that children should grow up in a decent environment free from physical, psychological and mental harm caused by economic exploitation and labour. Thus, the Group is against any forms of child labour and adopts all measures and internal control procedures to prevent such practice. With comprehensive internal control, the human resources department performs screening process on all job applicants who meet the specific requirements of the vacancies, and obtain their full personal files and identification documents as necessary to ensure that they meet the requirements and the minimum legal working age.

The human resources policy of the Group is in strict compliance with the Employment Ordinance (Chapter 57, Laws of Hong Kong), the Provisions on the Prohibition of the Illegal Use of Child Labour, the Law on the Protection of Vulnerable Groups of the People's Republic of China, the Law on the Protection of Minors of the People's Republic of China and the Labour Law of the People's Republic of China. In the meantime, a series of procedures is put in place to ensure there is no child labour or forced labour in the course of operation. During the Reporting Period, the Group has not breached any laws and regulations relating to child or forced labour.

Supply Chain Management

Procurement system

The Group has established a standardized procurement system that operates in an efficient, fair and open manner, thereby safeguarding the interests of itself and other stakeholders. For power cords and data cords production, the Group arrives at procurement decision after conducting screening based on the quality of raw materials, design, specifications and price, so as to ensure quality and safety of raw materials used in production. As to our refined oil and chemical products business, we exercise stringent safety control over product storage and transportation to prevent accident.

In addition, the Group also advocates green procurement, which involves assessing the suppliers' performance and contribution to environmental protection and social wellbeing in the procurement process. As we take into consideration the results of the assessment in supplier selection and annual review, we hope that this policy encourages our suppliers to place emphasis on their own social responsibilities and work with us towards sustainable development.

Product Responsibility

Products and marketing

To enhance product quality, we aim at meeting international standards and our power cord products have passed different environmental tests including the RoHS, REACH and WEEE, as well as the standards and specifications established by USB Implementation Forum, Inc. All of the Group's products are in line with international and domestic regulatory requirements and industry practices. Moreover, in full compliance with the Advertisement Law of the People's Republic of China and the Trade Descriptions Ordinance of Hong Kong, the Group's sales documents give a true description of the specifications and features of our products without containing exaggerated and misrepresented information.

Information privacy

In its daily operation, the Group processes various types of commercial information and personal data. For the purpose of protecting the information of the Group and its stakeholders, we have installed authorized software on all computers at the workplace. Employees are forbidden to install software without permission or handle personal matters on company computers, thereby minimising the risks of hacker attacks, Trojan horse and other computer viruses.

The Group also has stringent data protection procedure for customers' information. We include a confidentiality clause in all employment contracts which prohibits unauthorized disclosure or leakage of company information. Without the consent of the Group, employees are not allowed to disclose any sensitive information to any third parties or use such information for other unauthorized use. Staff members who are in breach of the policy and regulations will be subject to disciplinary actions or termination of employment.

In regard to employees' information, the Group defines all personal information submitted by staff as confidential and only grants access to human resources personnel. Employees may request access to or make correction of their personal information as held by the Group as necessary. The Group handles employees' personal information in strict compliance with the Personal Data (Privacy) Ordinance (Chapter 486, Laws of Hong Kong).

During the Reporting Period, the Group has not breached any laws and regulations relating to product quality, marketing or personal information.

Anti-corruption

Prevention of bribery and money laundering

The Group has formulated the comprehensive company regulations and employee code of conduct (the “Code of Conduct”) as the standards of staff conduct. With the view of maintaining efficiency and integrity, we require all staff members to follow the rules of the Code of Conduct and remain responsible and professional at all times.

Our employees are not allowed to offer, solicit or accept any gifts of material value to or from colleagues, customers, suppliers or other business partners of the Group that raise concern over conflict of interest. All new employees are required to read and sign our policy on conflict of interest, which stipulates that staff members should avoid personal conflicts of interest when dealing with any third parties on behalf of the Group.

A whistleblowing mechanism has been set up to provide a reporting channel for staff. As a result, employees can report suspected corruption, theft, fraud and embezzlement cases to the immediate head of the department, human resources department or other management members. The management may, in accordance with the local laws, report to government authorities such as the Police or Independent Commission Against Corruption for follow up actions as necessary.

To curb money laundering, the Group prepares briefing materials based on the provisions and updates of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615, Laws of Hong Kong) and the rules set out in relevant global regulations (together referred to as the “Anti-money Laundering Laws”). Employees are kept informed of the latest regulations of the Anti-money Laundering Laws through circulation of such briefing materials and training. Besides, the Group also compiles the list of Basel Anti-Money Laundering (AML) Index report to help employees identify potential breach of the Anti-money Laundering Laws in the ordinary course of business.

During the Reporting Period, the Group has not breached any laws and regulations relating to prevention of corruption and money laundering.

Community Investment

Social commitment

Social prosperity is closely related to the business of the Group. As a socially responsible enterprise, the Group places great emphasis on the development of the communities in which it operates and endeavours to build a harmonious and friendly relationship with the locals. To this end, we encourage employees to take part in a wide range of charity events. For example, we organize safety and earthquake education in earthquake zones, hold blood donation events and charity marathon for people in need. The Group supports employees to give back to society in different ways and actively undertakes its corporate social responsibility.