

# ESG REPORT

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# ESG REPORT

## About This Report

Silver Grant International Industries Limited (the “Company” together with its subsidiaries, hereinafter referred to as the “Group” or “We”) is pleased to present the 2017 Environmental, Social and Governance Report (the “Report”) to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance (“ESG”) issues.

The Board is responsible for the evaluation and determination of the Group’s ESG-related risks and ensuring that the Group has established an applicable and effective system to manage and internally control ESG-related risks. We provide confirmation to the Board as to whether the system to manage and internally control ESG-related risks is effective or not.

## Reporting Period

The Report illustrates the policies and performance regarding the environmental and social aspects from 1 January 2017 to 31 December 2017 (the “reporting period”).

## Reporting Scope and Boundaries

The Report focuses on the related operating subsidiaries in Hong Kong Special Administrative Region (“HK”), Beijing City and Taizhou City, Jiangsu Province in the People’s Republic of China (“PRC”). The related business activities include office operation, property leasing and the sales and production of petrochemical products. The investment in property management business in Beijing City, which has been decided to cease during the reporting period, is not mentioned in the Report.

## Reporting Basis

The Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Main Board Listing Rules”) – “Environmental, Social and Governance Reporting Guide” issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and complies with the “comply or explain” provision. The Report summaries ESG performance of the Group in a simplified manner.

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group’s relevant policies. A complete content index is appended to the last chapter hereof for quick reference. The Report is prepared and published in both Chinese and English. In the event of contradiction or inconsistency, the Chinese version shall prevail.

## Information and Feedbacks

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to send them via email to the following address: [cs@silvergrant.com.hk](mailto:cs@silvergrant.com.hk)

# ESG REPORT

## About The Group

The Group mainly operates businesses including petrochemical products business, property leasing and financial investment at the moment. Tai Zhou United East Petrochemical Company Limited (“TZ United East”) is the major subsidiary in the petroleum business. Its principal business activity is the manufacturing and trading of organic solvent. Moreover, the Group’s associated company Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited (“Zhong Hai You Qi”) mainly manufactures and trades fuel oil, basic lubricant and heavy duty bitumen. In light of the fact that there are complementary advantages in the raw materials structure, the manufacturing processes and the common engineering systems employed in production by TZ United East and Zhong Hai You Qi, they have reached a joint production arrangement in 2017 for the purpose of enhancing production effectiveness and efficiency of each other. Under the joint production arrangement, Zhong Hai You Qi will provide the critical raw material including crude oil and fuel oil and appoint TZ United East to carry out the production processes as a subcontractor. Consequently, Zhong Hai You Qi will oversee sales on a group basis. Through joint production arrangements, the purpose of centralizing the processing of resources, reducing logistic costs, consolidating complimentary advantages and enhancing the economics of scale and synergy effect is achieved. In the property leasing business, the Group holds East Gate Plaza for leasing purpose in Beijing, PRC. In the financial investment business, the Group has strategically invested in certain PRC enterprises, which are principally engaged in the trading on the spot and futures markets, energy technology.

The Group is committed to sustainable development and devoted to fulfilling its social responsibilities. The Group strongly believes that environmental protection is a paramount issue in the modern society. With an objective to make every possible contribution in mitigating the climate change phenomena, the Group is determined to set a role model by incorporating the concept of environmental protection in every single business cycle. The Group aims to provide truthful disclosure about the Group’s engagement in environmental protection and social responsibilities related tasks. The Group will integrate environmental protection and social issues into its business and daily operations regardless of hierarchical levels and will expect to see gradual improvements annually in reducing emissions and fulfilling social responsibilities.

## ESG Management Approach

The Group emphasizes the participation of its stakeholders, including staff, customers, suppliers and other stakeholders. All of them have a substantial impact on the success of the business or activities. In compiling the Report, the Group consulted its stakeholders, to monitor and manage its impact on all aspects of the environment and society.

During the preparation of the ESG report, stakeholder engagement helps the Group to understand the degree of concern of stakeholders towards different types of issues. The Group’s stakeholders include employees, customers, suppliers, shareholders and investors, regulatory authority and government departments. The Group believes that stakeholders engagement have significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group’s strategy formulation and decision-making. The Group provides various channels to communicate with stakeholders.

# ESG REPORT

## ESG Management Approach (Continued)

Stakeholder	Issues of concern	Engagement Channels
<b>Government</b>	<ul style="list-style-type: none"> <li>To comply with law</li> <li>Proper tax payment</li> <li>Safe production and comply with emission standard</li> <li>Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>Inspection from government</li> <li>Meetings with government and related organisations</li> <li>Annual and interim reports and other published information</li> </ul>
<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>Low risk</li> <li>Return on investment</li> <li>Information disclosure and transparency</li> <li>Protection of interests and fair treatment of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meeting and other shareholder meetings</li> <li>Annual and interim reports and other published information</li> <li>Website of the Company and the Stock Exchange, respectively</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Working environment</li> <li>Career development opportunities</li> <li>Self-actualisation</li> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Training</li> <li>Monthly working briefing sessions</li> <li>Departments and groups meetings</li> <li>Cultural activities</li> </ul>
<b>Client</b>	<ul style="list-style-type: none"> <li>Comply with laws and high-quality services</li> <li>Stable relationships</li> <li>Information transparency</li> <li>Integrity</li> <li>Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>The Group's promotion material</li> <li>Email and customer service hotline</li> <li>Product Quality Monitoring Report</li> </ul>
<b>Supplier</b>	<ul style="list-style-type: none"> <li>Fair competition</li> <li>Quality and price</li> <li>Supplier evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Procurement agreement/emails and phone communication</li> <li>Tending management system</li> <li>Supplier conference</li> <li>Site visit</li> </ul>
<b>Peer industries</b>	<ul style="list-style-type: none"> <li>Experience sharing</li> <li>Cooperations</li> <li>Fair competition</li> </ul>	<ul style="list-style-type: none"> <li>Conference meeting</li> <li>Exhibitions</li> <li>Corporate events</li> <li>The Group's website</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>Community involvement</li> <li>Social responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Donations</li> <li>Job opportunities</li> </ul>

# ESG REPORT

## **Environmental Aspects**

The Group has been attaching great attention to the side effects and hidden risks brought by its production operations to the environment and ecosystem. The Group endorses environmentally-responsible measures in all its business operations by strictly adhering to environmental rules and regulations set by local authorities, including the Law of Environmental Protection of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Pollution from Environmental Noise, Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the PRC on Conserving Energy and the Law of the PRC on Appraising Environmental Impacts. Emission from petroleum business has complied with Emission Standard of Pollutants for Petroleum Refining Industry (GB 31570-2015) and established management system related to environmental protection including “Petroleum Industry Environmental Protection Management System”, “Petroleum Industry Environmental Monitoring Management Regulations” and “Petroleum Industry Sewage Management Regulation”. During the reporting period, there was no any case of non-compliance with the mentioned laws and regulations mentioned above.

The Group implements energy-saving measures in its office premises to scale down energy consumption and greenhouse gas emissions. The Group also adopts policies to encourage recycling habits and the use of environmentally-friendly stationery, as well as other effective procedures to save paper and energy in order to maximize the utility of materials and reduce waste. As for the Group’s petrochemical business, strict preventive measures are implemented to minimize and mitigate negative environmental effects induced by the operations, such as gas emissions, sewage disposal, waste handling and energy consumption.

## **Emissions**

### ***Air Pollutant Emission***

The Group strictly follows Atmospheric Pollution Prevention and Control Law of the PRC on the treatment of exhaust gas. Exhaust gas generated by the petrochemical business is mainly from the production process, including sulphur dioxide, dust and nitrogen oxides.

By combining closed production method with advanced technologies and equipment, the Group’s petrochemical business production process is in line with the clean production principle as well as the circular economy concept. The technical conditions of the Group’s petrochemical business conform to the current national standards. Special equipment and safety accessories have been tested and qualified. Pumps and other equipment are properly sealed and with regular maintenance to avoid leakages. The Group’s sewage treatment plant, biological aerated filter (BAF) and air floatation equipment use self-containing facilities to collect exhaust gases. Collected gases will be released through the exhaust funnel after going through water sealing, alkaline cleaning and active carbon absorption process. Vapour on the top of the sour water storage tank is collected through closed system. Hydrogen sulphide and sulphur are recovered from the vapour through the solvent absorption tower and sulphur recovery device respectively. These are done to avoid emissions through the breather valve. Cleaner fuel without sulphur is used for the oven and low sulphur burner is installed to ensure meeting the emission standard.

# ESG REPORT

## Environmental Aspects *(Continued)*

### Emissions *(Continued)*

#### Air Pollutant Emission *(Continued)*

During the reporting period, the emission data of the air pollutants are as follows:

Emission Types	Emission Volume (tonnes)		
	Taizhou <sup>1</sup>	Beijing	HK <sup>2</sup>
Nitrogen oxides (NO <sub>x</sub> )	165.63	—	0.0135
Sulphur oxides (SO <sub>x</sub> )	61.30	—	0.0001
Particular matter (PM)	36.89	—	0.0010

During the reporting period, we have implemented the following measures to reduce the air pollutants:

1. Constructed online monitoring facilities and a catalytic flue gas desulphurization facility, which adopted sodium washing for desulfurization and de-dusting, to achieving a sulfur dioxide concentration less than 50mg/m<sup>3</sup> after reformation
2. Implementation of exhaust gas treatment for the combustion oven of the sulphur device, to achieving a sulphur dioxide concentration less than 100 mg/m<sup>3</sup> after the retrofitting
3. Establishment of Volatile Organic Chemicals (VOCs) Integrated Management Platform to identify leakage of VOCs
4. Retrofitting of the floating tank of gasoline and wasted oil with mechanical sealing, reduce leakage loss

<sup>1</sup> Emission volume data comes from the self monitoring data and is estimated according to the following published documents: "Technical Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation). The data may deviate from the actual emission. We will strive to increase the accuracy of the related data.

<sup>2</sup> The estimation of the emission volume in Hong Kong is made reference to the Stock Exchange – "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs"

# ESG REPORT

## Environmental Aspects *(Continued)*

### Emissions *(Continued)*

#### Greenhouse Gas (“GHG”) Emissions

The Group is committed to taking positive action to tackle climate change and is dedicated to reducing the risk in the most efficient way for society. The Group is taking action by reducing greenhouse gas emissions in its operations. Energy saving initiative is mentioned in the section “Use of resources”. The greenhouse emission<sup>3</sup> during the reporting period is as follow:

Scope	Emission Volume (tonnes CO <sub>2</sub> -equivalent)		
	Taizhou	Beijing	HK
Scope 1 <sup>4</sup>	262,454.60	219.94	32.59
Scope 2 <sup>5</sup>	151,077.07	322.26	26.62
<b>Total GHG Emission</b>	<b>413,531.67</b>	<b>542.20</b>	<b>59.21</b>
<b>GHG Emission Intensity</b>	<b>0.35 tonnes</b>	<b>0.11CO<sub>2</sub>-e/m<sup>2</sup></b>	<b>0.11CO<sub>2</sub>-e/m<sup>2</sup></b>
	<b>CO<sub>2</sub>-e/tonnes of processed raw material</b>		

#### Sewage Handling

In terms of sewage handling, the Group strictly adheres to the Law of the PRC on the Prevention and Control of Water Pollution, Regulations on Management of Economical Use of Urban Water and internal policies “Petrochemical Industrial Water Management System” and “Petrochemical Sewage Management”. The types of sewage included industrial sewage (e.g. wastewater with oil) produced from petrochemical business and through daily employee consumption.

To ensure sewage discharged meets the emission requirements, the Group has adopted “Sewage Management Regulation” and implemented several measures. Sewage treatment plants with the treatment rate of 100m<sup>3</sup>/hour are built in factory areas to handle sewage produced by each tank field or equipment during the manufacturing process. Treated sewage that meets the third level requirement (GB8978-1996) of the “Integrated Sewage Discharge Standards” is delivered to the industrial park’s sewage pipe network and then to the sewage management company for central processing. Sour water handling equipment with treatment rate of 40 tonnes/hour is built in the factory area for treating sulphur-contaminated water from the manufacturing process. Acidic gases produced during the treatment process are transmitted to the sulphur recovery unit, part of the purified water is reused and the remaining is transferred to sewage treatment plant.

<sup>3</sup> The calculation of the Group’s GHG emission is made reference to “Greenhouse Gas Protocol Corporate Accounting and Reporting Standard”, related guidelines in the “Corporate Greenhouse Gas Accounting Methods and Reporting Guideline (Trial)” – National Development and Reform Commission.

<sup>4</sup> Scope 1: The direct emission from the business operations owned or controlled by the Group, including the emission from the Group’s vehicle fleet, fuel combustion, and industrial process.

<sup>5</sup> Scope 2: The “indirect energy” emissions from the internal purchased electricity, heat and steam consumption by the Group

# ESG REPORT

## Environmental Aspects *(Continued)*

### Emissions *(Continued)*

#### Sewage Handling *(Continued)*

The Group has implemented the following measures to reduce sewage emission:

- Apply sewage diversion principle to control and reduce sewage emission level;
- Treated and purified sour water is transferred to production plants for reuse to scale down the amount of sewage discharged;
- Rainwater harvesting system and drainage system are installed in the factory areas to collect rainwater. Processed rainwater is stored in a water tank for circulation;
- Condensate harvesting system is installed in plant areas for recycling water vapour produced from production devices, the recycling rate reaches 250 tonnes/hour.

During the reporting period, the total sewage emission<sup>6</sup> was 411,374 tonnes. The emission volume of pollutants is as follow:

Pollutant	Emission Volume (tonnes)
Chemical Oxygen Demand (COD)	127.53
Nitrogen Ammonia	4.73
Total Phosphorus	0.08
Total Ammonia	9.87
Suspend Solids	55.54
Petroleum	1.18
Sulphur Oxides	0.11
Volatile Phenol	0.02

<sup>6</sup> The pollutant emission volume is estimated based on the monitoring report of the production plant. It may deviate from the actual emission.

# ESG REPORT

## Environmental Aspects *(Continued)*

### Emissions *(Continued)*

#### **Solid Waste Handling**

The Group abides by the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste in handling the disposal of solid wastes. Solid wastes generated mainly are hazardous wastes, including oil sludge, wasted catalysts and wasted alkali residue. The Group did not aware of significant non-hazardous waste production. The Group stores hazardous wastes in the warehouse and delivers them to professional hazardous waste management companies regularly for proper treatment. The transfer of hazardous wastes strictly follows the Administrative Measures for Hazardous Waste Transfer Manifests. During the reporting period, the solid wastes generated by the production plant are as follow:

Solid wastes type	Amount (tonnes)
Wasted catalyst	248.58
Wasted alkali residue	62.58
Oil sludge	15.38

#### **Noise Pollution Handling**

The Group strictly follows the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise. To mitigate noise pollution, the Group installed soundproof wall at the east side of the factory as well as mufflers on loud factory equipment like water pumps and air compressors in order to mitigate the effect of noise to the employees and the surrounding environment in the largest extent.

### Resources Utilization

#### **Electricity Consumption**

The Group promotes environmental protection in the daily operation. The Group has implemented the following measures: “TZ United East Energy Management System”, “TZ United East Public Construction Management System”, “TZ United East Water Management System” and “TZ United East Water Management Regulations”.

The Group strictly abides by regulations relating to energy consumption, including the Law of the PRC on Conserving Energy and internal policy “Petrochemical Limited Energy Resources Management System”. The operations of machinery in production plant areas and the use of electrical appliances during office hours are the main sources of electricity consumption of the petrochemical business.

# ESG REPORT

## **Environmental Aspects** *(Continued)*

### **Resources Utilization** *(Continued)*

#### **Electricity Consumption** *(Continued)*

The Group understands that greenhouse gases emission is indirectly affected by electricity consumption. The Group will have to scale down electricity consumption in order to reduce GHG emissions. To instil electricity saving awareness among employees, the Group promoted energy saving habits from switching off unused lights and controlling air-conditioning temperature through departmental or group meetings. The Group also hopes to reduce direct energy consumption by replacing electrical motor with steam turbine in the production plant areas to enable electricity generation from surplus steam. In addition, “Energy Consumption Analysis Report” is compiled monthly for the technical analysis regular meeting. It aims to analyse the trend of the consumption; discuss issues and give suggestions for improvement. We also promote energy conservation at the departmental morning meetings and shift meetings. Production management is strengthened to reduce the risk of “spilling” at the installation site. Employees are required to conduct regular inspections and report the leakage immediately.

During the reporting period, the monthly average energy consumption has reduced about 10 kg of standard oil/tonnes of raw material when compared to 2015. The Group has retrofitted the air compressor and changed the blades of the steam turbine in order to reduce the steam consumption rate by 20 tonnes per hour; we operate collectively with Zhong Hai You Qi in order to reduce the wastage of excess steam and gas production. Taizhou delivers steam and gas at a rate of 7 tonnes/hour and 2,000 m<sup>3</sup>/hour respectively to Zhong Hai You Qi while receiving steam from Zhong Hai You Qi at a rate of 2 tonnes/hour.

#### **Water Consumption**

The Group has drafted and strictly abided by the water consumption internal policies “Petrochemical Industrial Water Management System” and “Petrochemical Sewage Management”. The main sources of water consumed by the petrochemical business are running water and desalinated water from plant operations, as well as drinking water and cleaning water from pantry or washrooms during office hours.

The Group highly emphasizes on maximizing water resources utilization rate by requiring water consumed during the production process to be recycled and reused. The Group also implemented several measures in the production plant areas to increase the water resources utilization rate, including treating and transforming cooled and condensate water vapour into circulating cooling water or make-up water for boilers, as well as re-circulating and reusing sour water.

# ESG REPORT

## Environmental Aspects *(Continued)*

### Resources Utilization *(Continued)*

#### Water Consumption *(Continued)*

During the reporting period, the water consumption of petroleum business is as follows:

Type of water	Consumption (tonnes)
Desalted water <sup>7</sup>	315,464.00
Fresh water <sup>8</sup>	1,429,091.00
Tap water <sup>9</sup>	65,250.00
<b>Total</b>	<b>1,809,805.00</b>
<b>Intensity</b>	<b>1.55 tonnes/tonnes of processed raw material</b>

The Group's subsidiaries in Hong Kong post notice to encourage employees to save energy and water usage. Moreover, they also perform routine functional examination of facilities and equipment to avoid wasting of resources. During the reporting period, the water consumption of the subsidiaries in Hong Kong was 42 m<sup>3</sup>. Each person used 2.21 m<sup>3</sup> on average. The water consumption of subsidiaries in Beijing was 4,152 m<sup>3</sup>. Each person used 159.69 m<sup>3</sup> on average.

#### Oil Gas Consumption

The main source of oil gas consumption comes from the Group's production process. To boost employees' awareness about preserving resources and cut down on resources consumption, the Group carried out relevant promotions during morning conferences and handover meetings. At the same time, the Group also performs regular inspection on machinery to spot and fix leakages and wastage. The Group also carried out alteration work for aerostatic pressure machine and turbine blades to improve their operating efficiency.

<sup>7</sup> Desalted water is used in hydration reaction and boiler.

<sup>8</sup> Fresh water is used in cooling and washing device.

<sup>9</sup> Tap water is used in domestic activity, wet air cooler and laboratory.

# ESG REPORT

## Environmental Aspects *(Continued)*

### Resources Utilization *(Continued)*

#### Oil Gas Consumption *(Continued)*

The resource consumption during the reporting period is as follows:

Resource	Energy Consumption (MWh)		
	Taizhou	Beijing	HK
Natural Gas	2,571,614.24	—	—
Refinery Dry Gas	158,652.57	—	—
Diesel	211.13	—	—
Petrol	365.38	—	59.45
Purchased Electricity	121,252.32	418.38	33.65
Purchased Town Gas	—	—	0.92
Purchased Steam	166,101.17	—	—
Purchased heat	—	897.71	—
<b>Total</b>	<b>3,018,196.81</b>	<b>1,316.09</b>	<b>94.02</b>
<b>Energy Intensity</b>	<b>2.59 MWh/tonnes of processed raw material</b>	<b>0.26 MWh/m<sup>2</sup></b>	<b>0.17 MWh/m<sup>2</sup></b>

## The Environment and Natural Resources

The Group pays great attention to environmental issues and natural resources utilization. The Group's paper consumption mainly comes from office operations. The Group places high priority on environmental protection ideas like resources utilization, encourages emission reduction and economical use of natural resources. The Group established and strictly enforced internal policy "Paper Consumption Plan and Paper Saving Measures", taking several measures as follows:

- Establish paper consumption plan, submit the plan in the beginning of the year, perform quarterly paper consumption statistics, and perform analysis on planned and actual paper usage. Except for documents that require physical printing, all other documents such as notices, reports, meeting minutes and job plans will be stored as electronic copies and circulated through network;
- Except for documents that require formal documentation or will be presented to customers, all other documents printed using the Group's printer or photocopier machine will be in double-sided;
- Set up a dedicated recycle box for paper, and regularly liaise with the paper recycling company regarding recycling matters.

The Group places great emphasis on the greening of its operation surroundings, with 23% of the total production plant areas already covered in green. The Group does not only instill its employees with energy-saving awareness, it also encourages them to actively engage in tree planting programs organized by trade unions of foreign investment companies.

# ESG REPORT

## **Social Aspects**

The Group is committed to maintaining a high level of corporate social governance as it is important for the group in constructing a safe and healthy work environment as well as establishing product quality and social credibility. In the meantime, the Group devotes itself to preserve the sustainable development of its business and community. To promote this business model, the group exhibits prudence in managing its operations, and is cautious in executing decisions made by the management team.

### **Employment and Labour Practices**

#### ***Employment***

The Group believes that employees are the most important asset of a business. As the business grows, sustainable human capital becomes crucial, especially in attracting and retaining talented employees. The Group's human resources policies abide by laws imposed by regulatory authorities, including the local labour law, promotion of employment law, employment contract law, social insurance, Employment Ordinance, Sex Discrimination Ordinance, Race Discrimination Ordinance and other relevant laws, to ensure employees are provided with reasonable remuneration and benefits, as well as effectively prevent the hiring of underage and forced labours. The Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in terms of all human resources and employment decisions, for instance, training and promotion opportunities, as well as hiring, performance evaluation and payroll calculation processes irrespective of their race, religion beliefs, skin colour, nationality, age, disability or any other non-job related factors in all business units. Meanwhile, any termination of employment contract would be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals. The Group's human resources department reviews and updates relevant company policies constantly in accordance with the latest laws and regulations regularly. The Group's subsidiaries have established various policies, including "Remuneration Management Regulation", "Employee Attendance and Vocation Management", "Employees' Parental Leave Management", "Resignation Management", "Performance Appraisal Management" and "Annual Leave Management". During the reporting period, the Group did not aware any issues of non-compliance.

The Group hires new employees based on individual's work experiences, expected abilities in performing duties, personal background, market remuneration benchmarks for the position, budget as well as other relevant criteria. The Group is keen on attracting and retaining high-calibre workforce, allowing them to achieve targets under a fair, respectful and faithful environment. Continuous professional development training will be provided to employees whenever necessary as the Group places high priority on the employees' career development. Remuneration packages are designed based on individuals' position, work experiences, duties and performance. The Group also assesses employee performance monthly with reference to the status of job completion and implementation of policies of each department to ensure that staffs are recognised by the Group with regard to their working efforts and contributions. The working and rest hours for employees are arranged in accordance with local employment laws and stipulated in the employment contract. In addition to statutory holidays, the Group also complies with social insurance, housing funds and business travel insurance, as well as offers competitive remuneration packages. Besides, employees also enjoy holidays such as maternity leave, marriage leave, paternity leave and compassionate leave, as well as other benefits stipulated under the employment law.

# ESG REPORT

## **Social Aspects** *(Continued)*

### **Employment and Labour Practices** *(Continued)*

#### **Employment** *(Continued)*

Talents are ultimately important for the Group's business development. The Group established an effective communication system between management and employees to motivate them, enhance their cohesiveness, and ensure that their needs are being heard, respected and taken care of. Available communication methods include inter-company phone system, e-mail, notice board, and instant messaging software. A smooth communication between employees and management is beneficial for the Group to make comprehensive and effective decisions, meanwhile fostering a closer employer-employee relationship.

To create a sense of belonging for the employees, the Group engages them through regular group activities to build up a united workforce. During the reporting period, the company organised safety knowledge competition, badminton competition etc.

#### **Health and Safety**

The Group is committed to providing employees with a safe and healthy work environment and establishing safety contingency regulations in compliance with all relevant laws and regulations in the PRC and HK, including the Production Safety Law of the PRC, Law of the PRC on Prevention and Control of Occupational Diseases, Regulation of Work-Related Injury Insurance, Occupational Safety and Health Ordinance etc. Relevant subsidiaries have formulated internal policies and strictly implemented internal guidelines and regulations like "Workplace and Occupational Hygiene Monitoring Regulations", "Occupational Health Monitoring and Management Procedures for each Labour Unit", "Categorized Occupational Diseases Danger Factor List", "Standards and Procedures of Safety Equipment Management for each Labour Unit" and "Occupational Health Monitoring Technology Procedures" etc.

To ensure production and operation safety management measures are in place for preventing job-related hazards, the Group urges employees to be conscientious at work. The Group will strive to provide a clean, smoke-free, healthy and safe working environment for all employees while instil healthy and safety awareness among them. The Group imposes stricter health and safety rules in the production plan areas. To safeguard employees' personal safety and health, the Group enforces stringent exposure limits on harmful substances, sets up occupational diseases warning signs, establishes operating procedures for each job and standardises safety equipment management procedures for each labour unit.

# ESG REPORT

## **Social Aspects** *(Continued)*

### **Employment and Labour Practices** *(Continued)*

#### **Health and Safety** *(Continued)*

The Group also provides occupational health and safety training, as well as position-specific emergency management training to employees. During the reporting period, 31 safety management personnel and 24 new staff received training related to occupational health and safety. The Group's subsidiary also has taken related measures to secure a safe and healthy working environment. For instance, various safety checks are performed regularly, on-site visit, safety and environmental protection meetings, emergency drills are conducted from time to time to improve employees' capability to respond to emergency. Operational staff and management personnel receive health check every year and every two years respectively.

During the reporting period, the subsidiary of petroleum business organised 2 comprehensive emergency drills, a fire drill in the tank area with Detachment of the Fire Services of Binjiang Industrial Park, emergency drills regarding the chemical plants. It also conducted 20 safety and environmental inspection. There was no case of injury or fatality in TZ United East.

#### **Development and Training**

The Group is concerned about the career development of each employee and provides corresponding training program in different subsidiaries respectively. The Group arranges training for employees at Tazhou Administration of Work Safety Training Centre, Administration of Quality and Technology Supervision Centre, Taizhou Human Resource and Social Security Bureau Physical Exercise Training Centre and Yangzi Petrochemical Training Centre. Job-related skill training are provided to employees of different position regularly. The Group also used online training platforms like OA platform and Taizhou administration of work safety simulation training platform for employees to carry out online learning and training.

During the reporting period, our subsidiary organised training related to the stationary pressure vessel, operation of AutoCAD, certification for electrical worker, hazardous chemical handling training and Asia Petroleum Forum etc.

#### **Labour Standards**

The Group strictly abides by the Labour Law of the PRC, Provisions on the Prohibition of Child Labour, Law of the PRC on the Protection of Minors and other related labour laws and regulations to prohibit any child and forced labour employment. Human Resources Department is responsible for the reviewing of the applicants' personal information in accordance with relevant laws and regulations and labour management procedures to ensure the age of the employee are in line with the regulatory requirement. A face-to-face meeting with new employees is arranged before their job commencement to ensure no forced labour. During the reporting period, the Group did not employ any child labour nor forced labour.

# ESG REPORT

## **Social Aspects** *(Continued)*

### **Operating Practices**

#### **Supply Chain Management**

The main suppliers of the Group's petroleum business are the members in the supplier repository of Sinopec, China National Offshore Oil Corporation and China National Petroleum Corporation. The Group established the following criteria for selecting suppliers, including compliance with the national and industry standards, good credibility, accredited by quality management system, favourable services, reasonable pricing and satisfactory business performance. Priority will be given to well-performing suppliers included in the supplier repository mentioned above, and suppliers with unique technology recommended by Institute of design will be considered. The Group will require suppliers to provide documents including business license, account opening permit, quality assurance certificates, repository acceptance certificate, credit proof and environmental safety certificate before selecting a supplier to ensure its compliance with national and industry standards. Then, a primary evaluation process following a further thorough assessment by the procurement department will be conducted for all recommended suppliers before being qualified as the official supplier of the Group.

The Group pays attention and makes reference to the supplier assessments made by the three main oil and gas companies as well as relevant negative news and media reports in the supplier selection process. The Group will, once verified, revoke the supplier's qualification due to severe violation of regulations or material deviation of quality. The Group will maintain a list of alternate suppliers. Besides that, to maintain high supplier quality, the Group's procurement department will lead a fair and comprehensive assessment to evaluate suppliers in terms of their compliance with externally and internally imposed regulations annually.

The Group did not establish framework agreements and all current supplier contracts are in single contract form. To maintain the relationship with suppliers, the Group abides by the contract and performs regular quality tracking inspection on major equipment. The Group will contact the supplier immediately and request for a rectification or replacement if ordinary quality issues are identified; if severe quality deviation is noticed, the Group will cancel the purchase order, revoke the supplier's contract and seek for compensation of damages or any losses caused by the deviation of quality.

During the reporting period, there were 452 suppliers for petroleum business. All of them are from the PRC, providing the Group material (steel), electrical appliance, pipe fittings, agent and auxiliary material, miscellaneous items, instruments and other equipment.

#### **Product Responsibility**

The Group's idea about petrochemical related products is to pursue perfection, develop new markets through outstanding technologies, improve efficiency with proper management practices and establish role model for professional services. The Group strictly abides by laws and regulations related to petrochemical product stipulated by regulatory authorities and internal policies, including the Law of the PRC on Work Safety, the Law of PRC on Standardization and the Law of the PRC on Product Quality. All products must meet the national standards, for instance, automobile diesel (GB19147-2013), automobile petrol (GB17930-2013), propylene (GB/T7716-2002), propane (GB/T22026-2008), industrial isobutane (GB/T19465-2004) and n-butane (GB/T22024-2008).

# ESG REPORT

## **Social Aspects** *(Continued)*

### **Operating Practices** *(Continued)*

#### **Product Responsibility** *(Continued)*

##### *Quality Management*

The Group has established an extensive product quality assurance and safety mechanism, with quality inspection centre responsible for routine laboratory analysis and technical operations department in-charge of monitoring product standards and quality. The quality inspection centre performs sampling analysis in accordance with the analysis frequency specified by technical operations department, and will upload the analysis results to the mass transfer system. Occasional sampling or product container sampling analysis will be performed by the quality inspection centre upon receiving instruction from the control room or marketing department.

The Group strictly complies with the standards of products. After inspection, the container of product is sealed for sale. Before selling the product to customer and delivery, the quality is checked again to ensure the quality is up to standard. After packing of product, third party inspection is required. The Group has established strict examination measures and set target for product quality indicator in beginning of every month. Award will be given to the related department according to the month-end product quality performance. Moreover, conference about production technology analysis is carried out monthly to discuss the measures to upgrade the production technology, strengthen the production management and establish strict product standard.

Due to the business nature of petrochemical operations, the Group places high emphasis on product label classification. In accordance with the national regulations and industry standards, the Group has already set up relevant manuals and policies including a “List of Hazardous Chemical Substances (2015 version)”, “Hazardous Goods Classification And Serial Number”, “Publicity Rules Regarding The Classification And Toxicity Of Chemical Products”, “Rules Related To Safety Labels Of Chemical Substances” and instructional manual for safe use of chemical products to ensure the safety and traceability of the products.

##### *Complaint Handling*

The Group exercises prudence in handling customers’ feedback and complaints. The sales representatives under the marketing department logistics team collect customers’ complaints as well as feedbacks and pass them to the sales director for documentation and reporting purposes. The Group established a marketing services team formed up by all department heads to handle complaints within 24 hours. The marketing services team will consolidate the feedbacks and provide improvement suggestions for the management team. During the reporting period, no related complaints regarding the product health and safety was noticed. There was also no products needed to recall due to safety and health reasons.

# ESG REPORT

## **Social Aspects** *(Continued)*

### **Operating Practices** *(Continued)*

#### **Product Responsibility** *(Continued)*

##### *Customers' Data Protection and Privacy*

The Group strictly adheres to consumer rights protection law and relevant regulations in protecting customers' information and privacy. The Group hired professional company to be in-charge of the storage and management of customer sensitive data. Access controls are in place to prevent sales representatives from accessing information that is not related to their positions. During the reporting period, the Group did not receive any complaints regarding breaches of customer privacy or theft of customer information.

#### **Anti-corruption**

The Group has consistently maintained the highest ethical standards. The Group strictly adheres to the laws and regulations relating to anti-corruption and bribery as set out by the government in the PRC and HK, including Anti-Money Laundering Law of the PRC, Article 274 of Criminal Laws of the PRC (related to blackmail), Interim Provisions on Banning Commercial Bribery, Prevention of Bribery Ordinance and Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance.

All employees must adhere to Employees' Handbook which prohibits them from obtaining, accepting or providing bribes as well as any other form of interests. It also sets out how employees should deal with conflict of interest. All managers are also required to communicate with their staff and convey a good corporate governance culture. During the reporting period, the Group did not have any material non-compliance and corruption related litigation in this respect.

To prevent the employee from involving in bribery, extortion, fraud and money laundering, the following measures are adopted:

- Established relevant management manuals including "The Company's Leading Cadres To Report Personal Matters Management Rules", "The Implementation of Clean and Honest Party Conduct Accountability System", and "Corporate supervision and management system" to strengthen the management and supervision of the party members and leading cadres, and encourage them to be clean and honest;
- Established "Reward and Punishment Management Regulations", and convey it to every existing employee. Provided regular ethical education to key management personnel and staff to enhance their self-restraint ability;
- Set up public corruption report mailbox and check its situation on a regular basis;
- Set up monitoring group especially for the investigation of whistle-blowing issues. Once evidence is found, we will report to the higher discipline inspection department or the public security department.

# ESG REPORT

## Social Aspects *(Continued)*

### Community

#### Community Investment

The Group places great emphasis on maintaining the sustainable development of its business and belonging community. The Group's subsidiaries respond to the head quarter's call for community development actively and have received various awards as a result of remarkable contribution. The Group advocates the concept of people-oriented management and actively participates in community services activities. It also promotes the economic development of the local community by providing job opportunities.

During the reporting period, the subsidiary in Taizhou provided subsidies for employees with family difficulties with a total of CNY 48,200. Subsidiaries in Hong Kong also made a donation of HKD 10,000 to Oxfam.

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<b>Aspect A1 Emissions</b>			
<b>General Disclosure</b>	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	Emissions	5
<b>KPI A1.1</b>	The types of emissions and respective emissions data	Emissions	6
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	7
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	8-9
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	9
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved	Emissions*	5-9
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions*	8-9

# ESG REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
<b>Aspect A2 Use of Resources</b>			
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<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per meal)	Use of Resources	12
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources	11
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved	Use of Resources*	9-12
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources*	10-11
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not relevant to the Group's business	Not Applicable
<b>Aspect A3 The Environment and Natural Resources</b>			
<b>General Disclosure</b>	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources	12
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources	12

# ESG REPORT

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<b>Subject Area B. SOCIAL</b>			
<b>Employment and Labour Practice</b>			
<b>Aspect B1 Employment</b>			
<b>General Disclosure</b>	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, antidiscrimination, and other benefits and welfare.	Employment	13
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region	Related data was not collected during the reporting period	Not Applicable
<b>KPI B2.1</b>	Employee turnover rate by gender, age group and geographical region	Related data was not collected during the reporting period	Not Applicable
<b>Aspect B2 Health and Safety</b>			
<b>General Disclosure</b>	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.	Health and Safety	14-15
<b>KPI B2.1</b>	Number and rate of work-related fatalities	Health and Safety	15
<b>KPI B2.2</b>	Lost days due to work injury	Health and Safety	15
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	14-15

# ESG REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
<b>Aspect B3 Development and Training</b>			
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	15
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category	Related data was not collected during the reporting period	Not Applicable
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category	Related data was not collected during the reporting period	Not Applicable
<b>Aspect B4 Labour Standards</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	Labour Standards	15
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour	Labour Standards	15
<b>KPI B4.2</b>	Description of steps taken to eliminate such practices when discovered	The Group did not of any cases of employment of child and forced labour	Not Applicable
<b>Operating Practices</b>			
<b>Aspect B5 Supply Chain Management</b>			
<b>General Disclosure</b>	Policies on managing environmental and social risks of supply chain	Supply Chain Management	16
<b>KPI B5.1</b>	Number of suppliers by geographical region	Supply Chain Management	16
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	16

# ESG REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
<b>Aspect B6 Product Responsibility</b>			
<b>General Disclosure</b>	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	16
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Product Responsibility	17
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with	Product Responsibility	17
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights	Not relevant to the Group's business	Not Applicable
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures	Product Responsibility	17
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	18
<b>Aspect B7 Anti-corruption</b>			
<b>General Disclosure</b>	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	18
<b>KPI B7.1</b>	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	18
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	18
<b>Community</b>			
<b>Aspect B8 Community Investment</b>			
<b>General Disclosure</b>	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 Investment	19
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment	19
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area	Community Investment	19

\* It is the first time to disclose the related data Therefore, no qualitative result available.