

Northern New Energy Holdings Limited
北方新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
08246.HK

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE
REPORT
2017**

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About the Group

Northern New Energy Holdings Limited (the "Company", together with its subsidiaries, collectively "Northern New Energy" or the "Group") is principally engaged in new energy development business, research and development on its relevant technologies and construction engineering (the "New Energy Business"), operation of restaurants, sale of processed food and seafood (the "Catering Business") and property investment business.

During 2017, expanding our operation from primarily focusing on Catering Business into twin-track development with New Energy Business, the overall business of the Group has been diversified. As for the New Energy Business, we have been actively seeking for business opportunities, with the aim of expanding its business scope from undertaking engineering projects to supply of liquefied and gasified natural gas and provision of technical consultancy services.

Looking forward to 2018, with the PRC Government is increasingly focusing on the clean energy, our New Energy Business will be well poised for better prospect. As the Catering Business is undergoing stable development, we will devote more resources on the New Energy Business, targeting to extend the footprint to other regions of Northern China in the long run. In respect of property investment, the Group will continue to identify investment projects with high potential so as to generate stable source of rental income.



About this Report

This report is the second Environmental, Social and Governance (“ESG”) Report (the “Report”) issued by Northern New Energy, which contains the policies, measures and performance of the Group in respect of ESG to allow better understanding of each stakeholder on the sustainability and development directions of the Group. This Report has been prepared in both Chinese and English languages and uploaded to the website of the Stock Exchange and the Company (www.8246hk.com). In the event of inconsistency, the Chinese version shall prevail.

SCOPE OF REPORT

The Report focuses on the operations of New Energy Business and Catering Business of the Group during January to December of 2017 (“the Year”). The scope of disclosure includes the developments of New Energy Business based on Tianjin and the “Noble House” restaurants¹ in Pudong, Shanghai, the most representative restaurant under the Catering Business (collectively, “Each Operating Point”). The Group will gradually expand the scope of disclosure by continuously optimizing the internal information collection procedures.

REPORTING STANDARDS

This Report is prepared pursuant to the “comply or explain” provisions under the Environmental, Social and Governance Reporting Guide (the “Guide”) issued by the Stock Exchange and is based on four reporting principles: Materiality, Quantitative, Balance and Consistency. Based on the Group’s actual condition, Key Performance Indicators (KPIs) specified in the “Recommended Disclosures” under the Guide are adopted to enable completeness of the Report. To ensure the accuracy of environment-related KPIs, the Group has entrusted a consulting firm to conduct a carbon assessment. The last section of this Report provides complete indexing to allow easy comprehension of this Report in accordance with the Guide.

CONFIRMATION AND APPROVAL

All information contained herein is collected from the official documents, statistics of the Company and its subsidiaries, and the management and operation data collected through the Group’s system. The Report was approved by the board of directors on 16 March 2018.

FEEDBACKS

The Group highly values the opinions of stakeholders. Should you have any enquiries or comments regarding the content or form of this Report, please contact us:

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¹ Operated by the Group’s subsidiary Shanghai Lao Fang Zi Food and Beverage Co., Ltd.

Message from the Management

Northern New Energy Holdings Limited focuses on the twin-track development of Catering and New Energy Businesses. Driving by the national policies, the new energy sector will enter a new era of rapid growth. While developing our businesses, the Group is committed to stepping up its efforts in social aspect and minimizing the impact of its operations on the environment.

Adhering to its people-oriented philosophy of operation, the Group has established employment policies to safeguard employees' rights and ensure they enjoy equal opportunities and welfare. The Group attaches great importance to the well-being of employees by prohibiting any harassment or discrimination and establishing clear penalties policy and procedures. To enhance the sense of belonging of its employees, the Group also provides them with various benefits such as accommodation and transportation allowances.

The Group is committed to providing a safe working environment. By establishing a health management system for employees and regulations on management of accidents at workplace, work hazards at different workplace are prevented from its employees by the Group. With regard to high-risk positions, specific work instructions and personal protective equipment are also provided to enhance the protection for employees by the Group.

To manage the environmental and social risks arising from the supply chain, the Group has formulated management policies to screen and evaluate suppliers, with particular emphasis on their performances in terms of business integrity, anti-corruption and suppliers' responsibilities. The Group has been maintaining close relationship with suppliers and advocating green supply chain management with an aim to promote the sustainable development of the industry.

The management of the Company is open to all opinions and suggestions from both its employee and general public, and has been proactively preparing in implementing its long-term sustainable development plan. It is expected that the Company will leverage the national policies during the process of business development and make contribution to the well-being of the next generation.

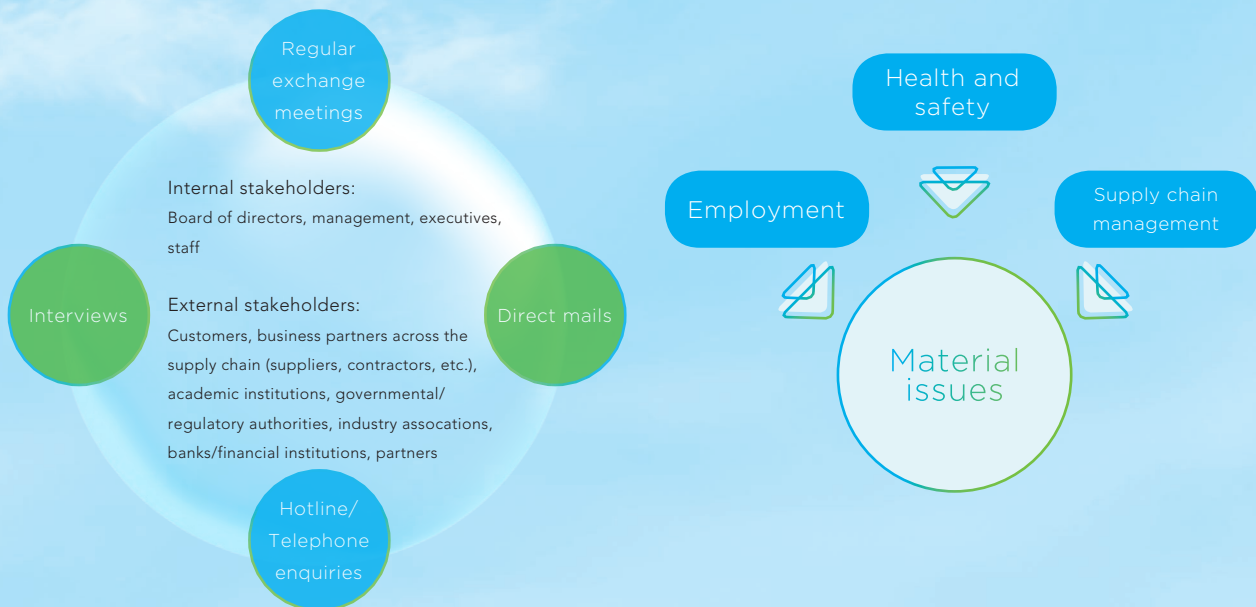
The Board of Directors of
Northern New Energy Holdings Limited

Communication with the Stakeholders

In Northern New Energy's business management, stakeholder² engagement serves a vital role and facilitates the Group in reviewing potential risks and business opportunities. Engaging with stakeholders and understanding their views would allow the Group to propel its business practice closer to the satisfaction of stakeholders' needs and expectations and properly manage opinions from different stakeholders.

MAJOR METHODS OF COMMUNICATION WITH THE STAKEHOLDERS DURING THE YEAR

The Group has been constantly communicating with key internal and external stakeholders via various channels, which enable them to have the opportunity in understanding the Group's development and operation directions and allow the Group to listen to their opinions and thereby prioritizing different issues and developing corresponding policies.



MATERIAL SUSTAINABILITY ISSUES IN THE YEAR

To formulate the Group's sustainability strategy and direction and to identify the most important environmental and social issues for the Group and its stakeholders, the Group has commissioned an independent consultancy to conduct a substantive analysis by interviewing the management, and incorporated the advices of professional consultants to clarify important reporting issues and to determine the direction of the Groups' sustainable development. The Group selected three material issues from the eleven environmental and social aspects set out in the Guide as focuses of this Report.

To ensure the effectiveness of stakeholder engagement, the Group dedicates itself to establishing a communication mechanism for transparency, integrity and accuracy as well as providing timely response. In the future, the Group will continue to engagement and communicate with stakeholders and encourage more stakeholders to participate in the engagement for the Group's sustainable development and making recommendations and expressing their expectations on the Group.

² "Stakeholders" refer to groups or individuals materially influencing or affected by the Group's business. Internal stakeholders include board of directors, management, executives and staff. External stakeholders include customers, business partners across the supply chain (suppliers, contractors, etc.), academic institutions, governmental/regulatory authorities, industry association, banks/financial institutions and partners.

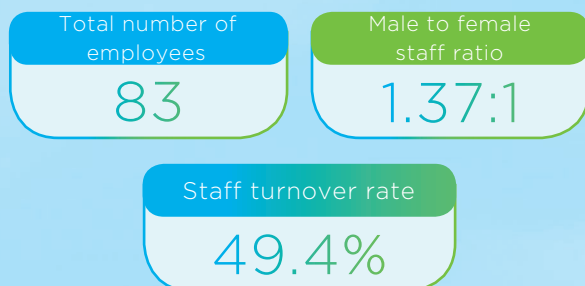


Northern New Energy and its Staff

Northern New Energy considers talents as the key to its business operation and development. Each of our operating points has formulated the "Environmental, Social and Governance Regulations" (the "ESG Regulations") during the year, setting out relevant policies and commitments for employment terms of employees, providing a safe and healthy working environment, staff training and development, and labour standards.

EMPLOYMENT

The Group strives to create a fair and equal working environment for its employees. Employment terms, such as salary, dismissal, recruitment, promotion, working hours and holidays are set out in the ESG Regulations and the Employee Handbook. The Group endeavors to eliminate discrimination in the workplace and offers employees equal employment opportunities without any discriminatory treatment, regardless of factors such as race, skin color, age, gender, sexual orientation, gender identity and expression, ethnicity or nationality, disabilities, pregnancy, religious belief, political affiliation, union membership, veteran status, protection of genetic information or marital status.



During the reporting period, the staff turnover rate was relatively high, indicating a general higher staff turnover in the catering industry, and the Group was undergoing the integration and strengthen the overall operating efficiency of its Catering Business. In the future, the Group will continue to stay alert to the issue of staff turnover and strive to adjust its structure and benefits to retain talents.

The Group values employees' opinions by encouraging them to participate in the formulation of group policies and seeking their opinions when drawing up the ESG Regulations during the year. In accordance with the requirements of the ESG Regulations, the Group has undertaken to convey relevant information in respect of policies, practices, expectations and performance to employees in a clear manner. After receiving feedback from employees, the Group will constantly streamline relevant processes.

In addition, the Group provides additional benefits to its employees of the Catering Business, such as setting up staff canteen to offer free meals, free staff quarters for those in need, and organizing activities such as parties and annual staff parties from time to time.

The Group also strives to create a diversified working environment for its employees and plans to include relevant policy descriptions and operational guidelines into the ESG Regulations in the coming years.

During the Year, there was no non-compliance related to employment identified by the Group.

Northern New Energy and its Staff

HEALTH AND SAFETY

Northern New Energy attaches great importance to the health and safety of its employees. The ESG Regulations set out the policies for occupational health and safety and require all operating points to comply with local laws and regulations to minimize occupational hazards.

New Energy Business

New Energy Business mainly involves project planning and management, no position with high risks has been identified. In order to mitigate the fire risks, the Group implements a total smoking ban within the operational area of New Energy Business. Adequate fire extinguishing appliances are equipped in compliance with relevant fire control regulations and will be inspected on a monthly basis by relevant authorities.

Catering Business




Given the nature of its business, the Group placed a high regard on the occupational health and safety issue of its employees. Positions in Catering Business that are exposed to higher safety risks including those need to utilize knife tools and involving naked flames in the kitchen. The Group provides its employees with appropriate protective equipment such as work suits, work shoes, gloves and caps depending on different needs of each position. All of this protective equipment will be inspected regularly to ensure they are properly functioning for protection purpose. A Management Regulation on Work-related Injuries and Incidents has been formulated by the Group, stipulating the

procedures of handling the work-related injuries and incidents, and requiring relevant personnel to complete a work-related incident report and submit to Human Resources Department for filling within 24 hours of the occurrence of the incident. Such report shall identify the time, place and analysis on the liability and reasons of the incident as well as subsequent rectifying measures, thereby Human Resources Department may conduct further investigation and handling. As to the reported work-related injuries and investigated cases, the Group will provide the employees concerned with work-related injury benefits, including full wages during the period of medical treatment and will reimburse corresponding medical costs and grant subsidies in accordance with the certified level of injuries by the medical insurance authorities. Moreover, the Group has established a health management system and set up health records for relevant employees, and will arrange annual body checks for these employees, who shall obtain health certificate before taking up his/her job duties later on. According to the body check result for the year, no employee of the Company has suffered any occupational diseases.

As the Catering Business involving operation with naked flames, the Group places high importance on the fire control and implements a Management Regulation on Fire Control, which provides that Project Logistics Department is responsible for the fire control management and specifies its duties and responsibility in details. In addition, the Management Regulation on Fire Control also specifies operational guidelines for naked flames operation management, fire prevention management for office area, fire-fighting equipment management and fire prevention emergency measures.



Northern New Energy and its Staff

Area	Key Guideline
Naked Flames Operation Management 	<ul style="list-style-type: none"> Key kitchen appliances such as stove and steamer can only be used by trained employees; When utilizing naked flames for repairing purpose on the engineering equipment, employees are advised to obtain related certificates and take fire prevention precaution before conducting such tasks.
Fire Prevention Management for Office Area 	<ul style="list-style-type: none"> Smoking and igniting the naked-flames are strictly forbidden within office area. In the event of destroying documents, designated personnel are advised to be assigned to do the destruction at a specified area outside the office building; Stockpiling flammable and explosive materials within office area are strictly forbidden. Stockpiling flammable and explosive materials in the warehouse shall be separated from other goods and marked individually; Designated personnel shall conduct inspection on the office to ensure computers, printers and lights are properly shut down and turned off without any potential dangers before he/she leaves.
Fire Prevention Emergency Measures 	<ul style="list-style-type: none"> Stay calm and do not panic in the event of an outbreak of fire. In the case of the fire is under control, it is advised to use fire extinguishers; while in the case of uncontrollable fire condition, it is advised to dial "119" and report the fire for assistance; Before the rescue personal arriving at the scene, it is advised to shut down ventilation equipment, air-conditioners, ventilation doors and windows and cut off respective powers to prevent the spread of fire; In the event of uncontrollable fire condition, priority shall be placed on saving life than extinguishing the fire. Meanwhile, it is advised to organize employees to evacuate to safe areas by taking proper routes or fire exits; Carry out first-aid care for injured persons at a safe area and send them to the hospital for treatment if necessary; Upon the arrival of the rescue personnel, staff of the Company shall provide assistance in security at proximity area; After the fire is extinguished, staff of the Company shall preserve the scene and cooperate with the fire department to conduct investigations.

Northern New Energy and its Staff

During the Year, no work-related injuries or casualties were identified by the Group, nor did the Group have breached the regulations in relation to the health and safety.

DEVELOPMENT AND TRAINING

Northern New Energy values the development of its employees, encourages them to pursue career development within the Group and is committed in seeking growth together. The Group has established policies in relation to employee development and training in its ESG Regulations and offers learning and training courses for its employees.

New Energy Business

The Group provides new hires of its New Energy Business with orientation training, in which it introduces information such as rules and regulations, job duties, working procedures, aiming to help them easily adapt to the working

environment. As to employees engaging in technical or specialized works, the Group has stipulated in its ESG Regulations that target training is required before such employees on board. In addition, a regular performance appraisal system has also been set up to evaluate the individual performance and accomplishment of each employee, on the basis of which, the Group will offer the promotion or adjust the remuneration for the employee. Through the performance appraisal, the Group would also understand the suitability of the staff to their current positions and make personnel transfer accordingly, to encourage and support staff in exerting their full potential at work.

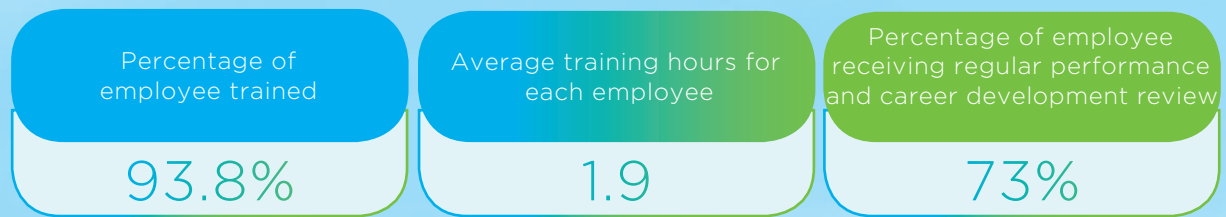
Catering Business

The Group has formulated a Training Management Regulation for its Catering Business, which sets out duties and responsibilities for Human Resources Department and relevant departments and defines its training system.

Type	Target trainees	Purpose of training	Training mode	Training description
Orientation training for new hires	All new hires	Provide new hires with assistance to adapt to working environment as soon as possible and enhance their understanding in the value of the Group.	Regular internal course and on-job learning.	General subjects: History of the Company and introduction to its culture; Introduction to the corporate policy; Specialized subjects: Standard operational skills and procedures of each department.
Internal training	All employees	Enhance internal communication and engagement, cultivate a learning culture of helping each other and enrich the spare time of the employees.	Workshop, seminar and exchange meetings.	Subjects cover from technical, marketing and management issues as well as spare-time knowledge and information that may interest employees.
External training	All employees	Enhance specialized knowledge of employee and improve working quality and efficiency.	Participate in external open courses, seminars or invite external lecturers to teach in the Company.	Practical training: Professional skills and knowledge, sales skills, management approach, leadership skills and operational philosophy and etc., Senior management training: Corporate strategy and development etc., Personal training: such as MBA and professional technical certificate etc.,



Northern New Energy and its Staff



The Human Resource Department of the Group would formulate budgets for training expense based on the training plans and provide eligible employees with external training allowance. In addition, the Group will also develop targeted training plans after analyzing training needs in accordance with its strategic planning, human resources planning and employee working performance. The responsible department will make evaluation on the instructors and employees after the training, so as to review the effectiveness of the training and continuously improve the training system. During the Year, some employees have achieved outstanding performance in training evaluation and obtained bonus from the Group as a reward.

LABOUR STANDARDS

Child labour and forced labour are strictly forbidden by the Group. The ESG Regulations explicitly stipulates that the freedom of an employee shall be safeguarded and it shall ensure all employees are voluntarily employed. In addition, the Group will verify each applicant's actual age by checking his/her identity documents and other records during the recruitment process to prevent employing any child labour. The Group enters into an employment contract with all of the successful applicants, which stipulates defined terms of employment. The Group will by no means restrict the employment relationship between its employees and itself in any unjustified way.

During the Year, no breach of the regulations in relation to labour standards was identified by the Group.

Northern New Energy and Operation

SUPPLY CHAIN MANAGEMENT

The Group values its cooperation with suppliers and firmly believes that a stable and long-term cooperation relationship would facilitate the Group in persistently enhancing the standard of operation and services. The Group complies with requirements in relation to the supply chain management set out in the ESG Regulations, aiming to regulate the procedure of selecting and managing its suppliers.

New Energy Business

The major suppliers of our New Energy Business are suppliers who provide us with equipment leasing service, labour service and consultation service. The Group focuses on the capabilities of operation management, technical engineering and scale production of its suppliers and concerns whether there is any established quality control system in place by its suppliers. As to suppliers who provide us with general goods or raw materials, the Group requires them to obtain relevant quality management system certification. In the meantime, the Group will set up investigation team if requires, to conduct on-site assessments on potential suppliers, including assessing their operational services, quality system, research and development capabilities, manufacturing, environmental management, human rights of its labour, and integrity. Suppliers who satisfy our requirements would be listed as eligible suppliers.

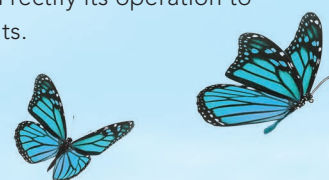
With regards to the current cooperating suppliers, the Group carries out their performance assessment on a quarterly basis which compares suppliers' performance in competitive aspects like quality, delivery schedule, service and price and then updates the list of suppliers. The Group will also perform annual assessment on major suppliers, review the procedures for handling abnormal products and verify the safety of production projects. As to the underperforming suppliers, the Group will specify the objective and deadline for improvement, assign designated person(s) to review together with the suppliers and develop an improvement plan to provide appropriate assistance, guidance and education.

The Group places great concerns on the safety management procedures adopted by its suppliers. The Group requires the suppliers to comply with local laws and regulations concerning occupational safety and hygiene and to attend relevant trainings before commencing construction. In relation to operations involving high risks, suppliers are required to take safety precautions and supervisory management in advance. At the same time, suppliers should be well aware of the relevant information on the safe constructions, such as the chemical management, hazards identification, emergency measures, evacuation procedures and fire control, so as to minimize the risks during operation.

Catering Business

The major suppliers of Catering Business are suppliers of food ingredients, of which we focus on suppliers of shelled fresh shrimps and hairy crabs. The Group has placed exceptional regards on the suppliers' performance in the aspect of food safety. In respect of the purchases of foods, food additives, food containers, food utensils, equipment, detergents and disinfectants, the Group requires suppliers to provide with relevant food safety certificates, such as hygiene license, qualification certificate and laboratory test reports for inspection. At the same time, the Group's investigation team will review suppliers' performance in terms of operations and services, green management, environmental management, labour rights and moral integrity, so as to evaluate their qualification.

The Group has established a Suppliers' Performance Assessment Committee for its Catering Business, which is responsible for carrying out quarterly and annual assessment on suppliers. The committee will endorse the food safety items of key suppliers and arrange designated person(s) to provide guidance to suppliers if necessary. In the event of wrongdoing occurs, the Group would require such suppliers to formulate correction plan and rectify its operation to fulfill the Group's requirements.



Northern New Energy and Operation

The Groups wishes to strike a balance among environmental benefits, economic benefits and social benefits by means of green supply chain management. Currently, the Group is performing a proactive plan to adjust each part within the supply chain of its Catering Business and establishing a designated department to centralize the procurement and allocation of supplies to restaurants, thereby reducing the waste of resources and enhancing the efficiency.

The Group values its interaction and learning with suppliers and maintains a good supply chain relationship with them. In addition to routine business review meetings, the Group also holds regular suppliers meeting to express its supports and appreciation to the suppliers and will present awards to those with good performance.

PRODUCT RESPONSIBILITY

New Energy Business

The construction of energy equipment under the New Energy Business is mainly outsourced to suppliers. The construction entities are required to comply with the Group's Engineering Construction Management Procedures and Engineering Trial Management Procedures, so as to control the engineering quality issues during the construction period. The Group will also assign dedicated person(s) to perform inspection from time to time. After completion of construction, the Group implements the Construction Work Completion and Inspection Management Procedure, so as to ensure product quality and safety standards satisfying the Group's requirements.

Construction entities carry out self-inspection



The Group conducts a joint inspection with clients and arranges for acceptance



Construction entities make ratification according to the acceptance opinions






A Construction Work Completion and Inspection Certificate will be issued upon the satisfaction of the inspection

Catering Business

The Group attaches great importance to the food safety of the Catering Business and prescribes food safety management policies in ESG Regulations, including the Food Purchase Certificate and Acceptance Management Regulation, the Food Storage Management Regulation, the Management Regulation for the Usage of Food Additives, the Rough Processing Management System, the Cooking and Processing Management Regulation, the Noodles and Pastries Production Management Regulation, the Regulation for Employees' Health Management, the Training Regulation for Employees Awareness on Food Safety, the Management Regulation of Cleaning and Sterilization of Food and Beverage Utensils, the Regulation of Hygienic Management of Restaurants, the Comprehensive Inspection and Management Regulation for Food Safety, the Regulation for the Retained Food Sample Management, the Regulation for the Food Safety Incident Prevention and the Regulation for Food Equipment and Facilities Management.

Northern New Energy and Operation

By implementing the ESG Regulations, the Group is able to control and monitor the process of food ingredients, storage and preparation and has adopted following measures:

<p>Food ingredients</p> 	<ul style="list-style-type: none"> • Ensure the meat products on sale are with quarantine certificates, and monitor the sourcing channels of ingredients such as vegetables and fruits; • Procurement of hazardous food ingredients such as poisonous rice, poisonous lard, contaminating edible oil, poisonous mushrooms and nitrite (industrial salt) are strictly forbidden;
<p>Food storage</p> 	<ul style="list-style-type: none"> • Storage premises and equipment should be kept clean; • Storage of food should not be mixed with non-food goods, and no toxic or hazardous materials (such as rodenticides, insecticides, detergents and disinfectants) should be stored in warehouses; • Designated person(s) for management shall be assigned. Food delivery into or out from the warehouse shall be properly registered for respective quantity and quality, so as to achieve 'first-in-first-out' and 'use perishable food first'; • Defective food such as spoilage and mildewed food and those without valid certificates are not acceptable to deliver into warehouse; • Timely inspection and discard of the damaged food products or those beyond their shelf lives shall be performed regularly; • Meat and seafood products shall be stored separately; Raw food, semi-finished food and cooked food should be stored in separate cabinets. No mix-storage of raw and cooked food and no storage in a piled-up or compressed way shall be allowed; • Pests prevention, fly prevention and cockroach prevention facilities such as screen windows and extractor fans shall be installed. No smoking is allowed in warehouses; • Containers, tools and equipment for the storage, transportation and handling of food should be kept clean to prevent food contamination; thermal insulation and refrigeration facilities shall be maintained properly functioning to comply with food safety requirements; Transportation of food products should not be mixed with toxic and hazardous goods;
<p>Food preparation</p> 	<ul style="list-style-type: none"> • Noodles and pastries should be cooked, processed and prepared and food additives should be used in accordance with the operation procedures.

Furthermore, the Group also concerns with the aspects as to the personal hygiene of restaurant staff and the clean and safety issue of tableware, aiming to provide a safe and clean dining environment for its customers. The Group also arranges employees to attend trainings concerning food safety pursuant to local Food Safety Law and each employee shall obtain a qualified result for the assessments before onboard.



Northern New Energy and Operation

The Group manages the products issues in accordance with the Regulation for the Food Safety Incident Prevention. In the event of any suspected food safety incident occurs, the Group will promptly arrange appropriate treatment for the person concerned and report such cases to its supervisory authorities. In the meantime, it will discontinue the production of suspected food and preserve the food as well as its raw materials and tools which may cause food poisoning in order to cooperate with the investigation of the regulatory department.

Customer Feedback Management

The Group values its customers' comments and strives to maintain a good relationship with customers. The Group engages dedicated personnel to register all the letters, calls and on-site complaints from customers, and has made its telephone number available to the public to receive complaints. In addition, the operational department and stores have specific position and personnel in place to receive customer's complaints via different channels. After the receipt of complaints, the Group will arrange staff to carry out investigations and report the results to supervisor for further handling, who will reply to customers, ask for their comments again, and finalize the decision after seeking confirmation from the customers. Possible penalty and instruction will be imposed to the responsible personnel concerned. All the complaint cases shall be filed and stored. In addition, the Group also assigns operating practice, operating department and responsible person for each process to ensure high efficiency for handling customers' complaints.

Number of cases of clients' complaints and product recall during the Year

0

Protection of Customers' Privacy

The Group attaches great importance to the protection of customer's privacy. ESG Regulations set out defined responsibilities and obligations for employees to safeguard the confidentiality of customers' privacy and prevent any leakage of customers' information.

Protection of Intellectual Property Rights

The Group strives to protect intellectual property rights, requesting both employees and suppliers to transfer technologies and expertise in a way that protecting intellectual property rights and those who in breach of relevant laws and regulations will be held responsible for such non-compliance. Any suppliers who are found to impair the intellectual property rights will be blacklisted and relevant co-operation will be terminated.

New Energy Business of the Group does not involve product advertisement and labelling. During the Year, there was no non-compliance related to product liability was identified by the Group.

ANTI-CORRUPTION

The Group promotes to create a corporate culture with honesty and integrity, and sets out its requirements and standards of anti-corruption in the ESG Regulations and the Employee Handbook. Employees and suppliers are required to comply with applicable anti-corruption laws and regulations and are not allowed to engage in bribery, corruption, fraud, money laundering or embezzlement of funds in any forms.

During the Year, no breach in respect of corruption or litigation related to the Group has occurred.


Northern New Energy and Environment

Northern New Energy places high regards on the environmental protection, formulates and implements the ESG Regulations, stipulating its responsibilities and commitment in environmental aspect, with an aim to use natural resources effectively and minimize the emissions from its business operation and reduce its material impacts on the environment.

EMISSIONS MANAGEMENT

Emissions of Air Pollutants

Air pollutants generated by Northern New Energy mainly arise from the use of gas stoves under its Catering Business. For the purpose of reducing the emission, the Group monitors the effectiveness of emission control system on a regular basis.

Exhausted gas emissions 	Category of emissions	Emissions (kg)
	Suspended particulates	0.98

Greenhouse Gases Emissions

Greenhouse gases emissions are highly relevant to climate change and global warming. Many enterprises around the world have introduced carbon reduction measures and goals to tackle this issue one after another. Northern New Energy entrusted a professional consultancy to carry out a carbon assessment by specifically calculating the amount of greenhouse gas emitted during the

process of its corporate operation. The assessment made reference to the guide released by the Tianjin Development and Reform Commission and the Shanghai Municipal Development and Reform Commission³ and international standards such as Corporate Accounting and Reporting Standard (Corporate Standard) of the GHG Protocol to ensure the accuracy of environmental KPI information.

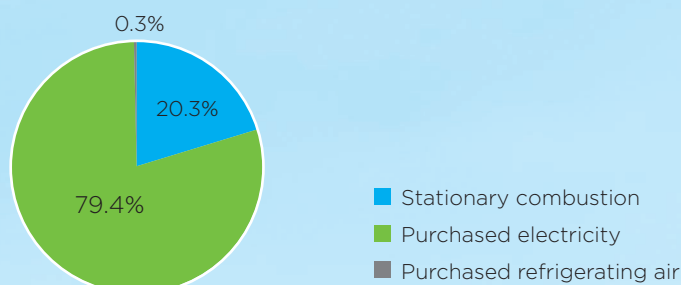
Total Carbon Emission

352 tonnes
CO₂e

Carbon Intensity (calculated in revenue)

1.3 tonnes / RMB million

Greenhouse gases emissions (by source of emissions)



³ Tianjin Carbon Emission Accounting Guide in Other Sectors (Trial Edition) (天津市其他行業碳排放核算指南(試行)) and Shanghai GHG Emission Accounting and Reporting Guide (Trial Edition) (上海市溫室氣體排放核算與報告指南(試行))。



Northern New Energy and Environment

The carbon emission of the Group is mainly arising from the electricity consumption from scope 2, which accounts for 79% of the total emissions. The Group will persistently assess record and disclose the greenhouse gas emission and other environmental data on a yearly basis, and make comparison with subsequent data based on that of this year to review the performance in this respect, thereby facilitating the formulation of further emission reduction objective in the future.

Waste Disposal

The business model of our New Energy Business is designing technical conversion solutions for heating equipment, undertaking the construction project of such solutions and outsourcing it to subcontractors. As most of our operations are conducted within office area, most of our disposal is household wastes, which are collected by our cleansing staff and will be further delivered and processed by the local environmental hygiene department.

Wastes generated from Catering Business mainly include kitchen garbage and general household wastes. For kitchen garbage, the Group required all of its restaurants to set up garbage classification and collection facility to separate and recycle the wastes. It is also required to provide employees with training in respect of the waste separation standards. In addition, the Group also promotes the awareness of saving foods and reducing kitchen garbage to our customers and reduces the usage of disposable tableware. General household wastes arising from the Catering Business are collected by our cleansing staff and will be further delivered and processed by the local environmental hygiene department.

Wastewater Discharge

All wastewater discharged from our New Energy Business is non-hazardous household wastewater, which are directly processed by local sewage treatment factory via the municipal sewage network. The wastewater discharged by our Catering Business is also household wastewater, the nature of which should be determined before discharging and pre-processing shall be conducted. The Group monitors the efficiency of its system on a regular basis, subject to the compliance with the wastewater discharge standard in the industry. All wastewater fulfilling the discharge standard will be directly processed by the local sewage treatment factory municipal sewage network.

In order to reduce the discharge, the Group proactively provides training to its employees to enhance their environmental consciousness and responsibility, encourages them to care for the environment and raise the awareness of emission reduction. In the future, the Group will streamline its measures in an orderly way and formulate a detailed plan for discharge reduction.

Use of Resources

Northern New Energy is fully aware of the importance of saving resources and therefore is committed to reducing the waste of resources. During the Year, the resources consumed by the Group mainly comprises of natural gas for cooking under Catering Business and purchased energy for office operation of New Energy Business

Northern New Energy and Environment

Use of Resources		
Use of Energy	Business Segment	
Item	New Energy Business	Catering Business
Direct energy		
Natural gas (GJ)	N/A	1,271
Indirect energy⁴		
Purchased electricity (MWh)	10.1	338.9
Refrigerating air purchased for consumption (MWh Equivalent)	1.2	N/A
Use of Water		
Total water consumption ⁵ (m ³)	7,916	

New Energy Business

Resources consumed by New Energy Business are mainly electricity, household water and paper required by the office operation. The Group promotes the awareness among employees in respect of saving resources and reasonably utilizing electric equipment including lighting equipment, ACs, computers and printers in daily working operation.

Catering Business

The Group has incorporated relevant policies and guidelines regarding energy management and water saving management into the ESG Regulations for its Catering Business.

The resources consumed by Catering Business comprise of purchased electricity, water and natural gas for cooking purpose. In order to utilize the resources in an efficient way, the Group requires relevant department to implement following measures:

- Conduct monthly statistics water usage for restaurants, establish a system for water measuring so as to record and analyze the status of water consumption;
- Toilet flushing water, water flow of wash basin, kitchen and dishwasher should be conducted in accordance with specific standards;

⁴ Indirect energy in respect of the usages of heating and central AC for this year in our office under New Energy Business in Tianjin are not included in the calculation for carbon valuation in the report of this year due to its unavailability.

⁵ Only includes data of Catering Business. Data of water consumption of office under New Energy Business of the Group in Tianjin is not available.



Northern New Energy and Environment

- Inspection and maintenance on the water flow facilities shall be conducted regularly to avoid waste due to leakage in the restaurant;
- Energy management system reporting shall be established by restaurants and electricity monitoring and measuring shall be conducted at least once a year. Energy consumption quota of electricity and gas and accountability should be implemented in each restaurant;
- Strengthen the daily maintenance and cleaning management of ventilation, refrigerating and heating facilities, and monitoring system shall be installed accordingly. Sealing condition of refrigerators, walls and doors and windows are required to be inspected on a regular basis;
- Improvement of the energy measuring system shall be performed by each restaurant and new technique to save energy shall be adopted in an orderly manner.

In the future, the Group plans to continue to improve its policies related to the use of resources and organize all departments to formulate annual objective for saving resources every year based on the record of previous years.

ENVIRONMENT AND NATURAL RESOURCES

The Group follows its internal policies and complies with relevant laws and regulations so as to minimize environmental pollution during its daily operation.

For New Energy Business, we constantly concern the environmental performance of its products during the process of production and in the downstream of supply chain and urge our suppliers to restraint and reduce their influence on environment during production. For Catering Business, we have set up green catering and relevant management policies to establish effective environment management system. We have undertaken that we will proactively use organic food and non-hazardous vegetables, and will not sell any wild animals under protection that are forbidden for sale by PRC.

During the Year, the Group is not aware of any breach in respect of emissions, use of resources and natural resources.

Northern New Energy and Community

It is the general public's expectation that corporations to operate business in a responsible way, and cooperate with all sectors of the society to care and make contribution to the community. Northern New Energy is committed to fulfilling its corporate responsibilities, contributing to the community where it operates, and creating value for the society and the environment.

Looking forward, the Group is planning to develop relevant policies for community investment, aiming to understand the needs of the community where it operates, and identify the key aspect for its contribution.



Summary of Environmental and Social Key Performance Indicators

SUMMARY OF ENVIRONMENTAL KEY PERFORMANCE INDICATORS

Environmental Key Performance Indicators	Data	Unit
The types of emissions and respective emissions data		
Nitrogen oxides	N/A	
Sulphur oxides	N/A	
Suspended Particulate	0.98	kg
Total greenhouse gas emissions		
Scope 1	71.3	tonnes carbon dioxide equivalent
Scope 2	280.4	tonnes carbon dioxide equivalent
Total greenhouse gas emissions	351.7	tonnes carbon dioxide equivalent
Intensity of greenhouse gas (by area)	0.14	tonnes carbon dioxide equivalent/m ²
Intensity of greenhouse gas (by revenue)	1.30	tonnes carbon dioxide equivalent/RMB million
Total hazardous waste		
Total hazardous waste	0	
Intensity of hazardous waste	N/A	
Total non-hazardous waste		
Total non-hazardous waste	38.5	Tonne
Intensity of non-hazardous (by area)	0.015	Tonne/m ²
Total Energy Consumption		
Direct Energy	1,270.6	GJ
Indirect Energy ⁶	354.2	kWh
Total Energy Consumption	2,545.6	GJ
Intensity of Energy (by area)	1.01	GJ/m ²
Total water consumption		
Total water consumption ⁷	7,916	m ³
Intensity of water consumption (by area)	9.90	m ³ /m ²
Total packaging material used for finished products		
Total packaging material	0	
Intensity of packaging material	N/A	

⁶ Indirect energy in respect of the usages of heating and central AC for this year in our office under New Energy Business in Tianjin are not included in the calculation for carbon valuation in the report of this year due to its unavailability.

⁷ Only includes data of Catering Business. Data of water consumption of office under New Energy Business of the Group in Tianjin is not available.

Summary of Environmental and Social Key Performance Indicators

SUMMARY OF SOCIAL KEY PERFORMANCE INDICATORS

Employment	Location	Gender/ age	Below aged 30	Aged 31-40	Aged 41-50	Aged above 50
Total number of employees	Tianjin	Male	2	2	4	2
		Female	2	3	3	0
	Shanghai	Male	16	10	5	7
		Female	4	14	3	6
Number of new recruits	Tianjin	Male	0	0	0	1
		Female	1	1	1	0
	Shanghai	Male	5	3	2	0
		Female	3	3	2	0
Number of resigned employees	Tianjin	Male	0	2	1	2
		Female	0	1	0	0
	Shanghai	Male	22	0	0	0
		Female	13	0	0	0
Employee turnover rate	49.4%					
Total number of employees	83					
Ratio of male to female (male:female)	1.37 : 1					



Summary of Environmental and Social Key Performance Indicators

Health and safety	Location	Fatality due to work-related accident	Work related injuries	Rate of work injury (per thousand employees)	Lost days due to work-related injuries	The number of absence days	The number of working days	Absence Rate
	Tianjin	0	0	0%	0	0	10,944	0.03%
	Shanghai	0	0	0%	0	5	7,776	

Training ⁸	Gender	C-level senior management	Senior management	Mid-level management	General employees	Total number
Number of employee receiving training	Male	0	1	4	32	61
	Female	0	1	4	19	
Total training hours	Male	0	2	8	64	122
	Female	0	2	8	38	
Percentage of employee receiving training	93.8%					
Average training hours	1.9					

⁸ Only includes data of Catering Business. Data of training for the office under New Energy Business of the Group in Tianjin is not available.

Summary of Environmental and Social Key Performance Indicators

Number of employees receiving regular performance and career development review	Gender	Level C management	Senior Management	Middle Management	General employees	Total Number
Total number of employees	Male	0	5	6	37	83
	Female	0	1	5	29	
Number of employees receiving regular performance and career development review ⁹	Male	0	1	4	32	61
	Female	0	1	4	19	
Percentage of employees receiving regular performance and career development review	Male	--	20%	67%	87%	73%
	Female	--	100%	80%	66%	

Supply Chain	Location of Suppliers	Number of Suppliers	Number of suppliers implementing relevant practices
	Tianjin	47	47
	Shanghai	31	31

Product Recalled and Customer Complaint Received	Number of product recalled	Number of customer complaint received
	0	0

⁹ Only includes data of Catering Business. Data of number of employees receiving regular performance and career development review for the office under New Energy Business of the Group in Tianjin is not available.



Environmental, Social and Governance Reporting Guide Content Index

Aspect	Description	Page Index/ Notes
A. Environmental		
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, generation of hazardous and non-hazardous waste.	17-18
A1.1	The types of emissions and respective emissions data.	22
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	22
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	22
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	22
A1.5	Description of measures to mitigate emissions and results achieved.	17-18
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	18
A2 Use Of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	18-20
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	22
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	22
A2.3	Description of energy use efficiency initiatives and results achieved.	19-20
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	19-20; No issue in sourcing water
A2.5	Total packing materials used for finished products (in tonnes) and, if applicable, with reference to per produced.	22

Environmental, Social and Governance Reporting Guide Content Index

Aspect	Description	Page Index/ Notes
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	20
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	20
B. Social		
B1 Employment		
General Disclosure	Information on: (a) 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	8
B1.1	Total workforce by gender, employment type, age group, and geographical region.	23
B1.2	Employee turnover rate by gender, age group and geographical region.	23
GRI 401-1	Total number of new employee hires.	23



Environmental, Social and Governance Reporting Guide Content Index

Aspect	Description	Page Index/ Notes
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impacts on the issuer. relating to providing a safe working environment and protecting employees from occupational hazards.	9-11
B2.1	Number and rate of work-related fatalities.	24
B2.2	Lost days due to work injury.	24
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	9-11
GRI 403-2	Injuries rate (i.e. number of injuries per thousand employees).	24
	Absence rate.	24
B3 Development and Training		
General Disclosure	Policy on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	11-12
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	24
B3.2	The average training hours completed per employee by gender and employee category.	24
GRI 404-3	Percentage of employees receiving regular performance and career development review.	25
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a significant impact on the issuer. relating to preventing child and forced labour.	12
B4.1	Description of measures to review employment practices to avoid child and forced labour.	12

Environmental, Social and Governance Reporting Guide Content Index

Aspect	Description	Page Index/ Notes
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chains.	13-14
B5.1	Number of suppliers by geographical regions.	25
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they implemented and monitored.	13-14, 25
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with the 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.	14-16
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	16, 25
B6.2	Number of product and service related complaints received and how they are dealt with.	16, 25
B6.3	Description of practices relating to observing and protecting intellectual property rights.	16
B6.4	Description of quality assurance process and recall procedures.	14-16
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	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.	16
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	16
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	16
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.	21

