

# 2017 Environmental, Social and Governance Report

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**光滙石油(控股)有限公司**  
**BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED**

(Incorporated in Bermuda with limited liability)

# Environmental, Social and Governance Report

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## **ABOUT THIS REPORT**

### **Introduction**

Brightoil Petroleum (Holdings) Limited (“BOPH” or the “Company” and together with its subsidiaries, the “Group”) is an integrated energy company aiming to meet the world’s growing demand for energy which is economical, environmentally friendly and socially responsible.

### **Reporting Scope, Criteria and Reporting Period**

This is the first Environmental, Social and Governance (“ESG”) report with reference to the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules. Unless otherwise specified, the reporting period is from 1 July 2016 to 30 June 2017.

The ESG report covers the Group’s major operations, including oil and gas exploration, development and production, international trading and bunkering, marine transportation, oil storage and terminal facilities and e-commerce business.

### **Stakeholder Engagement and Materiality Assessment**

The Group believes that a strong relationship built with its stakeholders is a key driver of its business success. The input and feedback collected from the stakeholders throughout the year help the Group refine its ESG strategies and reporting.

In this ESG report, the Group focuses on key issues and responds to stakeholders’ concerns. The report is structured to cover key material issues of concern in the following sub-sections: Operating Practices, People, Environment and Community.

## **OPERATING PRACTICES**

The Group stands up for beliefs and implement corporate culture and values through anti-corruption, customer care, supply chain management and value creation.

### **Anti-corruption**

The Group maintains high ethical standards and ensures sustainable business practices. As such, the Group has developed a Code of Business Conduct (“the Code”), which provides general guidelines to the directors and employees, to ensure the conduct is lawful, fair, ethical and honest under the applicable regulations. Based on this policy, business units are encouraged to develop their own policies incorporating local regulations, customs and tax implications. It is reiterated in the Code that each employee has an obligation to comply with all laws, rules and regulations applicable to the Group. Furthermore, employees are required to report any misconduct or concerns of misconduct following the established whistleblowing policy and procedures. All cases received will be handled confidentially.

### **Intellectual Property Protection**

The Group is committed to protecting intellectual property rights. The Group’s key relevant guidelines, Confidentiality Agreement and Certification of Statement of Commitment guidelines, are established to ensure business data protection and prevent unauthorised disclosure of sensitive information to the third party. Policies and procedures in place are regularly reviewed and updated to adhere to the latest local laws and regulations.

## **OPERATING PRACTICES** *(continued)*

### **Customer Care**

The Group values the importance of providing quality products and services to customers. The Group is committed to ensuring that its products and services are of premium quality, obtained through verified and legitimate sources and delivered under controlled processes. As such, laboratory quality check system is set up in the upstream oil and natural gas business to perform quality inspection with an aim to meet the service requirements as set out in the contracts with customers.

The Group is committed to protecting customer privacy. For its e-commerce business, the Company adopted an Online Data and Customer Privacy Protection Management policies and procedures to ensure information collected will only be used by authorised personnel in relevant departments. Accessibility, storage and removal of personal data are governed with the Group's policy to protect customer privacy.

Every vessel is fitted with a Mass Flow Meter which allows bunker consumption to be measured and managed effectively. Mass Flow Meter Dispute Management guideline and procedure are also in place. This allowed the Company to perform quality controls efficiently and avoid any potential dispute with customers regarding amount of fuel supplied.

### **Supply Chain Management**

The Company works closely with parties including contractors, suppliers and partners to achieve business success.

Capabilities and performance of the Group's suppliers play a vital part in shaping BOPH role in being a safe and responsible operator. As such, registration, tendering and credit review processes are established and carried out by credit risk and procurement departments before a service agreement is enacted. The Group's sustainable values and requirements are formally embedded into the terms and conditions of regular service agreements. Furthermore, all the approved suppliers have to comply with the Supplier Assessment Management Policy and their performance in terms of sustainability and quality is considered and reviewed timely. If the supplier is rated as an underperformer, they may be blacklisted or even put in a lower priority group in the next supplier selection process.

The Group is keen to learn from and share experiences with its business partners. BOPH is proactively connecting with industry influencers face-to-face, to get the latest updates on global energy supply and build meaningful business relationships. For example, in 2016 the Group participated in Vitol Asia Pacific Petroleum Conference, where Brightoil exchanged ideas and knowledge on the industry's most critical issues regarding the supply, demand and trading outlook.

### **Value Creation**

In 2016, an environmental-friendly and innovative energy and financial e-commerce platform, Brightoil Online, was developed and launched to transform the traditional petroleum distribution system and improve customer experience. This e-commerce platform enables the Group to optimise its production, storage and marketing to better meet customers' demand, improve efficiency and reduce transaction cost, as well as bring more convenience to the customers.

### PEOPLE

At Brightoil, employees are the most valuable asset. The Group protects employees' rights and interests, cares for their health and safety, improves their work conditions and explores opportunities for better career development for the employees.

#### Employment

The Group strictly abides by local laws and regulations to protect employee's rights. In terms of employment and labour practices, the Group follows flag state countries' laws and global standards for Maritime-Labour-Convention, 2006 ("MLC 2006"). The Group strictly adheres to the local labour laws and regulations where it operates, including the Labour Law of the PRC and Singapore Employment Act, to prohibit child and forced labour. An internal recruitment mechanism was implemented to screen out any potential candidates that are underage.

The Group continuously cares about its employees and strives to build a harmonious work environment for all employees. For example, birthday party and team bonding activities are hosted monthly in all offices to let employees celebrate festivals and share happy moments together. Through quarterly various team building activities, employees are encouraged to share their backgrounds, knowledge and experience with colleagues and reinforce bonding.

#### Health and Safety

Employees' health and safety has always been Brightoil's top priority. The Group follows the International Convention for the Safety of Life at Sea ("SOLAS") to provide employees with a safe living environment on board. Cabin designs are in compliance with requirements stated in global and local standards to ensure that adequate space, light, heat, vibration and noise insulation and drainage system are in place. Hazardous substances are stored in designated separated rooms and segregated with protective layers or containers according to global standard requirements. Regular assessments, such as monitoring the exposure to hazardous substance, radiation and noise level, were conducted by an independent third party on the offshore platform working environment to meet the occupational health and safety standards. The Group abides by the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers and the MLC 2006 to ensure sufficient rest time and mandatory holidays are taken by the marine crews. All crew members will also be subjected to periodic health assessment and certification before being granted permission to work. The Group also ensures that medicine supply is adequate, medical equipment is in place as well as designated medical rooms are set up on all bunker tankers.

BOPS's oil storage and terminal facilities design follows national standards on environmental protection, fire control and health and safety. All employees are also provided with personal protective equipment in compliant with national regulations. The Group has established safety guidelines such as Work Safety Accident Emergency Plan, Fire and Explosion prevention technical safety guide to guide its members working at piers in case of emergency. Fire evacuation drill is carried out twice a year to ensure that all staff understand the emergency arrangement in case of fire.

Three years ahead of the Maritime and Port Authority of Singapore's official issuance of TR48 Technical Reference on the use of Bunker Mass Flow Metering, the Group had adopted the same system, which eliminated the need for manual check on fuel amount in tanks for recording fuel transfer. This greatly reduced health and safety risks of bunkering crew members by preventing them from exposing themselves to harmful vaporised fuel during the manual check.

## PEOPLE *(continued)*

### Development and Training

Training and career development guide is an integral part of the employee manual to encourage employees to take charge of their career development. The Group encourages employees to participate in weekly sharing and knowledge exchange sessions, courses and seminars relevant to their daily functions and business needs. New joiners will participate in Brightoil's new staff orientation programme to understand the Group's history, culture, key management, internal systems, and channels to seek help and get on board smoothly. Specific training on tanker maneuvering, electronic nautical charts, navigating bridge operation, for example, are provided to the staff who work on the tanker.

The Company takes training and promotion of employees seriously. The employee will have to complete all required trainings and possess the necessary qualification in order to be promoted for the new position. An annual management assessment session is hosted to collect opinions from senior employees; the feedback will be considered to improve the planning and management of human capital. The company also developed multi-dimensional annual training program according to staff development status. Training courses for professional literacy, leadership, and technical skills, are embedded with company culture.

## ENVIRONMENT

BOPH generates greenhouse gases ("GHG") throughout its operations, from exploration of hydrocarbon resources to the transportation, storage and delivery of these resources to customers. The Group works to mitigate environmental impacts and strictly follow all regulations set out by the local government and the International Maritime Organization ("IMO"). BOPH established an HSE department to strategically review key environmental issues for the business such as GHG emissions, air quality, water use and sensitive areas.

### Emissions Management

BOPH's operations is in full compliance with local and international regulations such as the IMO's Convention for the Prevention of Pollution from Ships ("MARPOL"), the main international convention on prevention of pollution of the marine environment by ships from operational or accidental causes. Adopting the national and international regulations, limits are set for sulphur oxide and nitrogen oxide emissions from ship and prohibits deliberate emissions of ozone depleting substances.

Regulations regarding environmental emissions is tightening and many jurisdictions are now focusing more on reducing emissions in the marine transportation business. For instance, the revised Annex VI to the MARPOL Convention issued by the Marine Environment Protection Committee of the IMO – which stipulates the 0.5% global sulphur cap for marine fuels from 2020 – is expected to marginally encourage fleet removal of older tonnage before the new regulation comes into effect. As such, the next few years will present great opportunities in the tanker transportation market for Brightoil's new Very Large Crude Carriers ("VLCC") with the high fuel efficient specification. At upstream extraction sites, staff are encouraged to use electricity from the grid instead of generating electricity from onsite diesel generators to avoid direct GHG and air emissions from fuel combustion.

### Energy Management

Reducing the amount of energy used can help minimise environmental impacts, including reducing GHG emissions and other air emissions, as well as provide economic incentives. The Group requires operations to incorporate energy use considerations into their business plans and to assess, prioritise and implement technologies and systems that could improve efficiency. For example, VLCC ships are unique in the respect that each vessel is equipped with an on-board blending facility and heating coils, enabling them to blend different grades of cargo while at sea, thereby minimising transportation and energy costs of shore.

## **ENVIRONMENT** *(continued)*

### **Waste and Natural Resource Management**

The Group recognises the importance of managing resource use and waste discharges in its operations. For oil and gas exploration, environmental impact assessments must be carried out for approval of the authorities prior to project commencement to minimise the impact to the environment. Many of the Group's local facilities actively participate in resource saving and recycling initiatives in order to emphasise the importance of saving natural resources and reducing the impact of their operations on the environment. For bunkering business, vessels are equipped with seawater desalination systems to reduce freshwater consumption. Additionally, oily water and waste produced by oil tankers will be collected and processed by a licensed third party.

## **COMMUNITY**

### **Achievements in Community Service**

The Group strives to make a positive impact and create sustainable values to the communities where it operates.

Following the call of China Democratic League's "Rural Education Candlelight Action", the Group has provided donations over the last decade to support the construction of "candlelight primary schools" in 13 areas across the country. All supported schools were successfully established and in operations to provide quality education to underprivileged children in rural areas.

Apart from contributions made towards candlelight schools, donations were also made to Shenzhen Charity Federation for supporting poverty alleviation initiatives, and to China Disabled Persons Federation for providing occupational training and recreational activities to the disabled persons to equip them with technical skills to make a living and have a balanced life.

## **REGULATORY COMPLIANCE**

The Group was not aware of any non-compliance with laws and regulations that has a significant impact on the Group relating to environmental protection, employment and labour practices and operating practices during the reporting period.