

Environmental, Social and Governance Report 2018



KunLun Energy Company Limited

(incorporated in Bermuda with limited liability)

昆 侖 能 源 有 限 公 司

(Stock Code: 00135.HK)

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ABOUT THIS REPORT

This is the environmental, social and governance (“ESG”) report of Kunlun Energy Company Limited for 2018. It provides an overview of the Group’s fulfilment of economic, environmental and social responsibilities in 2018.

REPORTING ENTITY

Kunlun Energy Company Limited.

REFERENTS

“Kunlun Energy Company Limited” may also be referred to as “Kunlun Energy”, “we” or the “Group” in this report. The Environmental, Social and Governance Reporting Guide is referred to as the “ESG Reporting Guide”. The Stock Exchange of Hong Kong Limited is referred to as the Hong Kong Stock Exchange. Sustainability Reporting Standards of Global Reporting Initiative are referred to as “GRI Standards”.

Unless otherwise stated, all amounts stated in this report are in Renminbi (RMB).

REPORTING PERIOD

The reporting period of this report is the financial year 2018, being the period from 1 January 2018 to 31 December 2018.

SCOPE OF THE REPORT

This report covers the Group’s management policies, objectives, commitments, and key projects and measures in relation to ESG matters and activities relating to the operation of the Company. For the list of the Company’s subsidiaries covered in the report, please refer to Note 40 “Key Subsidiaries” in the consolidated financial statements set out in the Group’s annual report 2018.

BASIS FOR PREPARATION

This report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide, Appendix 27 to the listing rules issued by the Hong Kong Stock Exchange.

PREPARING ORGANISATION

The Group’s ESG Report Preparation Committee is responsible for preparing the ESG Report and formally reporting to the Board on an annual basis. In 2018, the ESG Report Preparation Committee was chaired by Zhong Wenxu, deputy manager of Kunlun Energy, while each of 12 relevant departments assigned a member of its management to act as vice chairman and an employee to participate in the work as member of the committee. In order to continuously promote sustainable development capacity and enhance ESG management and reporting work, Kunlun Energy organises the ESG Report Preparation Committee to participate in training relating to sustainable development at least once a year.

INFORMATION AND FEEDBACK

All information disclosed in this report are derived from the Group’s internal documents, statistical data and summaries and statistics of the performance of responsibilities by the subsidiaries of the Company. The contents of this report have been reviewed by the management and relevant departments of the Group and approved by the Board. The Group looks forward to hearing your valuable opinions and suggestions, so that we may continue to improve our sustainable development performance and enhance our ESG capability.



MESSAGE FROM CHAIRMAN/SENIOR MANAGEMENT

Welcome to read this report. Thank you for your concerns and support for Kunlun Energy.

In 2018, we followed the steady growth policy and high-quality development while coping with severe seasonal and periodic shortage of natural gas in the domestic market. The Group continued to utilize the asset and business structure advantages and seize on market opportunities. Our city gas sales volume recorded rapid growth, and natural gas pipeline transmission volume maintained steady growth. We continued to optimise our asset and business structures, and both kept up a rapid but steady development momentum. The Company received the China Gas Association's 30th Anniversary Outstanding Contribution Award and was named as Best Listed Company by the China Securities Golden Bauhinia Awards.

We are well aware that the high-quality development of Kunlun Energy is inseparable from social development. Thus, we have firmly established and conscientiously implemented concepts of "innovation, coordination, green, openness and sharing" in our developments. We seek opportunities and pursue development whilst meeting social needs, addressing common challenges, and striving to create shared value with stakeholders.

Increasing market transparency has led public attention to listed companies to gradually shift from only financial information and economic growth to enterprises' future sustainable development. China's environmental protection policies have aided in the vigorous development of the natural gas market. The government has issued many environmental protection policies, continues to promote air pollution control and strengthens the coal-to-gas conversion in key areas of the residential, heating and industrial. Now, as the industry faces the double challenge of conserving energy and reducing emissions while demand for energy is increasing, green development is imperative. As a listed company representing the downstream natural gas distribution industry and prominent company in the PRC, Kunlun Energy bears a greater level of responsibility and obligation to society and the environment. We have accordingly responded to national policies and government plans, implemented pollution controls and measures to reduce emissions, comprehensively promoted the enterprise's lawful compliance, expanded research and development innovation, and expanded our win-win cooperative efforts in the interests of steady gas supply, safeguarding daily living, aiding local development, and supporting harmonious communities. We have made aggressive progress in all aspects of ESG. On this basis, we continued to strengthen management's understanding of ESG matters, and strived to integrate the associated management and reporting work into the daily business operation of Kunlun Energy. We also took the initiative to disclose information on sustainable development to strengthen the public and stakeholder confidence in the development prospects of Kunlun Energy.

In 2018, we continued to deepen our communication with stakeholders. In this ESG Report, we not only fully consider the concerns raised by stakeholders, but also expand on ESG issues by analysing important domestic and international issues in our industry and focusing more comprehensively and accurately on the operation of the Group.

In the future, Kunlun Energy will devote greater attention to sustainable development and social, resource and environmental indicators. Not only will it strive for the today's development, but also will it be responsible for tomorrow's development. Kunlun Energy will focus on end-users sales development, and shall continue to uphold its corporate values as it creates more returns to its shareholders and drives the sustainable development of the environment and society.

Chairman of Kunlun Energy Company Limited
Ling Xiao

ABOUT KUNLUN ENERGY

COMPANY PROFILE

Registered in Bermuda (a British Overseas Territory) and listed on the mainboard of the Hong Kong Stock Exchange under the stock code of 00135.HK, Kunlun Energy Company Limited is an integrated energy company controlled by PetroChina Petroleum Limited ("PetroChina") and is one of the constituent stocks among China-funded enterprises of the Hang Seng Index. The major businesses in which Kunlun Energy is currently engaged are natural gas sales, liquefied natural gas (LNG) processing and terminals, natural gas pipelines, and exploration and production.

PetroChina, the controlling shareholder of Kunlun Energy, is the largest producer and supplier of oil and natural gas in the PRC. Kunlun Energy is an important value realisation link in PetroChina's natural gas industrial chain, serving as the natural gas business's financing platform and investment entity and the comprehensive natural gas end-user business's management platform. Kunlun Energy is one of the largest natural gas utilisation enterprises and liquefied petroleum gas (LPG) vendors in the PRC in terms of sales volume.

Kunlun Energy adheres to PetroChina's corporate objective of "supplying energy and creating harmony" and its core management philosophy of "honesty, innovation, performance result and harmony". It makes full use of the advantages of PetroChina's entire industry chain and relies on domestic and international resources and markets to exploit opportunities, leapfrog development, and promote the rapid growth of its natural end-users sales and comprehensive utilisation businesses. It is committed to providing all users with a safe and steady gas supply and effective customer services. By these means, it creates greater value for shareholders, makes positive contributions to economic and social development, and makes progress toward the aim of becoming a world-class natural gas utilisation company with a leading position in the PRC.

Kunlun Energy's economic performance in 2018

Performance Indicator	Unit	2018	2017	2016 (restated)
Sales revenue	RMB100 million	1,054.70	887.06	704.00
Profit attributable to shareholders	RMB100 million	46.34	47.60	6.66
Earnings per share (basic)	Cent	57.41	58.97	8.25
Total assets	RMB100 million	1,405.87	1,405.58	1,289.34
Total natural gas sales volume	100 million cubic metres	220	188	152
Annual sales volume of LPG	10,000 tonnes	700	658	638

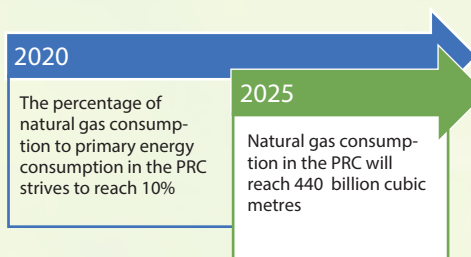


BUSINESS PHILOSOPHY



BUSINESS DEVELOPMENT PLANS

The Chinese government advocates continuous green development as a means of building an ecological society. It has promulgated a series of policies promoting industrial transformation and upgrading, and the cultivate natural gas as a major element one of the modern clean energy system. Under these trends, Kunlun Energy attaches great importance to business planning. It has established a mature planning and management system with variety management methods to promote the sustained and stable development of its business. In 2018, we further optimised and adjusted our planning management system according to the adjusted business development strategies. We ensured orderly planning by evolving a framework and management procedures which clearly define the organisational structure, divisions of responsibility, work content and processes. We also formulated an Overall Plan for Gas Business Development of the Group from 2019 to 2025 The document further defines our strategic objective of enlarging and strengthening the end-users business and re-images our medium- and long-term development goals.



National energy development plan

In accordance with the Group's medium-and long-term development goals and ideas, we will:

Fully enhance the natural gas end-users sales scale.

The Group will continue to adopt the combined strategy of developing new markets and exploring the existing market, and it will also continue to expand the scale of end-user retail market. It will also actively discover and expand into new markets, high-end market, profitable markets and emerging markets, and put more efforts in acquiring high-quality users including residential, industrial and public service sectors. It will promote the merger and acquisition of city gas projects and push forward the plan of developing high-potential quality natural gas generator projects and distributed energy projects.

Actively promote the branch pipeline constructions to drive the development of end-users sales markets.

The Group will assist in the development of end-user sales, and strive to simultaneously carry out the construction of branch pipelines and the development of retail markets.

Continue to enhance the LNG industry chain value.

The Group will make full use of its advantages in the integration of "terminals + processing plants + refuelling stations", coordinate the allocation of resources, continue to optimise the operation efficiency of LNG terminals and to enhance the utilisation rate of LNG processing plants. The Group will increase its efforts in promoting the application of natural gas in the transportation field and optimizing the distribution of gas refilling stations.

Facilitate the transformation and upgrade of LPG sales in a stable manner.

The Group will expand the scale of imported resources as well as explore and optimise the resource channels. It will intensify the marketing management and end-user markets development, refine the logistics system, continuously extend the industry chain, accelerate the pace of sales transformation and upgrade, and strive to attain quality development.



SUSTAINABLE DEVELOPMENT POLICIES

SUSTAINABLE DEVELOPMENT STRATEGIES

In 2018, the Chinese government introduced several environmental protection policies, continued to promote air pollution controls, and strengthened “coal-to-gas conversion” in key areas of the residential, heating and industrial gas sectors. As the environmental protection policies have becoming more stringent, the demand for natural gas, as a clean energy, will continue to grow strongly. As a major natural gas end-user utilisation operator, Kunlun Energy has stayed abreast of green development in China while promoting the growth of the natural gas business in accordance with its “innovation, coordination, green, openness and sharing” development concept. While assisting by China’s move towards energy transformation and fulfilling its commitment to reduce emissions, it strives to reduce the negative environmental and social impact of its activities and create greater value for shareholders.

Kunlun Energy continuously promotes “gas in substitution of oil” and “coal to gas conversion” to maximise the benefits of natural gas and LPG value chains, and encourage its use for city gas, road transport, ship sailing, power generation and industrial fuel. We capitalise on the strengths of the industrial structure, support the construction of an ecological society, and promote low-carbon economic and social development. Our approach is also people-oriented, with support for regional economic development through a steady supply of natural gas and cooperation with a wide range of stakeholders. In terms of human resources, our employee development platform is vital to our aim of driving growth and sustainability, cultivating technical capability, and building an excellent business.

As a responsible listed company, Kunlun Energy adheres to the principle of innovation-driven growth, capturing industry opportunities, building and improving health, safety and environmental protection management systems, and reducing its operations’ exposure to ESG-related risks.

COMMUNICATION WITH STAKEHOLDERS

Kunlun Energy's major stakeholders include customers, government and regulatory authorities, suppliers, employees, communities, media and shareholders/investors. Their support and trust is a prerequisite for the Group's sound long-term development. As such, we strive to maintain good communications. Through a variety of channels, we listen attentively to their expectations, concerns and opinions, and in due course respond with appropriate action.

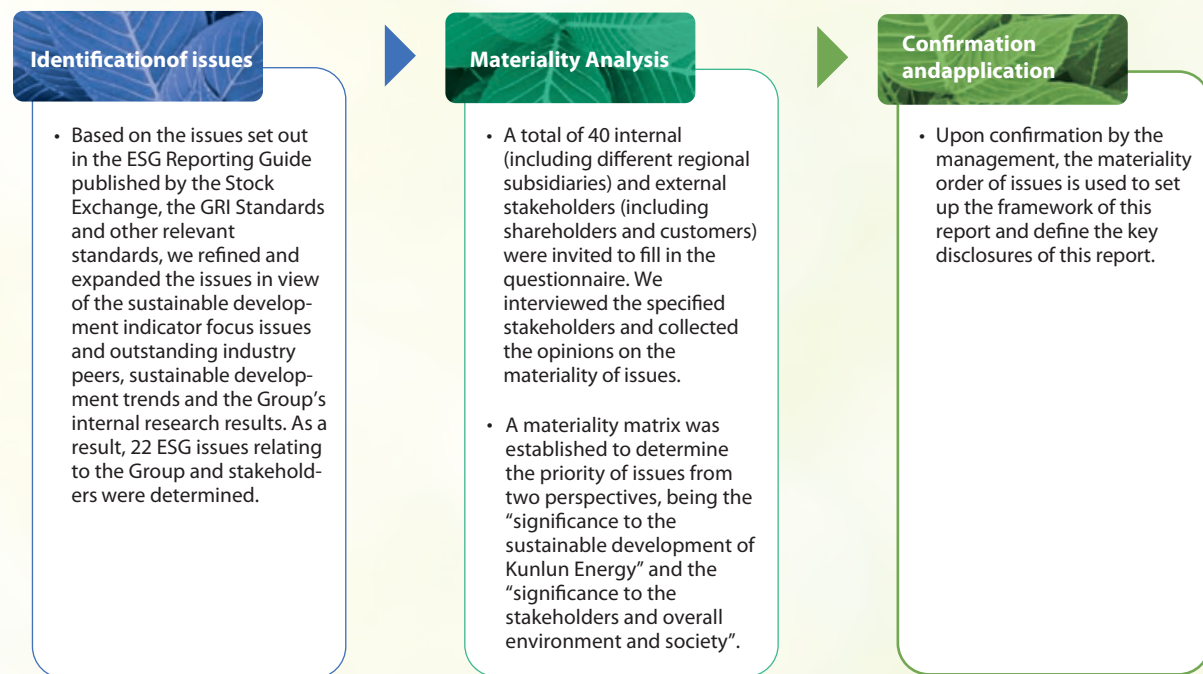
Stakeholder	Communication channel	Communication frequency	Focus issues	Key communication performance in 2018
Customers	Security check at door	Throughout the year	<ul style="list-style-type: none"> • Safety protection • Price • Service quality and speed of response • Steady supply 	<ul style="list-style-type: none"> • 1,500 articles published in internal Group website; 171 articles published in external websites; 171 feature articles pushed through the Group's WeChat public account. • Customer satisfaction was 99% in 2018.
	Publicity (through internet, TV and community bulletin boards)	Throughout the year		
	Customer services (through stores, customer service telephone, WeChat public account)	Throughout the year		
Government and regulatory authorities	Meetings	Irregular intervals	<ul style="list-style-type: none"> • Energy policies • Safety, environmental protection and other regulatory requirements • Gas development plan • Supply safety • Steady supply • Stable price • Pay taxes according to law 	<ul style="list-style-type: none"> • The Group implemented a green development concept and actively promoted the "coal-to-gas conversion" for more than 300,000 users in North China, thus continuously improving the air quality of the Beijing-Tianjin-Hebei region. It assisted in the adjustment in energy structure for Lanzhou, with the percentage of heat supply led by natural gas of above 65%. It completed the replacement of manufactured gas by natural gas for more than 1,000,000 users in Kunming City, and Kunming City entered an era of natural gas. The Group continued to supply clean energy to the local governments and insisted on the protection of clear waters and lush mountains. • The Group accelerated the national resource supply and the construction of reserve system for peak regulation, and achieved inter-connection with the pipeline networks of CNOOC and Sinopec, etc as well as coordinated and balanced resources; introduced emergency plans, accelerated the expansion of projects including Tangshan LNG terminal to improve supply and regulate peak demand. It also gained the recognition from the country and local governments. • The Group actively started the communication and cooperation with upstream and downstream partners, and refined the pricing terms of contracts within the framework of the relevant national laws and regulations relating to pricing to establish a price linkage mechanism, and effectively implemented the price rationalisation strategy.
	Work reports	Irregular intervals		
	Research reports	Irregular intervals		
	Government documents	Irregular intervals		
	Special reports	Irregular intervals		
	Routine inspections	Irregular intervals		

Stakeholder	Communication channel	Communication frequency	Focus issues	Key communication performance in 2018
Suppliers	Meetings	Irregular intervals	<ul style="list-style-type: none"> The balance of resource stock and supply and demand Price and market performance Anti-corruption Information disclosure Procurement practices 	<ul style="list-style-type: none"> The Company promoted online operation of the procurement business and standardised procurement activities via a materials procurement and management information system, thus improving procurement efficiency and creating a detailed record of the whole process and sunshine procurement. In 2018, the Company conducted examination and evaluation for all the suppliers and retained qualified suppliers based on the results of the evaluation.
	Electronic trading platform	Throughout the year		
	Organisation of bidding and tendering	Irregular intervals		
	Negotiation of purchases and contracts	Irregular intervals		
	Day-to-day business communication and exchange (telephone or interview)	Recurring		
	Strategic cooperation on resources and equipment	Irregular intervals		
Employees	Labour union and staff representative assembly	Once a year	<ul style="list-style-type: none"> Remuneration packages Career path Cultural and recreational activities 	<ul style="list-style-type: none"> A staff representative assembly is convened periodically, and channels for employee participation in Group management are maintained to collect staff representatives' proposals on issues (including remuneration packages, career paths) from staff representatives and ensure a timely response. The Company maintains a reply ratio of 100%. News of the Group and its subsidiaries is kept up to date to give employees the big picture at all times. Entertainment and talent activities for staff are held.
	Staff training	As planned		
	Work meetings	Once or twice a year		
	Company website	Throughout the year		
	Interviews, cultural and recreational activities	Throughout the year		
Community	Volunteer activities	Irregular intervals	<ul style="list-style-type: none"> Sharing knowledge Improving the environment 	<ul style="list-style-type: none"> A total of 271 community volunteer service activities were conducted, with 3,300 participants, 115,000 total service hours, and RMB513,000 expenses incurred. 1,903 trees were planted.

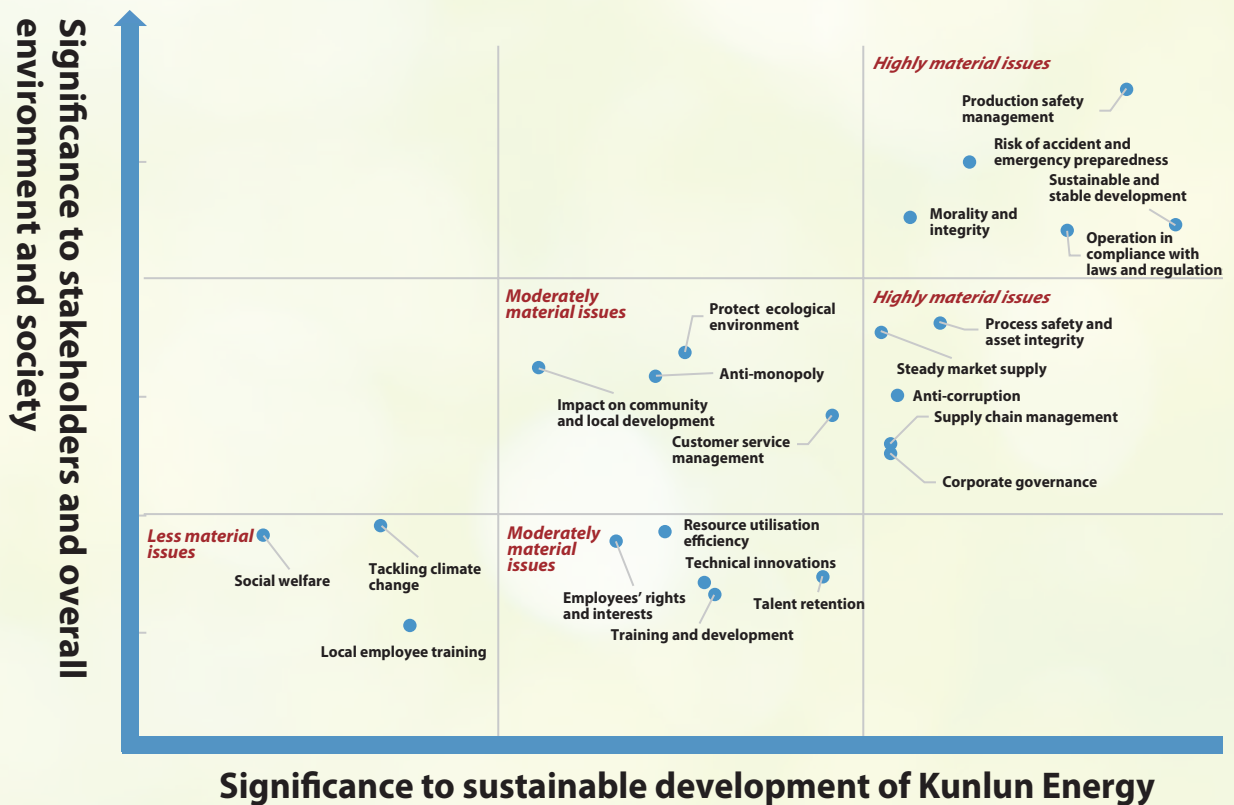
Stakeholder	Communication channel	Communication frequency	Focus issues	Key communication performance in 2018
Media	Results presentation	Twice a year	<ul style="list-style-type: none"> • Future developments • Daily living protection • Breakthroughs in work or progress 	<ul style="list-style-type: none"> • The most recent PetroChina media open day was broadcast live, attracting 2,760,000 viewers at the main venue (Kunlun Energy station) and three sub-venues. 102,770 persons 'liked' the event, and a link to a live broadcast at Weibo was relayed by the official Weibo accounts of State-owned Assets Supervision and Administration Commission and central state-owned enterprises. • News reports: In 2018, Kunlun Energy hosted the first China-Europe International Transport Corridor Natural Gas Fueled Vehicle Rally. China, Russia and Kazakhstan formed a fleet of vehicles using natural gas as engine fuel to traverse the Eurasian continent in a journey of more than 10,000 kilometers. During the event, Kunlun Energy invited over 40 mainstream media to provide comprehensive and three-dimensional publicity and coverage, and the event received extensive attention from over 100 domestic and foreign media with total network traffic of 95 million. • News reports: Delivery of LNG in China's first Yamal vessel to Jiangsu Rudong terminal, China-Europe International Automobile Rally.
	Annual/interim reports	Each once a year		
	Website submissions, information on internal activities	Daily updates		
	Media open days	Irregular intervals		
	Special reports on major events	Irregular intervals		
Investors/ shareholders	Special reports on major issues/information disclosure	Regular disclosure as required by the Hong Kong Stock Exchange	<ul style="list-style-type: none"> • Economic benefits • Sustainable development • Risk management and control • Shareholders' equity and profit • Management incentives 	<ul style="list-style-type: none"> • More than 10 shareholders' general meetings and meetings of the Board and specialised committees were arranged during the Year, at which 74 resolutions were passed. • As required by the Hong Kong Stock Exchange, 29 announcements were published in relation to changes in directorship, dilayer of structure, management system reform, changes in the conversion price of convertible bonds, results reports, etc. • During the Year, over 100 investor conferences were held and 18 roadshows were conducted in four cities in the United States to facilitate in-depth communications with 18 investment institutions.
	Annual reports/interim reports	Each once a year		
	Roadshows and reverse roadshows	Irregular intervals		
	Enterprise open day	Irregular intervals		
	Shareholders' general meetings	Held as required by the Hong Kong Stock Exchange		

MATERIALITY ASSESSMENT

The materiality assessment is not only conducive for Kunlun Energy to identify the risks and opportunities relating to sustainable development, optimise resource allocation and define the direction for improvement, but also improve the disclosure of the ESG Report and enhance the capital market's understanding of the Group's sustainable development process. Based on the ESG Reporting Guide issued by the Stock Exchange, the Group continued to meet international norms by drawing on the materiality issue analysis method in the GRI Standards and updated material issues with the assistance of third-party consultants. The materiality assessment process included these three main steps:



The following materiality matrix shows how these 22 issues were prioritised. The closer an issue is to the upper right-hand corner, the more significant it is to Kunlun Energy and the stakeholders. The closer an issue is to the lower left-hand corner, the less significant it is.



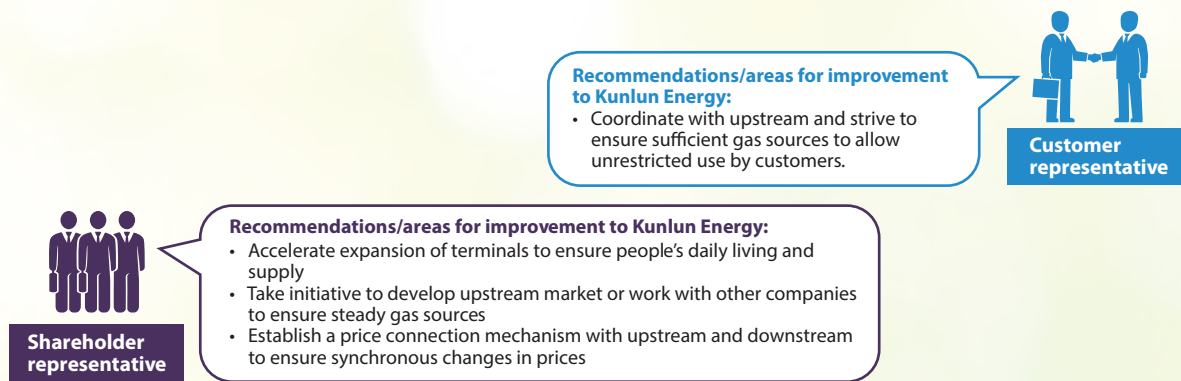
After considering their significance to Kunlun Energy and to stakeholders, 10 highly material issues, 9 moderately material issues and 3 less material issues were identified. While focusing on material issues, this report also responds to the major concerns of external stakeholders. The following table shows the prioritised issues and their corresponding sections in this report. The policies and management measures in all material aspects specified in the ESG Reporting Guide issued by the Hong Kong Stock Exchange are set out in the relevant sections of this report. For details, please refer to the index table in the appendix.

Materiality	Issues	Description of relevancy	Corresponding section in this report
Highly material	Production safety management	Kunlun Energy is engaged in natural gas, liquefied petroleum gas and other gas businesses, while gas is flammable and explosive. Therefore, Kunlun Energy's has high safety risks in its production and operation process. Safety production management is the guarantee for sustainable development of an enterprise. It is related to the health, high-quality development and sustainable development of an enterprise, therefore safety production management is of vital importance.	Production safety
	Sustainable and stable development	Continuous and stable development is not only related to the Company's better fulfillment of social and economic responsibilities, but also to the business performance of the Company and the interests of shareholders and stakeholders.	Business development plans
	Operation in compliance with laws and regulations	Compliance with laws and regulations is an essential requirement for enterprises to fulfill their social responsibilities and legitimate business operations. It is the bottom line of Kunlun Energy's code of conduct and principles. Non-compliance will affect the reputation and image of the Company and affect the sustainable development of the Company.	Compliance management
	Risk of accident and emergency preparedness	Kunlun Energy has high production and operation risks. Risk prevention and control can prevent accidents, and emergency management can reduce the impact of accidents. By establishing a comprehensive accident prevention and emergency management system, risks can be reduced and pitfalls can be eliminated from the source.	Production safety
	Morality and integrity	Integrity and morality are the basis of the Company's image and affect market development and continuous growth of the Company's performance.	Integrity development
	Process safety and asset integrity	Process safety and asset integrity management are management activities to protect assets from loss and damage and are the basis for safe operations. It is also the guarantee for effective and efficient utilization of assets and the basic guarantee for reducing the risks of production safety and environmental protection.	Production safety
	Steady market supply	The promotion of China's coal-to-gas conversion policy and the rapid growth of natural gas demand have further aggravated the seasonal shortage of domestic natural gas resources. As a large-scale gas company, it shall shoulder and attach great importance to the political responsibility of protecting people's livelihood and corporate social responsibility in ensuring gas supply.	Ensuring steady supply
	Supply chain management	As natural gas and liquefied petroleum gas are hazardous chemicals, the entire supply chain is in a high risk operation. Therefore, the risk management and control of the entire supply chain is an essential requirement to reduce risks from the source, improve risk management and control capabilities and reduce the incidence of accidents.	Supply chain management
	Anti-corruption	Corruption not only hinders the healthy development of enterprises, but also negatively affects the corporate social public image. The Group maintains zero-tolerance toward corruption.	Integrity development
	Corporate governance	Good corporate governance is a vital condition to determine the quality of the corporate's operations and development, and is a key factor affecting business performance.	Corporate governance

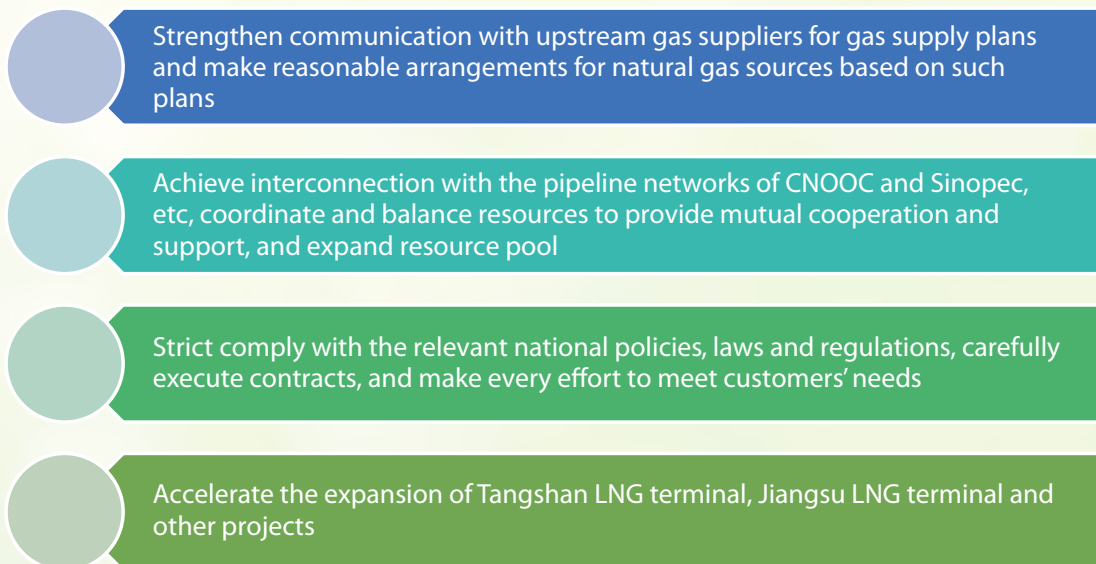
Materiality	Issues	Description of relevancy	Corresponding section in this report
Moderately material	Customer service management	Customer relationship management and maintenance is the key to enhancing the competitiveness of the Company. Kunlun Energy has a nationwide business network with more than 9.7 million customers. Therefore, improving customer satisfaction and loyalty and maximizing customer development require good customer management.	Customer services
	Protecting the ecological environment	Protecting the ecological environment is a fundamental national policy. Although Kunlun Energy operates clean energy business, there will still be a small amount of solid waste, wastewater and waste gas generated in the production process. According to the national policies such as the three-year action plan of the Blue Sky Protection Campaign, the Group needs to strengthen environmental risk management and control and fulfill its environmental protection responsibility.	Ecological protection
	Anti-monopoly	The Chinese government will accelerate the revision of laws to make antimonopoly law enforcement more professional and refined. Enterprises should strengthen their anti-monopoly compliance and resist any act that undermines the market order.	Anti-monopoly
	Talent retention	In the process of development, Kunlun Energy has continuously cultivated various professional talents, which has gradually expanded and improved our talent team. Preventing brain drain will help promote the Group's development and maintain a positive development momentum.	Communication and care
	Impact on community and local development	The production and operation of enterprises directly affect local economies and living environments. The Group has a responsibility to drive local economic and social development with its own development to achieve win-win results.	Local development aid
	Resource utilisation efficiency	Kunlun Energy's resource consumption mainly consists of electricity for production as well as gas and water required for production and domestic use. Efficient use of resource can reduce costs, increase efficiency and reduce environmental pollution.	Resources conservation
	Technical innovation	Innovation is an important driving force for enterprise development. Only through innovation can enterprises strengthen and improve their core competitiveness and adapt to the needs of social development and market competition.	Research and development innovation
	Training and development	Talent determines the scale of development of the Company. Building an excellent operational and technical team can drive the rapid and high-quality development of the Company.	Talent training
	Employees' rights and interests	Employees are the core of business operations. Safeguarding employees' rights and interests and establishing good relationships between the company and employees positively promote the healthy and sustainable development of the company.	Compensation and welfare
Less material	Tackling climate change	Tackling climate change is a national policy requirement and a corporate social responsibility. As a company that supplies clean energy, we should actively respond to national policies and strive to reduce carbon emission from our own production and operation processes while producing clean energy.	Tackling climate change
	Local employee training	Training local employees is an important way to realise local operation. Kunlun Energy is committed to improving the professional competence and management of local employees.	Aiding local development
	Social welfare	As a responsible corporate, the Group carries out social welfare activities to promote a harmonious society.	Community public welfare

STAKEHOLDERS' DEMANDS AND RESPONSES

In preparing this report, Kunlun Energy commissioned independent third-party consultants to conduct interviews with external stakeholders to understand their views, expectations and suggestions on the Group's sustainable development.



Kunlun Energy values stakeholders' suggestions and demands and is always working to respond to them. In terms of secured resource, we actively expanded resource channels and introduced emergency plans to protect them in order to improve the ability of supply resources. In the meantime, in order to accelerate the national resource supply and the construction of reserve system for peak regulation and strengthen our storage and transportation capacity, Kunlun Energy thoroughly implemented China's decisions and arrangements for deepening national oil and gas system reform and the requirements for accelerating the building systems of natural gas production, supply, storage and sales. It made full use of the relevant incentive policies and actively pushed forward the distribution and construction of LNG terminals in order to improve supply and regulate peak demand.





The emergency buffer storage project at Tangshan LNG Terminal is nearly 50% completed



Jiangsu LNG terminal phase III pile foundation project is completed

For the Group's policies to manage and ensure steady market supply, please refer to the section headed "Ensuring steady supply".

As to the building of an upstream and downstream linkage mechanism, Kunlun Energy always commits to communication and cooperation with upstream and downstream partners, and to further refining the pricing terms of contracts within the framework of the relevant national laws and regulations relating to pricing. Through these means, the Group is establishing a price linkage mechanism and has effectively implemented the price rationalisation strategy which enables it to avoid the risk of price fluctuation and has led to a steady improvement in sales performance.

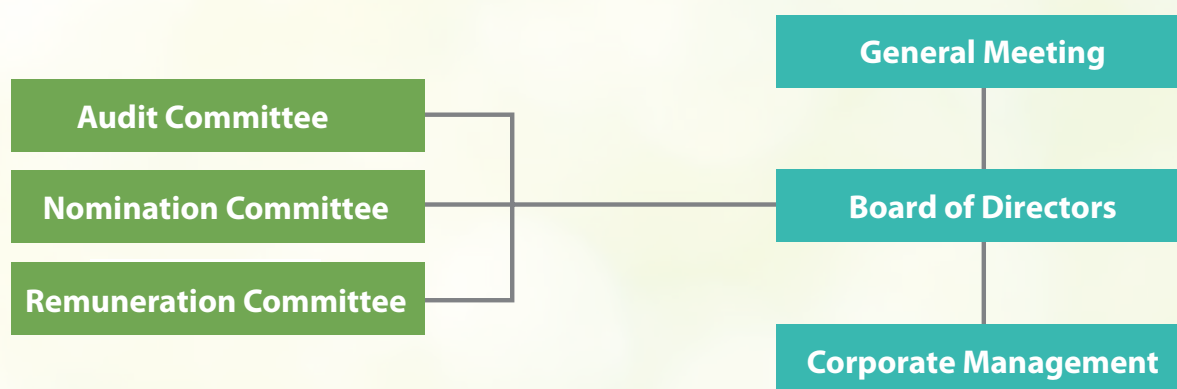


OPERATION IN COMPLIANCE WITH LAWS AND REGULATIONS

CORPORATE GOVERNANCE

Kunlun Energy strictly abides by the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other relevant laws and regulations. It defines the responsibilities of corporate governance entities, strengthens compliance, risk management and control in order to improve corporate governance.

The Board of the Group comprises 8 members, including 5 executive directors and 3 independent non-executive directors. Three committees – an audit committee, remuneration committee and nomination committee – have been established under the Board to oversee certain the Group's affairs and support the Board's decision-making. The following chart shows the Group's governance structure. For details on corporate governance, please refer to the "Corporate Governance Report" in the Group's annual report 2018.



COMPLIANCE MANAGEMENT

Compliance with laws and regulations is the bottom line of code of conduct and principles of Kunlun Energy's business management. Our headquarters' legal affairs department is responsible for the management of the operation and performance assessment in terms of compliance, and corresponding departments and positions have further been established at all directly hold subsidiaries. To comprehensively promote the compliance with laws within the enterprise, we accelerated the establishment of a legal compliance system and mechanism, established and improved various internal management systems. We also established a compliance performance assessment system for operations which covers multiple levels with protruding requirements. Assessment results are intended to be incorporated into the human resources performance assessment system and are linked to remuneration, reward and even personnel appointments at the assessed units.

ANTI-MONOPOLY

China has made great strides in improving its anti-monopolistic systems and reforming its anti-monopoly administrative law enforcement authority. As a member in the oil and gas industry, Kunlun Energy fully abides by the Anti-monopoly Law of the People's Republic of China and other relevant laws and regulations, upholds the concepts of equality, respect, mutual benefit and win-win, acts in compliance with business ethics, and strives to maintain market order in its business operation. We oversee and manage an anti-monopolistic business in strict compliance with the Compliance Management Measures. These cover all areas of the Group. We further promote compliance awareness of employees at all levels through such means as training on price and anti-monopoly laws for management and business personnel, and engaging professional lawyers to provide anti-monopoly consulting and legal services. We also implement management and control through entering into compliance and performance responsibility letters at all levels, which set out the requirements for and description of performance relating to anti-monopoly and compliance. In 2018, we arranged an anti-monopoly business inspection within the Group and special business and legal training for our employees.



Anti-monopoly training

INTEGRITY DEVELOPMENT

Anti-corruption mechanism

Corruption is the greatest obstacle to the healthy development of enterprises. Kunlun Energy requires that every business partner is treated with honesty, respect and responsibility. We oppose commercial bribery in any form and require our partners to abide by our anti-bribery and anti-corruption policies. We also fully comply with all relevant national laws and PetroChina's policies and regulations on anti-corruption and dishonest behaviour. Policies and rules implemented by the Group include the Important Information Reporting System for Discipline Inspection and Supervision Work of Kunlun Energy Company Limited, the Implementation Measures for Petitioning and Reporting Work for Discipline Inspection and Supervision Department of Kunlun Energy Company Limited, and the Management Measures for the Supervision Department to Participate in the Investigation into and Handling of Accidents and Events of Kunlun Energy Company Limited, and continue to promote the integrity development and anti-corruption work of the Group.

Kunlun Energy has established a supervision department and four discipline inspection and supervision centres for its northern, eastern, southern and western regions. These are mainly responsible for centralised handling of questions and leads collected through petitioning, employee reporting and inspections. Discipline inspection committees and discipline inspection and supervision departments have been established at all directly hold subsidiaries of the Group to improve conduct and uphold integrity and anti-corruption work in accordance with the Discipline Inspection and Supervision Committee of the Group and the Party committee at each level. Approximately 150 employees in total are engaged in full- or part-time discipline inspection and supervision work. In 2018, we continued to reform our anti-corruption systems and maintained a high level of vigilance to strengthen the deterrence effect so that no one dares to be involved in corruption.

Training and regulatory measures

Kunlun Energy held the integrity awareness and anti-corruption work meetings at the beginning of 2018, and required employees to sign letters which clearly obligate them to act with integrity. The Group uses its joint supervision system to regularly check, identify and deal with any existing problems in this area. After due research, we also established compliance management and supervision projects, carried out in-depth supervision of business areas which are especially susceptible to corruption, and implemented appropriate corrective measures. The Group further supervises and examines organisations at all levels in accordance with the assessment rules for integrity, and incorporates assessments of integrity as a control indicator in performance assessments.

We actively carried out full-time and part-time supervision cadre training in the form of special lectures, exchanges and discussion. Such training was led by invited experts and scholars from the Chinese Academy of Social Sciences, the Chinese Academy of Discipline Inspection and Supervision and other institutions. Courses centre around the Supervision Law of the People's Republic of China, practical exploration of supervision, and developing the comprehensive capabilities of supervision cadres, so that training is guiding, targeted and practical and can actively and effectively improve the capability of the supervision team.

Several anonymous reporting channels are available within the Company through which employees and external stakeholders can report any perceived violations of law or suspicious activities. Relevant units will accept these reports and conduct a preliminary review of the case. Cases involving corruption are given to judicial authorities for further handling.



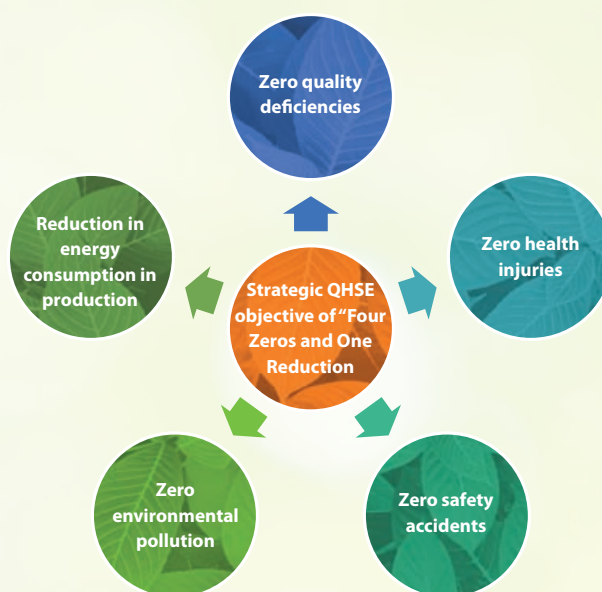
The Group was not aware of any major incidents in violation of laws and regulations relating to bribery, extortion, fraud or money laundering occurring in 2018.

PRODUCT RESPONSIBILITY

PRODUCTION SAFETY

Production safety concept

As a supplier of oil and natural gas, Kunlun Energy ranks the highest priority to production safety. Production safety is also a prime concern for the Group's stakeholders. The Group operates in full compliance with the Production Safety Law of the People's Republic of China and other relevant laws and regulations, and has implemented China's "Safety first, prevention foremost, and comprehensive control" policies. We fully agree that "Development must not be at the expense of human life".



To achieve the strategic objective of "Four Zeros and One Reduction", Kunlun Energy's QHSE (quality, healthy, safety and environment) management system incorporates the concept of "Human-oriented, quality foremost, safety first, priority on environmental protection". The Group continues to improve its QHSE management system at all levels, and has obtained GB/T19001 quality management system, GB/T24001 environmental management system and GB/T28001 occupational safety and health management system certifications.



QHSE management manuals and certificates

Bodies for production safety

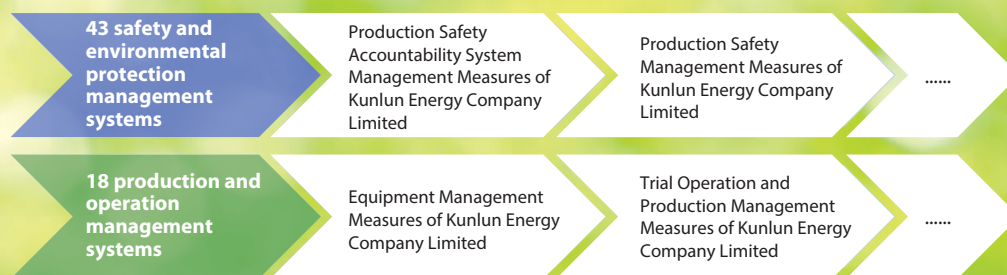
We have established an QHSE (production safety) committee as the decision-maker for production safety to lead the production safety work of the Group. Individual units within the Group are responsible for production safety in their particular areas, and maintain safety, environmental protection. Production and operation management departments in individual units facilitate production safety operation management and safety and environmental protection supervision and management. We have also established four quality, safety and environmental protection supervision centres (northern, southern, eastern and western) to supervise safe operations in their respective areas and carry out review, supervision, examination and guidance for the QHSE performance of more than 580 operating units each year.

QHSE Committee

Composition: The Group's chairman serves as committee chairman, while the general manager and deputy general manager in charge of production safety act as vice chairmen. Department heads are members of the committee. Duties and responsibilities: Implement a production safety expense budget each year, hold quarterly meetings, review safety and environmental protection work completion status, and decide major safety and environmental protection matters.

Production safety system

We have established and implemented management systems covering the safety, environmental protection, production and operation management activities of major businesses.



Developing a culture of safety

As part of the Group's ongoing effort to instil a culture of safety, it executed a series of "safety month" activities with a "Life first, safety development" theme. Activities included classes, speech contests, publicity, emergency drills, accident education and knowledge competitions. The campaign also featured a public educational "Five enters" (into schools, communities, factories and mines, government authorities and users) element.



Development of QHSE standardisation

With the investigation and management of hidden dangers as the core and focusing on improving position safety management, we intensified the QHSE standardisation development for the stations and maintenance team, and our production site management continued to improve and the risk management and control ability in the stations and maintenance team was significantly strengthened.



Management standardisation – enables standardisation management in terms of "matters";
 Operation standardisation – enables standardisation management in terms of "people";
 Site standardisation – enables standardisation management in terms of "things".

Standardisation manuals

Risk prevention and hazard control

The Company is engaged in building a dual mechanism for hazard management and risk prevention and control. To this end, it has implemented a multi-level production safety risk prevention and control mechanism, issued the Proposal for Prevention and Control of Production Safety Risks of the Group, and compiled a list of 13 major risks. It has furthermore developed and implemented risk management and control measures and strengthened the review, approval and supervision for all links in the process of "Three simultaneities" (concurrent project design, construction and operation) to reduce risks and hazards at their sources and improve our risk management and control ability. The Group's four regional quality safety and environmental protection supervision centres conducted in-depth safety and environmental hazard identification and treatment and strengthened hazard treatment supervision. In 2018, a capitalised investment plan for tackling potential safety and environmental issues incurred an expense of RMB34,190,000, which was utilised in the retrofit of old pipeline networks, gas equipment and facilities of the Gansu Kunlun Gas Company, Yunnan Kunming Gas Company and Harbin Zhongqing Gas Company.

Supervision and inspections

To ensure the implementation of the QHSE system, we emplaced a six-level safety supervision and inspection mechanism consisting of semi-annual, quarterly, monthly, weekly, team and tour inspections. Additional strengthening of unit safety supervision of each unit was also continued. Twice a year, the Group's management leads inspections of all directly hold subsidiaries and the QHSE system. All units conduct quarterly internal reviews of the QHSE management system. Optimisation of the QHSE intelligent data management platform has enabled the use of big data to analyse safety and environmental protection management problems and point the way to improvement.



The Group's management takes the lead in QHSE management system review

Emergency management

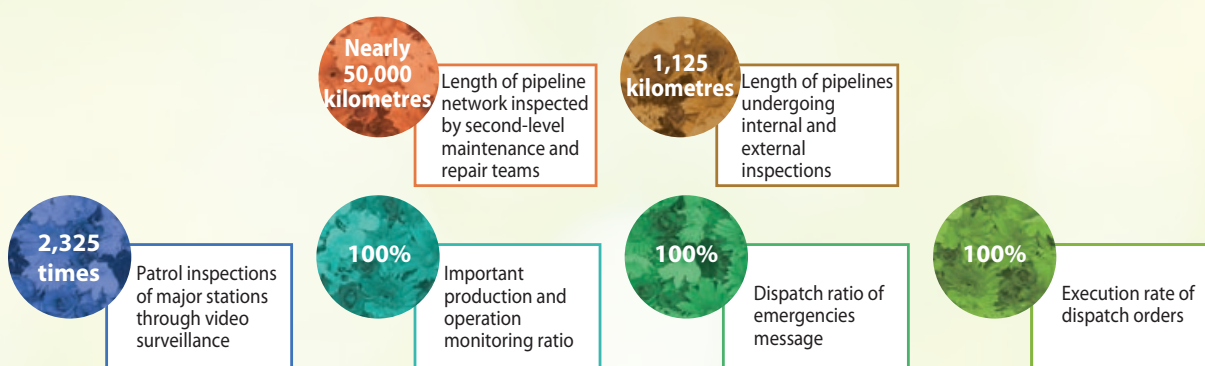
We have established a comprehensive emergency proposal, special emergency proposals and an emergency command system for the Group, implemented "one card for each plan" (i.e. on-site treatment plan and emergency operation card for each position) at the stations and maintenance team, specified emergency response procedures and measures, organised emergency drills and conducted assessment of the effectiveness of drills on a regular basis. We also strengthened emergency training, developed "simulation emergency conditions", emergency rescue skills and enterprise emergency management courses to continuously improve our ability and leadership to cope with emergency. In 2018, a total of 860 emergency drills were conducted.



Emergency drills

Pipeline and equipment management

To ensure the reliability and integrity of our pipelines and equipment and reduce failures or damages, we have implemented a six-level examination mechanism in accordance with the Group's gas pipeline management system and our own standards for leakage detection, cathodic protection and patrol inspection. This ensures that routine pipeline operations are stringently managed and controlled. Additionally, second-level maintenance and repair teams have continued to strengthen their own pipeline network inspections. The Company strongly promotes branch pipeline integrity management, and conducts serious identification and risk assessments of internal and external pipelines in an area in accordance with the Kunlun Energy Pipeline Integrity Management Guide to ensure the effective and compliant operation of equipment and facilities. We have conducted pioneering research on urban pipeline network integrity management, prepared management procedures and system documents, and developed a three-year implementation plan.



Occupational health management

Kunlun Energy attaches great importance to occupational health management of its employees. We strictly abide by the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and other relevant laws and regulations, and rigorously implement a series of management systems such as the Administrative Measures for Detection of Occupational Hazards at Workplaces, the "Three Simultaneities" Management Rules for Occupational Disease Protection Facilities for Construction Projects of Kunlun Energy Company Limited and the Administrative Measures for Occupational Health Monitoring of Kunlun Energy Company Limited. We take active measures to reduce the impact of occupational hazards such as noise, welding dust, frostbite and high temperatures on employees, including:



During 2018, the Group was not aware of any major non-compliance concerning production safety and occupational health.

ENSURING STEADY SUPPLY

Due to seasonal factors, supply in winter has always been a major challenge for gas companies. China's "coal-to-gas conversion" policy and the rapid growth of demand for natural gas have further intensified seasonal shortages of natural gas. For Kunlun Energy stakeholders, steady supply is an issue of great concern; it is not only related to people's daily living and social stability, but is crucial to customer confidence.

Kunlun Energy is keenly aware of this issue, and has responded with efforts to optimise its operational models at LNG production and sales sources. In terms of production, it has established a preliminary mechanism to regulate peak demand in a manner commensurate with pipeline capacity. It has also enhanced its production and storage capacity during slack seasons to ensure availability of LNG products during winter and create a reliable supply of natural gas for industrial enterprises and households. In terms of sales, it entered into agreements with its own plants and traders to ensure a reliable supply through a variety of sources. Leveraging its own LNG terminals, it has been able to strike a balance between domestic and overseas LNG purchases.

To stabilise the market supply of natural gas, we developed an emergency proposal for reliable supply, made advance winter supply arrangements, strengthened the safety of gas supplies, and enhanced the timeliness and operability of our emergency response. Additionally, we have clarified responsibilities for reliable supply, implemented a multi-level emergency response mechanism and measures, and made use of the Group's overall strengths in pipelines, LNG and compressed natural gas (CNG) to integrate resources and emergency gas supply devices in various areas. These measures have enabled coordinated planning and deployment and the formation of a concerted force to ensure a safe and steady supply of natural gas during emergencies.

Case: China's first Yamal vessel delivers LNG to Jiangsu Rudong terminal

On 19 July 2018, the first vessel supplying LNG to China from the Yamal liquefied natural gas project – a major example of energy cooperation between China and Russia – passed through the Northeastern Arctic Channel to Kunlun Energy's Jiangsu Rudong LNG terminal. The delivery to PetroChina started a new chapter in clean energy for the PRC. On 20 July, Jiangsu LNG terminal will receive a second delivery from the Yamal project, beginning a steady supply of liquefied natural gas from that source and signalling how PetroChina's support of the "Belt and Road Initiative" and international energy cooperation has entered the fast lane.



In 2018, the Group experienced no major disruptions to its energy supply. In the future, we will continue to give full consideration to the demands and suggestions of external stakeholders regarding the adequate supply of gas.

SUPPLY CHAIN MANAGEMENT

Transportation risk management

The biggest risk in the supply chain of Kunlun Energy is product transportation safety. LNG and LPG are dangerous chemicals, and there are greater safety risks during their transportation. In order to prevent and reduce accidents, when transporting by road, we select professional logistics companies with necessary qualifications and extensive transportation experience, and use electronic seals, GPS satellite positioning and other means. When transporting by rail, we strictly implement the relevant requirements of railway companies to ensure the safety and reliability of the transportation process. When each subsidiary enters into a logistics and distribution agreement with a transportation company or trader, the agreement will clearly set out the safety responsibilities during the process of logistics and transportation. At the same time, gas supply disruption may exist in the natural gas pipeline transmission as a result of third-party external forces and natural disasters. As such, we comprehensively promote the integrity management and strengthen precaution and prevention so as to ensure the risks of pipeline transmission are under control.

Procurement management

Procurement of supplies not only directly affects the quality of products and services of Kunlun Energy, but also may affect local environment and society. We take upon ourselves to build a responsible product supply chain. We have implemented the Material Procurement Management Measures of Kunlun Energy Company Limited, the Bidding Management Measures of Kunlun Energy Company Limited and other internal systems, and attached importance to and continued to improve procurement management.

For the procurement of supplies and resources, we adopted centralised management, assigned clearly-defined functional responsibilities at different levels, and carry out centralised procurement for various supplies. We established a tendering management committee responsible for coordinating and guiding supplier selection and management. To encourage management awareness of the importance of procurement and selecting excellent suppliers, we assess relevant staff assessment in accordance with the Measures on Performance Reviews of Supply Management Indicators, and link the performance bonus of management of directly hold subsidiary with their assessment performance. Through on-site inspections, flight inspections and business communication, we help suppliers to understand the Group's current and potential needs and enable them to provide better targeted, higher quality products and services.

The Group requires that its suppliers possess all certifications and production and operation licenses pertaining to quality, safety and environmental protection that are demanded by authorities and industry in all countries in which they operate. All units in the Group conform with national policies and standards for environmental protection, and give high priority to non-or low-toxic raw materials with high resource efficiency and clean production methods, technologies and equipment. Procurement of products that fail to conform to national and superior industrial policies is strictly prohibited.

In 2018, the Group continued to optimise its procurement process and standards, strengthened dynamic supplier management, and provided suppliers with equal opportunities for participation through open tendering and qualification review.

RESEARCH AND DEVELOPMENT INNOVATION

Innovation is a prime driving force for the long-term development of Kunlun Energy, as it provides impetus for improvements in safety, environmental protection and performance. New breakthroughs in the pipelines construction, process technology, operation and maintenance technology, risk management and control, and localisation of key equipment and accessories help to enhance our influence in the industry. As such, the Group has responded vigorously to the national strategy for scientific and technical innovation by strengthening its scientific and technical research and development, and by applying the results to improve production efficiency, safety management and control.

In order to ensure that our science and technology funds and personnel meet our business needs, we have set up the Science and Technology Information Committee, which meets once a year to review the annual science and technology plan and budget. The Group also maintains a Science and Technology and Information Department with professional stationed at headquarters, and full-and part-time science and technology management personnel at each unit. To meet the scientific and technical needs of natural gas branch pipelines, city gas pipeline networks, LNG processing plants and LNG terminals, we conduct full process management of science and technology projects from the development of science and technology plans, project approval, project implementation, interim inspection to application of results. Each year, we set assessment objectives for our units, such as science and technology project completion rates and result promotion and application rates. We regularly convene science and technology and information meetings at which teams and individuals who have made outstanding research achievements are recognised.

At the same time, we served as the director unit of the standard working committee under China Gas Association, and organized the preparation and application of group standards for the gas industry, so as to promote the healthy and sustainable development of the industry.

In 2018, the Group completed research on “Certain Issues in the Transformation and Upgrading of City Gas in China” for the National Energy Administration. The report provides the Administration with a decision-making basis pertaining to city gas planning and policy, market access, industry regulation and safe supply. The Group has researched 15 science and technology topics, promoted the application of 20 practical technologies and products, and adopted technical means to provide scientific and technological support for its business.

Case: Completion of combined sea-land transport of first batch of domestic LNG tanks for Kunlun Energy

As the PRC's LNG market develops, its LNG pipeline network increasingly faces problems such as insufficient coverage and single mode transportation that leave it unable to fully cope with diversified consumer demand and market changes, and there is an urgent need to develop new modes of transportation. As the only operating terminal in north-eastern China, Dalian LNG Company of Kunlun Energy started the development of LNG tank multimodal transport business and actively advanced the construction of an LNG logistics and distribution centre in Northeast Asia since March 2017. Through analyses and demonstration, the project team completed development of operational procedures for multimodal transport of tanks which eliminate such technical hurdles as tank filling and resolve the difficulty of multiple certification standards for tanks, LNG filling, tank yards, docking between ships and shore, and loading and unloading of LNG tanks in sea-land transport.



On 23 April 2018, six LNG tanks filled at Dalian LNG terminal arrived at Weihai Port, Shandong Province through sea-land transport, and were directly delivered to end-users. This marked the first successful business operation of LNG tank sea-land transport in the PRC and represented the first breakthrough for such business in the PRC. It has not only created the technical support needed for the Group to continue its multimodal tank transport business, but will more effectively accelerate the balance and allocation of resources among regions and promote the development of a new green energy supply model.

Case: China-Europe International Transport Corridor Natural Gas Engine Fuel Forum

On 7 September 2018, Kunlun Energy participated in the China-Europe International Transport Corridor Natural Gas Engine Fuel Forum, under its theme of “promoting the application of natural gas in transport and winning the battle to defend the blue sky”. The Company communicated with enterprises from Russia and Kazakhstan about the application of natural gas in transport and its prospects for development in the event, and to accelerate innovation, technical advance and industry upgrade in natural gas transport and promote green road transport for the Silk Road Economic Belt.



CUSTOMER SERVICES

With the acceleration of the domestic natural gas market reform, the value of customers in the industrial chain is further revealed. Customer relationship management and maintenance is the key to enhance the competitiveness of enterprises. Kunlun Energy's business covers all of China and more than 9.7 million customers. To them, we are committed to supply clean energy and provide comprehensive service.

At headquarters level, the Group's customer service is managed by two business departments: the Marketing Department is mainly responsible for customer development, information and file management, customer classification, satisfaction surveys, loss monitoring, business training and system application; while the Production and Operation Department is mainly responsible for indoor safety inspections, strengthening day-to-day operations management and control of rural gas, increasing the frequency of patrol and customer safety inspections, encouraging the application of advanced precaution methods for technical security, and facilitating intelligent management. We have implemented the Safety Management Rules for the Construction, Production and Operation of Rural Gas Projects, which sets out clear requirements for the operation and maintenance of facilities, three-level pressure regulating periodical inspection, user metre inspections, odour dosage and maintenance and emergency repair. As of the end of 2018, rural "coal-to-gas conversion" users were operating safely and under general control. At directly hold subsidiaries, each has set up various bodies such as customer service departments, customer service centres and business halls based on the size of their customer base. These are reported and exchanged at monthly regular meetings and summarised the meetings each year. We have also established a customer service centre at headquarters to respond to customer needs and improve service quality in a timely manner.



Customer service centre

The Group has complied with requirements under the regulations and rules of related policies such as Gas Service Guidelines, the Pipeline Gas User Service Guide and Customer Relationship Management Measures of Kunlun Energy Company Limited. We have set annual customer development objectives and customer satisfaction indicators, established a monthly statistical analysis system, and conducted customer satisfaction surveys. We regard customer management results as a special performance indicator, and link them to remuneration based on the relevant assessment mechanism. We also strive to enhance awareness of natural gas as a clean and efficient energy source through customer communication and publicity, thus effectively facilitating the promotion of natural gas in China.

We comprehensively promoted a natural gas sales information system and established a call center and an online business office to provide customers with a more convenient payment channel and better service experience. With the entering into the IOT strategic cooperation agreement with China Telecom, we promoted the deployment and application of the NB-IoT gas meters.



In 2018, the Group launched its customer classification management and created a basis for formulating marketing strategies by developing differentiated marketing plans and simultaneously establishing a dynamic monitoring and analysis mechanism. We continued to promote the customer manager system, broadened customer coverage, and boosted sales performance through service improvement. We will continue to strengthen the foundation for customer management, accelerate the commissioning and application of the end-user relationship management system, adapt to new management requirements, and realise fine management, accurate analysis and prediction, all paving the way to high-quality marketing in 2019.

During 2018, the Group was not aware of any major non-compliant events concerning health and safety, advertising, labelling and privacy matters relating to products and services.



EMPLOYEES' RIGHTS AND INTERESTS

Compensation and welfare

Kunlun Energy believes that employee is the basis foundation of the company development. Consistent with PetroChina's practices, we fully abide by the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and all other relevant laws and regulations. We adhere to the people-oriented principle of creating an equal, diverse and non-discriminatory employment environment, fully respecting the rights and interests of each employee, and aligning corporate value with employee value.

The Group has clear policies and regulations regarding employment, staff turnover management, salaries and welfare, insurance, vacations, working hours and attendance. Our recruitment methods are open to the public, and we ensure that employees are treated equally regardless of nationality, ethnicity, race, gender, religion and culture. The Group absolutely prohibits the employment of child labour. We promote the employment of local residents, women, ethnic minorities and university students, and strive to improve employment opportunities in communities.

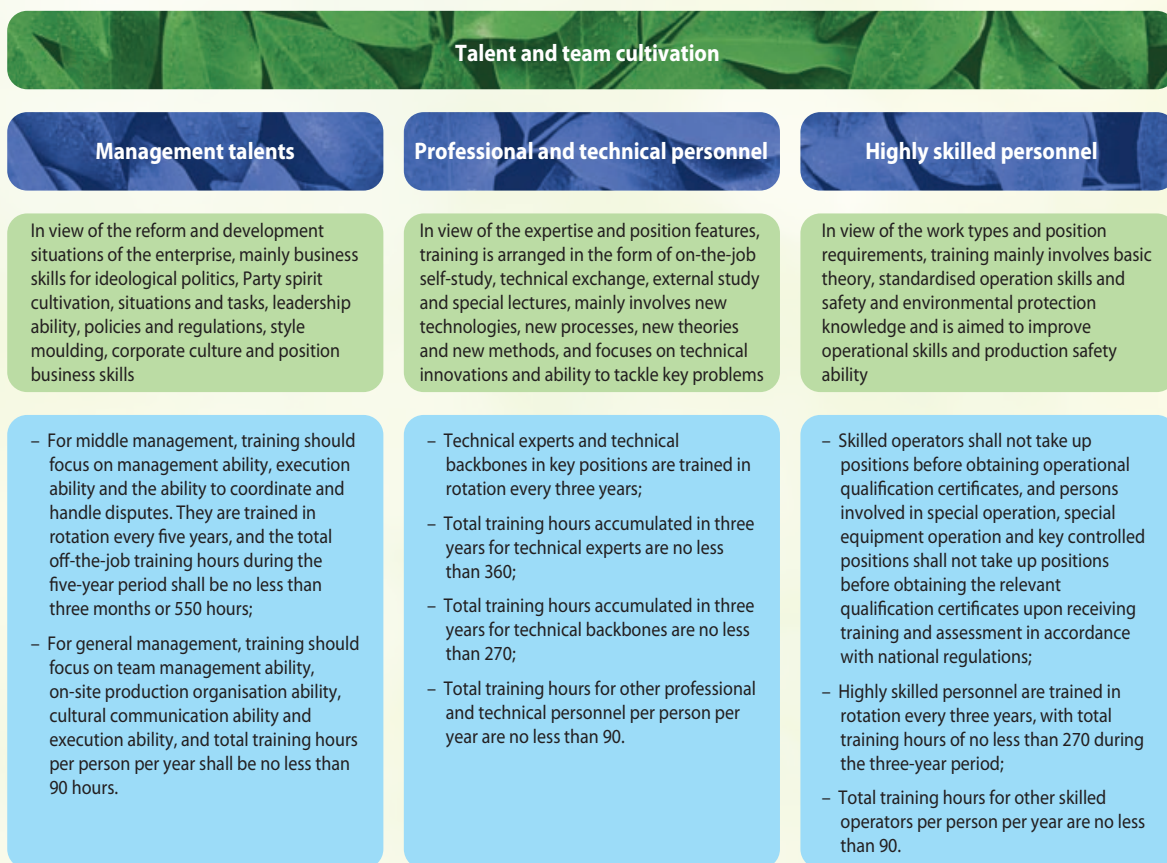
To stimulate employees' enthusiasm and creativity, the Group introduced three system reforms for positions, performance and remuneration management while strengthening the link between remuneration and performance. This ensures that employee remuneration grows in concert with Group performance and productivity. The Group also makes various social insurance and housing fund contributions for employees in accordance with national and local government regulations. It strictly implements provisions for maternity and breast feeding leave for female employees to protect their rights and interests. In terms of working hours, as well as working hour standards and rest and vacation systems in accordance with the law. We prohibit all forms of forced and compulsory labour. When overtime work is needed, employees are provided with compensatory rest. If compensatory rest is not possible, overtime pay will be provided in accordance with the relevant rules.

In 2018, the Group had 42,278 employees in total. During the Year, the Group was not aware of any non-compliance with laws and regulations on compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, benefits and welfare, nor were there any instances of employment of child labour or forced labour.

Talent training

While attaching great importance to talent introduction, Kunlun Energy also stresses on talent training and potential development to meet the expectations of stakeholders on the professional quality of personnel. By continuous innovation in talent policies and making talent training is the corporate strategy over the years, Kunlun Energy strives to build a learning enterprise and has built a high-quality team with strong business expertise and team spirit.

The Management Selection and Appointment Work Guide of Kunlun Energy Company Limited, the Management Rules for Technical Position Qualifications and Appointment and other management systems aim to regulate talent appointment and selection, provide smooth channels for promotion, and maximise employee motivation. We have also implemented policies such as Management Measures for Professional Skills Assessment, established professional and technical position qualification assessment committees at all levels, and improved the skills and team cohesion of employees through professional skill competitions and instilling an enterprise culture.



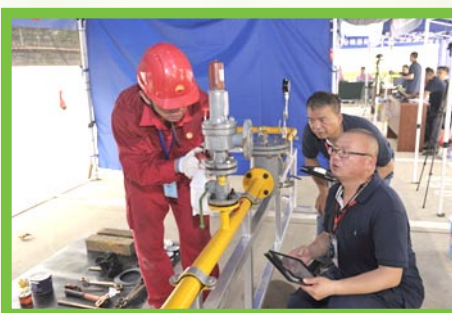
We have adopted PetroChina's mature educational and training system and formulated multi-level, multi-angle full-coverage annual training plans. Training consists of induction training, on-the-job adaptability training and job transfer training, expenses for which are set aside in full by each unit at 2.5% of total employee remuneration. For the implementation of training, we have adopted a straight-line responsibility system and management by level and category. The Human Resources Department is the department in charge of employee education and training, and business departments are responsible for arranging implementation. We have established a training assessment mechanism, with assessment results linked to performance assessments of management at all levels. The Human Resources Department is responsible for assessment and evaluation of the training organisation and system construction of the relevant units, the implementation and results of training plans, basic training work, staff training incentives and constraints, and training expense management. We recognise and provide favourable policies for units which received high scores in the assessment, and issue warnings for those which have not arranged proper training.

In 2018, Kunlun Energy's training focused on management and certain key personnel in positions of urgent need, details of which are as follows.



Other major employee training initiatives and developments include:

Improve the training system	Strengthen the training of outstanding cadres	Carry out qualification assessment	Carry out technical competitions and labor competitions	Implement three human resource system reforms
<ul style="list-style-type: none"> Issued the Circular on Issuing the Employee Education and Training Work Management Measures of Kunlun Energy Company Limited (Trial) 	<ul style="list-style-type: none"> By adhering to the principle of "Selecting the best from the best and combining learning with application", it sent personnel to important positions, market fronts and major projects to experience the growth in career path according to the plan 	<ul style="list-style-type: none"> During the Year, thousands of employees applied for qualification assessment of professional and technical positions, and nearly 800 obtained the relevant professional and technical qualifications 	<ul style="list-style-type: none"> A mobile scoring system was adopted for the competitions, which fully reflected fairness, impartiality and openness and effectively improved employees' overall professional skills 	<ul style="list-style-type: none"> Employee promotion channel was opened up, so that cadres can be assigned to upper or lower positions and employees can be promoted or leave certain positions.



The North China Branch's Shunyi Gas Reserve officially launched its second vocational skills competition



Personnel training for safety supervision



Training for obtaining certificates for assessors of QHSE system

Communication and care

The growth and progress of Kunlun Energy depends on the hard work and dedication of its employees. Because we highly treasure each employee, we are committed to solving the problems and challenges they may face. In addition to maintaining a sound system of distributing remuneration, we work to strengthen cohesion within the Group by creating a good cultural atmosphere.

In 2018, we organised activities such as a “Ten Years in Gas Company” staff art and talent competition to enrich employees’ leisure time and provide a platform for their talents. We also held a “Ten Years of Hard Work at Kunlun Energy” award ceremony to recognise employees’ outstanding contributions to the Company’s development. We also fully displayed our development achievements and employees’ mental outlook through online and offline all-media communication in order to motivate management and employees to unswervingly carry out innovations and breakthroughs, to work hard to improve quality and performance, and to contribute to the journey to natural gas utilisation development in the new era.



“Ten Years of Hard Work at Kunlun Energy” award ceremony

The Group has established a diversified platform that encourages free communication with all employees. Employees may express their opinions through staff representative assemblies, opinion boxes, and interviews with management. All are encouraged to share suggestions on how to improve corporate management. The Group also organised a “Protection of Clear Waters and Lush Mountains” media, employees’ families, suppliers and other stakeholders to participate in an open day activity of Kunlun Energy to enhance communication with such stakeholders.



Open day activity

In addition, we continued to strengthen the construction and management of cell groups which create harmony within the Group. Labour union committees in units at all levels are formed through elections, with a labour union establishment ratio of 100%. We had the achievement in mass economic and technological innovation and the collection of reasonable suggestions. At the annual recognition of directly-owned labour unions, 12 out of 15 outstanding reasonable suggestions and 10 out of 17 economic and technological innovation achievements submitted by Kunlun Energy were recognised, two of which won the first prize, and the labour union of Kunlun Energy received the “Exceptional Organisation Award” for directly-owned Party committee.



Work meeting for 2018



GREEN OPERATION

Ecological protection

Kunlun Energy strongly believes that “clear waters and lush mountains are invaluable assets”. It has implemented environmental protections in all aspects of its production and operations, established long-term environmental protection mechanisms, improved environmental protection accountability, widely promotes clean production measures, strengthened process supervision, which have composed a comprehensive green development system covering all areas and industrial chains. We vigorously promote resource conservation and recycling, actively conduct research and development and application of key technologies and products for energy and water conservation and methane emissions reduction, and strictly abide by environmental protection laws and standards in order to minimise our business’s impact on the environment.

Kunlun Energy’s main pollutants are domestic waste water, construction waste, solid waste generated in the production process, process emissions (gas) and equipment noise,. To minimise these, we start from the source and implement the management requirements of “Three Simultaneities” for environmental protection facilities and main projects, and carry out inspections and treatment of hazards. The Group has established a mechanism for management, prevention and control by level. It requires that all projects of our subsidiaries not only must abide by the laws and regulations in the countries and regions in which they operate relating to environmental impact assessment, but also must meet the general requirements of Kunlun Energy and PetroChina for environmental, health and safety management, clean production technologies and policies, environmental risk management and overall pollutant control during the period of planning and construction. We also require environmental impact analyses to be conducted for overseas investment and acquisition projects as the basis for their feasibility research report approval. While strengthening risk control at the source, we also promote clean production processes, strictly control emissions in the process, conduct regular statistical analysis of greenhouse gas emissions, explore the potential of emissions reduction measures, and strive to further reduce pollutant emissions in compliance with laws and regulations through measures such as process recovery, outsourcing, and research and development of methods of use of equipment and facilities.

Kunlun Energy’s QHSE (production safety) committee is its highest administrative and decision-making body for environmental protection. An office and four regional supervision bodies have been set up under the committee, which summarise and analyse environmental protection work, develop proposals for improvement and promote improvement by way of monthly production safety meetings, quarterly QHSE (production safety) committee meetings and annual QHSE work meetings. It has strengthened supervision in the process through multiple forms, including a six-level inspection mechanism and special supervision and inspections, which have ensured green operation and clean production and ensured that emissions of solid waste, waste water and waste gas meet applicable standards.

Waste water management

Waste water discharged by Kunlun Energy comprises production waste water and domestic waste water. Production waste water is discharged through municipal pipeline networks after a pollutant discharge permit is obtained. Domestic waste water is collected and treated in accordance with agreements entered into with local qualified entities, or discharged after treatment at process environmental protection facilities to ensure compliance with laws and regulations. Waste water that may be produced during accidents is contained in a firewater pond built in line with state specifications, and prohibits unregulated discharge of waste water.

Solid waste management

Solid waste discharged by Kunlun Energy includes construction solid waste and production solid waste. Construction solid waste is removed and treated by qualified entities engaged by construction units. Solid waste generated in the production process is treated by local qualified entities, and mainly includes filter elements, compressor lubricating oil waste, generator/air compressor oil, waste hydraulic oil, waste dyes and coatings, generator charge battery, and waste motherboards of tankers and dispensers.

Waste gas management

The process waste gas generated in the production process of Kunlun Energy mainly comes from inspection, maintenance and repair processes, emissions caused by accidents and fugitive emissions, flare burning, boiler or heater burning. The gas released or burned is methane. In order to reduce gas losses, we implement process management and gas loss assessment, and promote the recycling of process waste gas. As such, we have adopted measures to optimise working conditions, make technical adjustments and adopt recycling technology to reduce fuel gas consumption and venting. We strengthened patrol inspections and adopted gas pipeline network detection vehicles for leakage detection, adopted internal anti-corrosion measures for old pipelines, and continued to strengthen the safety performance of pipelines. We have installed kitchen fume purification equipment to reduce waste gas emissions, and surveillance equipment at torch clearances to monitor emissions of waste gas and ensure they meet standards. In 2018, we adopted process measures to recycle approximately 45,500,000 standard cubic feet of methane. Xinjiang Borui, a subsidiary of Kunlun Energy, conducted oil field associated gas recovery work and recovered approximately 49,670,000 standard cubic feet of oil field associated gas.

In 2018, the Group's emissions of solid waste, waste water and waste gas met all applicable standards, and all indicators were controlled within the target range. Data on major emissions are provided in the following table, with the scope of statistics including natural gas retail sales, LNG processing and terminals and natural gas pipeline sectors, and excluding oil and gas field exploration and production sector. During the Year, the Group experienced no major environmental violations.

Type of wastes produced	Description of data	Unit	2018
Waste water	Total	10,000 tonnes	71
	Domestic waste water	10,000 tonnes	47
	Industrial waste water	10,000 tonnes	24
Solid waste	Total	tonnes	2,198
	Hazardous solid waste	tonnes	2,192
	General solid waste	tonnes	6
Waste gas	Total	10,000 standard cubic feet	4,645
	Emission from burning	10,000 standard cubic feet	4,375
	Discharge from production process	10,000 standard cubic feet	270

Resource conservation

Energy and water conservation management mechanism

The aggravation of resource shortages will not only affect the social and economic development, but also will increase enterprises' operating costs. Kunlun Energy is fully aware of this and, guided by the scientific development concept, pays equal attention to development and conservation while giving priority to the latter. By centring on the Group's production and operation objectives, it continued to strengthen management and supervision of energy and water conservation, promoted the application of new technologies, processes, equipment and materials, and continued to improve the efficient utilisation of energy and water resources through the concept, mechanism, technologies and management for energy conservation in order to support its sustainable development.

We have established an energy and water conservation leading group at our headquarters, and energy conservation management bodies have been formed at our provincial companies, project companies and stations which composed a three-level management network as well as a series of energy and water conservation management systems. Management responsibilities at all levels and departments have been clearly defined, and a management and operation mode of decision-making firmed at headquarters for arrangements by management departments, deployments by units, implementation by grassroots units and assessment by professional management departments.

We hold monthly production and operation analysis meetings on energy and water conservation with the participation of directly hold subsidiaries. Each year, we also organise energy and water conservation competitions in accordance with the requirements of PetroChina. Each unit is encouraged to carry out the work of reducing losses and increasing efficiency by the 13th Five-Year Plan for Energy and Water Conservation and the Rolling Plan for Energy Conservation from 2017 to 2021.



Key objectives: Total energy conservation of **4,500 tonnes** of standard coal and water conservation of **12,500 cubic metres** during the 13th five-year period (2016-2020).

Data on resource consumption in 2018

The main resource consumption of Kunlun Energy includes electricity, natural gas, gasoline, diesel, liquefied petroleum gas and water. Its consumption of various resources in 2018 is as follows, with its scope of statistics including natural gas sales, LNG processing and terminals and natural gas pipeline segments, and excluding exploration and production segments. Energy consumption during the Year slightly decreased from 2017, which was mainly due to the efficient utilization of the transmission capacity of No. 4 Shaanxi-Beijing Pipeline after its operation, so as to decrease the gas transmission volume from the No. 2 and No. 3 Shaanxi-Beijing Pipeline, thus decreasing the fuel gas and energy consumption. Water consumption rose slightly from 2017, mainly due to the increase in the operating rate of LNG plants and the growth of water consumption as a result of the operation of new projects.

Resource type	Description of data	Unit	2018	2017	Percentage change
Energy	Electricity	Ten thousands kWh	227,245	219,555	+3.5%
	Gasoline	Tonne	5,010	5,098	-1.7%
	Diesel fuel	Tonne	711	754	-5.7%
	Natural gas	Ten thousands cubic metres	26,213	28,584	-8.3%
	Liquefied petroleum gas	Tonne	19	23	-17.4%
	Total energy consumption	Tonnes of standard coal	637,422	659,923	-3.4%
Water	Total water consumption	Ten thousands tonnes	405	377	+7.4%

Key work and achievements for energy and water conservation in 2018

Thanks to the joint effort of all units, the Group completed its annual targets for energy and water conservation during the Year. The main energy conservation measures implemented and the results achieved are shown in the following table.

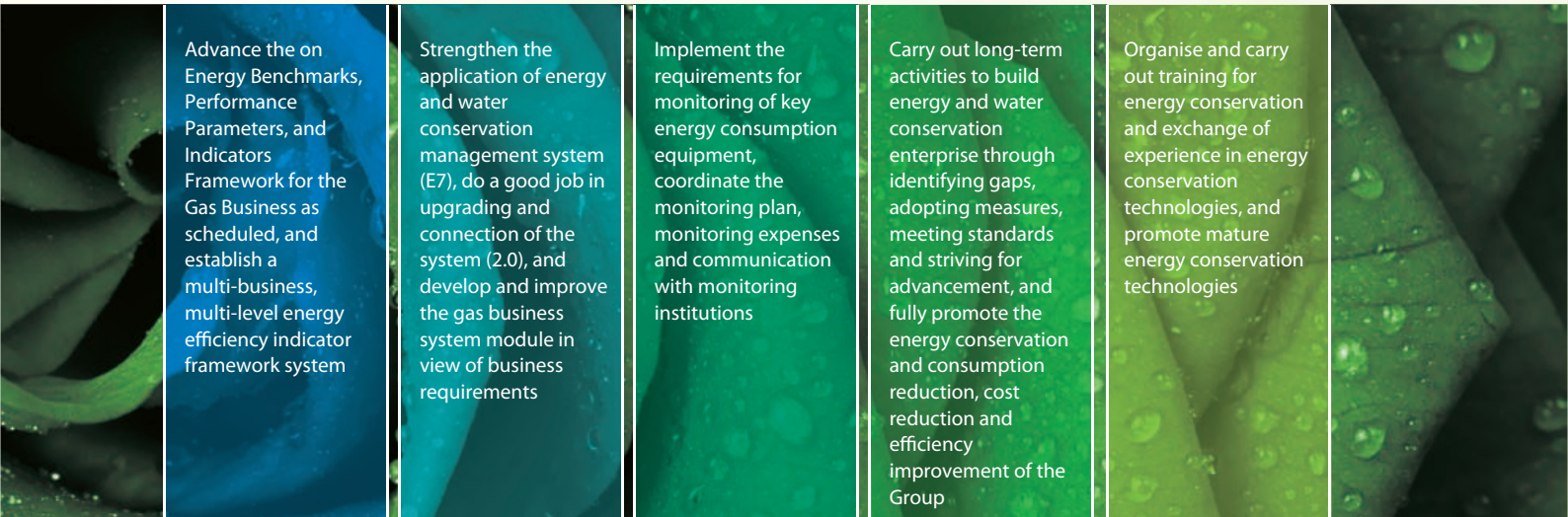
No.	Specific measure	Achievement and indicator
1	Formulated annual energy and water conservation assessment indicators and total energy and water consumption indicators, which were divided and assigned to units, and each unit divided and assigned responsibilities to the stations and positions level by level, with individuals taking the relevant responsibility	<ul style="list-style-type: none"> In 2018, the Group saved approximately 4,499 tonnes of standard coal with a value of RMB13,238,000, and 14,600 cubic metres of water with a value of RMB80,000 through technical measures.
2	Strengthened energy and water conservation statistics and the application of energy and water conservation management system	<ul style="list-style-type: none"> Timely included the new energy consumption units into the energy and water conservation management system to realise system reporting. Aligned different business statistics report formats of energy and water conservation to realise multi-business statistics data consolidation of energy and water conservation. Strictly supervised and reviewed the statistical data on energy and water conservation of subordinate units and timely summarized and reported. In 2018, all ratios of timely, accurate and complete reporting of statistical data on energy and water conservation of the Group reached 100%.
3	Followed national electricity policy, organised key energy consumption units to carry out direct power supply, on-demand power purchase, off-peak power consumption, which further reduced the cost of electricity consumption	<ul style="list-style-type: none"> In 2018, the Group's total electricity consumption for gas production was 1.145 billion kWh (excluding Beijing Pipeline). Total electricity charges were RMB760.5 million. The unit price of electricity was RMB0.061 lower and total electricity charges reduced by RMB68,706,000 from 2017.
4	Strengthened and controlled the difference between purchases and sales	<ul style="list-style-type: none"> By strengthening measurement supervision, promoting physical inventory counting, closely scrutinising items with significant differences, tightening the border line of measurement, conducting measurement supervision for key units and users, and strictly controlling purchase and sale losses, the ratio of difference between comprehensive natural gas purchases and sales was controlled within the prescribed range in 2018.
5	Energy-saving technological transformation	<ul style="list-style-type: none"> The Karamay factory implemented the BOG (Boil of Gas) recycling and transformation in 2018. It can recover 35,000 cubic metres of boil of gas each day once put into operation. Guang'an LNG plant implemented residual heat recycling of H-201 resurgent gas system. Following the recycling of residual heat, fuel gas consumption was reduced by approximately 97 cubic metres per hour.

In addition to the above measures, we improved employee awareness of environmental protection, encouraged employees to save resources in office activities, and to reduce greenhouse gas emissions through conducting environmental protection publicity, implementing the green office, and providing employee training.

During the Year, the Group was recognised as an “Advanced Enterprise for Quality, Safety, Environmental Protection and Energy Conservation of China National Petroleum Corporation for 2018”. Dalian LNG production and operation centre and Karamay Xinjie Energy LNG Plant won the title of “Advanced Grassroots Unit for Energy and Water Conservation of China National Petroleum Corporation for 2018”.

Energy and water conservation plan for 2019

In 2019, we plan to further improve our energy and water conservation in the following areas:



Advance the on Energy Benchmarks, Performance Parameters, and Indicators Framework for the Gas Business as scheduled, and establish a multi-business, multi-level energy efficiency indicator framework system

Strengthen the application of energy and water conservation management system (E7), do a good job in upgrading and connection of the system (2.0), and develop and improve the gas business system module in view of business requirements

Implement the requirements for monitoring of key energy consumption equipment, coordinate the monitoring plan, monitoring expenses and communication with monitoring institutions

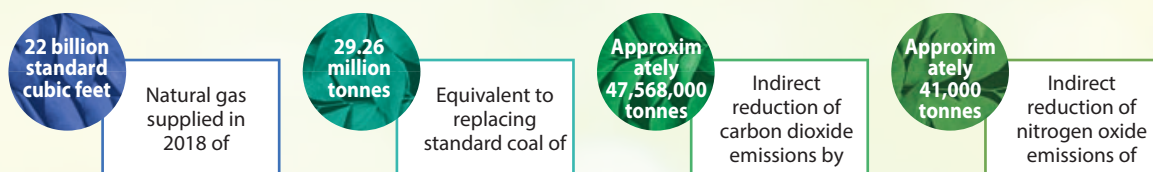
Carry out long-term activities to build energy and water conservation enterprise through identifying gaps, adopting measures, meeting standards and striving for advancement, and fully promote the energy conservation and consumption reduction, cost reduction and efficiency improvement of the Group

Organise and carry out training for energy conservation and exchange of experience in energy conservation technologies, and promote mature energy conservation technologies

Tackling climate change

Natural gas is a high-quality, efficient and clean low-carbon energy. Increasing the percentage of natural gas consumption as a primary energy consumption will accelerate China being a clean, low-carbon, safe and efficient energy system. It is an effective method to improve air quality, tackle climate change and protect the ecological environment. While striving to reduce emissions from its own business, Kunlun Energy is also expanding its areas of operation, sales and application of natural gas to drive the implementation of China's energy strategy.

Kunlun Energy is not only one of China's largest retail natural gas suppliers in China, but also a provider of clean energy. We have responded to the national "2+26" air pollution prevention plan and helped the Beijing-Tianjin-Hebei region win the "battle to defend the blue sky".



Kunlun Energy fulfils its social responsibility as a clean, low-carbon energy enterprise, by driving the expansion of the natural gas market and actively responding to government policies to supply high-quality natural gas resources to "coal-to-gas conversion" enterprises. In 2018, we achieved full "coal-to-gas conversion" coverage in Bazhou, Zhuozhou, Baoding, Qinhuangdao, Tangshan and Hengshui in Hebei Province, and completed ancillary installations for "coal-to-gas conversion" projects for 235,000 users.. In addition, we were actively engaged in winning the battle to defend the blue sky campaign. While promoting clean production, we also strengthened efforts to explore business potential and improve performance, and enhanced cooperation with other enterprises to jointly safeguard the blue sky and pure land.

In the future, Kunlun Energy will continue to fulfil its corporate mission of "providing clean energy to assist in the building of a harmonious society" and help to realise China's vision of energy transformation and green development.

GIVING BACK TO SOCIETY

Aiding local development

As a socially responsible listed enterprise, Kunlun Energy regards serving society as an important mission. It has responded to China's policies for targeted poverty alleviation and reducing the urban-rural gap by using its expertise as a clean energy supplier and investing in city gas end-users projects. In this way, the Group improves local ecological environments while supporting local economies and employment.

We set up a company for supplying gas to the Boao Forum for Asia for 16 consecutive years. Such company is currently the largest operator of CNG refuelling stations in Hainan Province and provides green energy support for the development of the Hainan Free Trade Zone. A joint venture with the Lanzhou Municipal Government has been established and gasified Lanzhou's main urban area, greatly optimising its energy consumption structure and creating the "Lanzhou Blue" in the eyes of the public. In Yunnan Province, the Group helped Kunming City to end 31 years of reliance on coal gas and enter an era of natural gas.

Meanwhile, we strive to attract and cultivate outstanding talents at the places where we operate, and develop training and development plans suitable for local employees based on local characteristics, so as to enhance the core competitiveness of the Company.



Establishment of the Boao company



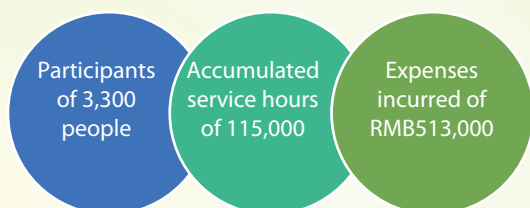
Establishment of a joint venture with Lanzhou Municipal Government

Community public welfare

Kunlun Energy business is widely distributed. It serves a large number of social groups, fulfils diverse and overlapping social roles, and shoulders a wide range of social responsibilities. We insist on integrating our own development into the sustainable development of the places where our business operates. In the process of carrying out our business, we advocate social care for people's daily living and the underprivileged, and carry out public welfare activities in forms such as donating money for education and volunteer services.

The Group's public welfare and community investment activities are organised by its Corporate Culture Department. All directly hold subsidiaries and their subsidiaries have set up task force for this purpose, and hold quarterly meetings to summarise results and make future plans.

In 2018, our units organised volunteer service activities such as safety information consultations, psychological counselling, tree planting and gardening, clearing garbage, removal of illegal stickers, cleaning and disinfecting public places, and green engineering. There was a total of 271 activities and 3,300 participants, accumulating 115,000 service hours and incurring expenses of RMB513,000.



Community public welfare activities

Appendix: Index of the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange

Aspects		Corresponding section	Remarks
A	Environment		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Ecological protection	
KPI A1.1	The types of emissions and respective emissions data	Ecological protection	
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Ecological protection	The Group will first disclose the methane emissions from the production process and then disclose the total greenhouse gas emissions and density as soon as possible in the future.
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Ecological protection	The Group is establishing a data collection system for construction solid waste and expects to make disclosure as soon as practicable in the future. The Group will first disclose the total emissions and then disclose the density after determining the appropriate unit.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Ecological protection	The Group is establishing a data collection system for construction solid waste and expects to make disclosure as soon as practicable in the future. The Group will first disclose the total emissions and then disclose the density after determining the appropriate unit.
KPI A1.5	Description of measures to mitigate emissions and results achieved	Ecological protection	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Ecological protection	

Aspects		Corresponding section	Remarks
A	Environment		
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials	Resource conservation	
KPI 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)	Resource conservation	The Group will first disclose the total consumption and then disclose the density after determining the appropriate unit.
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Resource conservation	The Group will first disclose the total consumption and then disclose the density after determining the appropriate unit.
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Resource conservation	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Resource conservation	
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced	–	The Group does not use a large amount of packaging materials in its business. As the issue is not material, the relevant data is not disclosed.
A3 Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources	Tackle climate changes	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	–	The Group is committed to reducing the impact of its business activities on the environment and other natural resources. During the reporting period, it did not cause any significant pollution or damage to the nearby air, land, water resources and ecological environment. The Group's policies and measures for use of resources and emissions are detailed in Parts A1 and A2.

Aspects		Corresponding section	Remarks
B	Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Compensation and welfare Communication and care	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	–	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	–	
B2 Health and Safety	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards	Production safety	
KPI B2.1	Number and rate of work-related fatalities	–	
KPI B2.2	Lost days due to work injuries	–	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Production safety	
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Talent training	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	–	

Aspects		Corresponding section	Remarks
KPI B3.2	The average training hours completed per employee by gender and employee category	–	
B	Social		
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Compensation and welfare	
KPI B4.1	Description of measures to review recruitment practices to avoid child labour and forced labour	–	
KPI B4.2	Description of steps taken to eliminate such practices when discovered	–	
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain	Supply chain management	
KPI B5.1	Number of suppliers by geographical region	–	
KPI B5.2	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	
B6 Product Responsibility	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	Ensure steady supply Innovations and research and development Customer services	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	
KPI B6.2	Number of products and service related complaints received and how they are dealt with	–	

Aspects		Corresponding section	Remarks
B	Social		
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	–	
KPI B6.4	Description of quality assurance process and recall procedures	–	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	–	
B7 Anti-corruption	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	Compliance management Integrity development	
KPI 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	Compliance management Integrity development	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Compliance management Integrity development	
B8 Community Investment	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	Local development Community public welfare	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community public welfare	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community public welfare	