



延長石油國際有限公司

YANCHANG PETROLEUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00346

Environmental, Social and Governance Report 2018



Yanchang Petroleum International Limited
Environmental, Social and Governance Report

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1. Our Report

1.1. Overview

This report provides information on the performance of corporate social responsibilities of Yanchang Petroleum International Limited (hereinafter referred to as “Yanchang Petroleum International” or the “Company”) (HKEx Stock Code: 00346) and its subsidiaries (hereinafter collectively referred to as the “Group” or “We”) with respect to the environment, society and governance from 1 January 2018 to 31 December 2018. This report discloses all relevant information pursuant to the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”).

1.2. Scope of the Report

The Group is in the oil and gas industry, engages in business activities in both the upstream and downstream sectors. The upstream sector includes activities of exploration, development and exploitation of oil and gas. The downstream sector involves fuel oil trading and distributions activities. The scope of this report covers the relevant operational information of the following two main subsidiaries:

- Novus Energy Inc. (“Novus”) - A Canada incorporated company engaged in the production of oil and natural gas
- Henan Yanchang Petroleum Sales Co., Limited (“Henan Yanchang”)- A China incorporated company engaged in the wholesale, retail, storage and transportation of refined oil

The reason for reporting the above subsidiaries is that those activities are the core business of the Group.

1.3. Feedback Mechanism

Your views and suggestions give impetus to our continuous improvement. We hope you can provide us with your valuable views by the following ways.

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2. Our Philosophy of Social Corporate Responsibility

Constantly striving for excellence, contributing to the economy, and achieving sustainable corporate development are the unrelenting quests of Yanchang Petroleum International. A devotion to providing real value to our employees, customers, and shareholders lies at our core. Our employees are our greatest strength. Our tenacity will help us weather the headwind of cyclic oil prices.

The oil and gas industry has a potential impact on local environment and may cause irreversible damage to the environment without proper management systems. With sustainability embedded into our daily operations, we have witnessed continuous improvements to our environmental protection efforts, as seen in the progressive reduction of its emission levels of exhaust gas, sewage and industry residue.

In the course of its business operations, the Group has invested resources to focus on the needs of the neighbouring community, support community development and look forward to maintaining a good relationship with the local community, so as to achieve a win-win situation.



3. Stakeholder Engagement

The Group understands that stakeholder engagement constitutes an important component of its sustainable strategy, that enables us to tackle the existing and emerging risks and identify opportunities in where it operates. Therefore, our sustainable development plans focus on facilitating stakeholders' understanding of our targets and collecting their feedbacks, so that we can formulate better strategies and render appropriate devotion to the business, and thus to enhance the sustainable development.

Our major stakeholders include shareholders, customers, employees, suppliers and contractors, communities. Over the past year, we have got in touch with stakeholders through different channels in order to address the components of long-term success.

The ways we interacted with major stakeholders are summarized below.

Stakeholders	Communication Approaches
Shareholders	<ul style="list-style-type: none">• Company's website (www.yanchanginternational.com)• Annual reports and interim reports• Annual general meeting and other shareholders' meetings• Press releases, announcements, financials and other information related to the Company's activities
Employees	<ul style="list-style-type: none">• Orientation training, internal training• Recreational activities• Announcements, intranet, emails• Meetings• One-to-one meeting
Clients	<ul style="list-style-type: none">• Company's website (www.yanchanginternational.com)• Telephone calls• Regular meetings
Suppliers and Vendors	<ul style="list-style-type: none">• Forum• Tendering process• Regular meetings
Community	<ul style="list-style-type: none">• Participation in community welfare activities• Consultation

Based on the communication with stakeholders and their feedback, the Company summarized their concerns regarding to ESG management, which are Health and Safety, Product Liability, Emissions, Resources Use, Environment and Natural Resources, Anti-Corruption, Employment, Labour Standards, Development and Training, Supply Chain Management and Community Investment. Thus, this report will elaborate the performance of the above mentioned in 2018.

4. Awards and Achievements

Award / Achievement	Granting Body	Date of Award
2018annual statistical work advanced unit	Xinzheng Statistics Bureau	March 2019
Advanced unit of internal security in prevention and control network construction	Zhengzhou Public Security Bureau	December 2018
Advanced unit of China petroleum and chemical industry enterprise in culture construction	China Petroleum and Chemical Industry Federation	December 2018
Excellent team of Excellent Quality Management Team activities of the National Petroleum and Chemical Industry in 2018	China Petroleum and Chemical Industry Federation	December 2018
2018 Outstanding Achievement Award of the Excellent Quality Management Team of the National Petroleum and Chemical Industry	China Petroleum and Chemical Industry Federation	December 2018

5. Environmental Protection

Management approach and policies

The Group recognizes the potential impact of the oil and gas industry on the local environment and the avoidance of irreversible damage to the environment is necessary, so we remain committed to practicing environmental protection and sustainable development, and concerned about the problem commonly faced by the international community and the global environment, that leading to reduce the environmental load. Therefore, we usually review on whether our business operations give rise to any waste, and draw up plans to increase the added value of resources, and put all those concepts pertaining to Sustainable Development into real practice.

The Group strictly abides by all applicable environmental laws and regulations. There's no prosecution case involving the Group in respect of any environmental law during the reporting period.

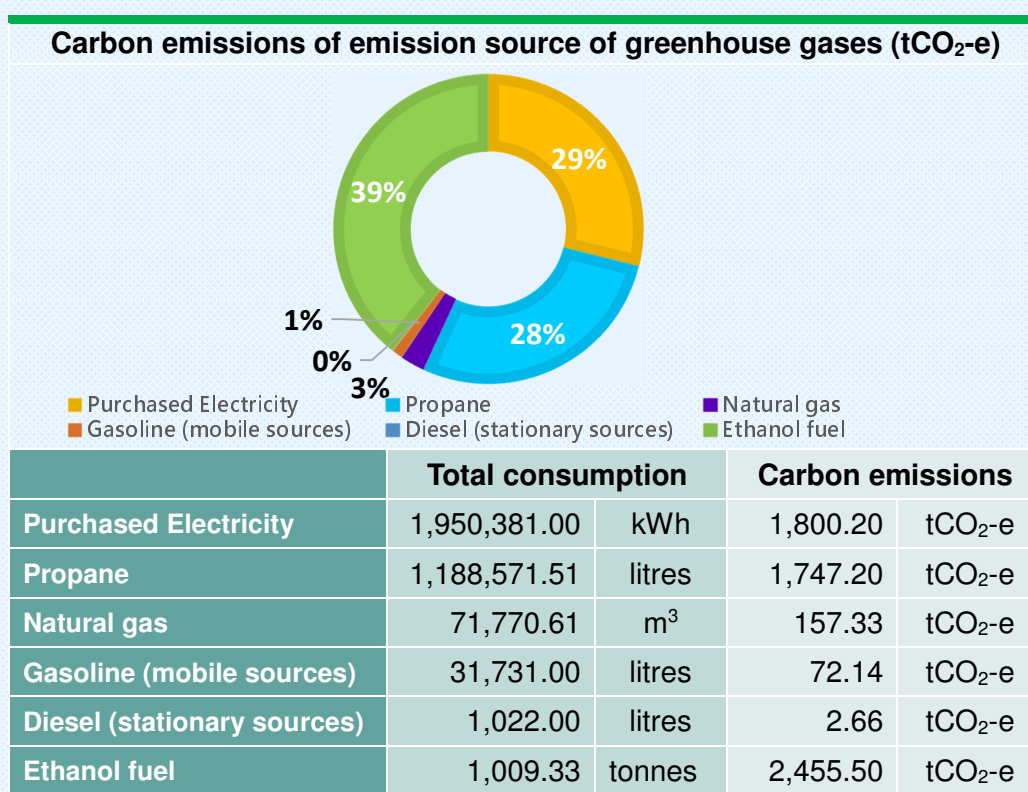
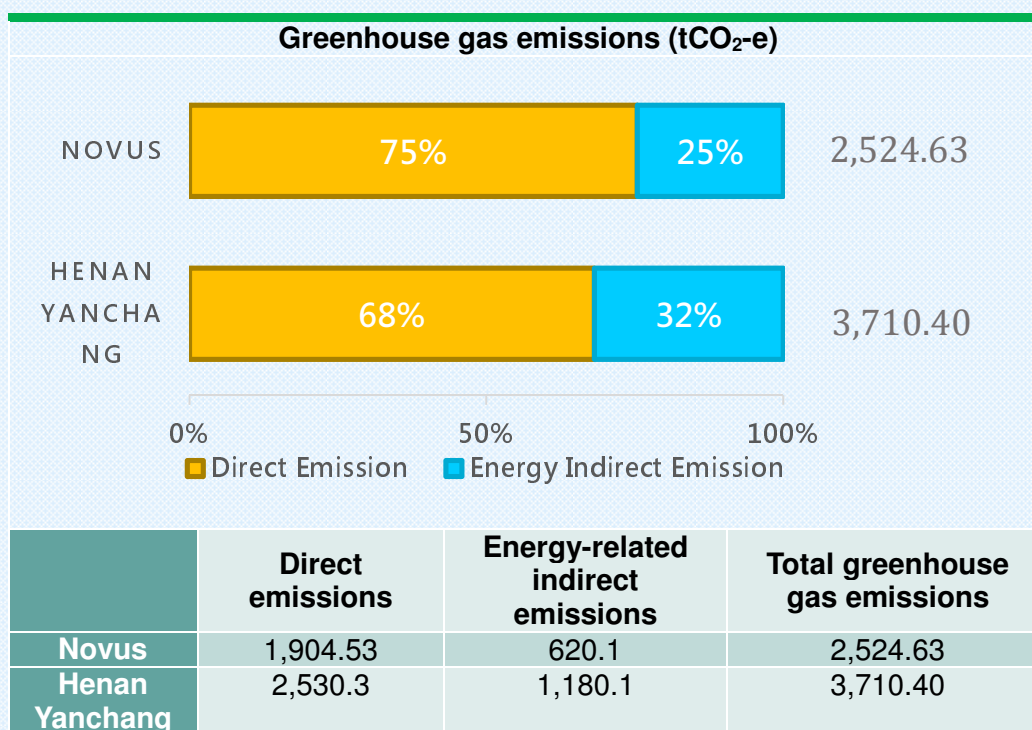
5.1 Pollution Control

Counter-measures to climate change

The Group understands that keeping eyes on resource consumption is important for introducing effective management measures and making the overall environmental performance better. Hence, we positively respond to the requirement of the Stock Exchange on disclosing greenhouse gas emissions, and make our reasonable efforts to maintain comprehensive statistics on whole volume of greenhouse gas emissions. Novus increases use of natural gas so as to lower carbon emissions to the satisfaction of local environmental standards, ensuring the conformity with the Alberta Energy Regulator (AER) and Saskatchewan Energy Regulator (SER) required conditions. In addition, Henan Yanchang recorded the data of ethanol fuel to analyze carbon emissions. In the future, the Group will extend the scope of calculation of carbon emissions as far as possible to reflect its carbon footprint more comprehensively and truly. During the reporting period, the Group's total greenhouse gas emissions reached 6,235.03 tCO₂-e.

The refueling, offloading and storage of oil and gas at gas stations emit Volatile Organic Compounds ("VOC"). Normal operation of oil filling station mainly consists of two parts: 1. Storage and Offloading; 2. Refueling operation; Both will emit oil vapour as same volume of gasoline. As a responsible corporation, the Group targeted to reduce the emissions of VOC due to refueling of oil by adopting new technologies and equipments. The subsidiary, Henan Yanchang has installed a set of oil and gas recovery systems in oil depots and gas stations respectively so as to further reduce and control gas emissions. Regular maintenance for the equipments are taken place and third party testing institutions are employed for testing the system every year to ensure that the recovered gas emissions, to meet the satisfaction of the "Prevention and Control of Air Pollution" of the People's Republic of China and the "Ministry of Industry and Information Technology's Opinions on Energy Conservation and Emission Reduction in Petrochemical and Chemical Industries".

The Group is keenly aware that long-distance travelling business trip will increase energy consumption and carbon emissions. As such, we will reduce business trips or avoid meetings requiring long-distance travel as far as practical, replacing them with telephone or video conferences, to reduce carbon emissions from long-distance travel.



Waste management

The Group puts emphasis on waste management. Its subsidiary, Henan Yanchang has drawn up the “HSE inspection and management”, “environmental safety protection and management system”, to govern the disposal process of internal hazardous and non-hazardous wastes subject to the requirements of "Policies and Regulations on Environmental Management of Solid Waste", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes" and "Environmental Safety Protection and Management System". Novus has been following the 3R waste management strategy to reduce waste generation (Reduce), consider reuse (Reuse) and recycle (Recycle) before disposing of waste, in order to fulfill our commitment to waste management.

The waste disposal procedures of two subsidiaries are summarized as follows:

Type of waste	Novus	Henan Yanchang
Hazardous waste	No hazardous waste is produced due to operating activities	The waste is collected and sorted by each unit of storage stations and delivered to Safety and Quality Department for storage, and then handed over to the licensed hazardous waste collectors for disposal.
Non-hazardous waste	Recyclable office wastes (such as papers, cardboards, foods, electronic products, etc) will be put in recycling bins and composting bins supplied by the property management company for sorting and recycling.	The municipal solid waste collector in Xinzheng City centralizes the recovery of the waste

The following is the total amount of waste produced during the reporting period :

Type of waste	Novus	Henan Yanchang
Hazardous waste	Not applicable	1,500.00 kg
Non-hazardous waste	711.00 tonnes	Not applicable

Reduce wastewater discharge

The Group endeavours to act in a responsible manner to handle wastewater discharge, and its fundamental for us to comply with the prevailing emission requirement. All wastewater will be recovered and reused as much as possible in order to reduce wastewater discharge and save water consumption. During the reporting period, for its subsidiary, Novus, all wastewater induced by drilling and production process, will be disposed of subject to all provincial laws and applicable guidelines. Besides, Henan Yanchang will be carried out the same in accordance with the internal control procedures of the “Environmental Safety Protection Management System”.

5.2 Making Good Use of Resources

We can reduce waste, pollution, and mitigate harm on the heavily polluted environment by saving energy and making better use of it. The Group continues to ensure prudent use of resources (such as energy, water and other natural resources), with executing the stringent resource management system. In the past, the Group has implemented a number of targeted actions related to energy-saving, to further reduce energy consumption. We will also regularly check the condition of equipments, to prevent energy wastage driven by engine aging. For water saving, we actively promote the concept of valuing water to employees and maintain in good condition, so as to achieve our goal of water saving. We continue to look for optimizing the use of resources.

	Novus	Henan Yanchang
Energy saving measures	<ul style="list-style-type: none"> • Use its own natural gas to fuel well sites where available • Equip machines with timer, and using motor instead of natural gas engine 	<ul style="list-style-type: none"> • Replacement of more than 160 LED lights during the reporting period • Maintain the air-conditioning room temperature at 25 degrees Celsius • Shut down the machines during non-business hours
Water saving measures	<ul style="list-style-type: none"> • Re-use the reclaimed water in oil field production site to achieve zero water consumption 	<ul style="list-style-type: none"> • Post labels to remind employees and visitors to conserve water • Collect rainwater for irrigation • Regularly monitor and replace the equipment promptly to prevent leakage • Conduct internal inspection periodically to monitor the effectiveness and target of the saving measures

During the reporting period, the major resources were consumed by the Group in relation to operation and production:

Resources	Total Consumption	
	Novus	Henan Yanchang
Power	1,215,890.00 kWh	734,491.00 kWh
Propane	1,188,571.51 litres	Not applicable
Natural gas	71,770.61 cubic metres	Not applicable
Gasoline (mobile sources)	Not applicable	31,731.00 litres
Diesel (stationary sources)	Not applicable	1,022.00 litres
Ethanol fuel	Not applicable	1,009.33 litres
Water	Not applicable	11,064.00 cubic metres
Packaging materials (tonnes)	Not applicable	Not applicable

5.3 Green Operations

Advocating green operation

Climate change is a big challenge for the world. Yanchang Petroleum International, as a socially responsible organization, is well prepared to meet this challenge. The Group has delved into how its business activities can be conducted in an environmentally responsible manner. In this regard, we have formulated green office policies and green business management measures to lessen the impact on the environment and natural resources.

Measure	Measure details
Green office	<ul style="list-style-type: none"> • Get closer to paperless office with focusing in particular on e-archiving of documents • Maintain the room temperature at 25 degree Celsius • Seasonally adjusting outdoor lighting system controls • Turning off unused equipment or machinery • All lightings to be superseded by LED, as the case may be
Promoting environmental protection in the supply chain	<ul style="list-style-type: none"> • Requiring suppliers to comply with environmental protection laws and regulations as well as the standards of the Group • Encouraging sub-contractors to comply with environmental protection measures through posters and emails
Providing environmental protection training	<ul style="list-style-type: none"> • The Group provides environmental protection training for new joins so that they can understand the requirements and standards of the industry and the Group on environmental protection • Reminding the environmental protection of the Group at

Measure	Measure details
	daily meetings to ensure all environmental protection measures are effectively implemented
Green purchase	<ul style="list-style-type: none"> • Subject to the requirements of the company : <ul style="list-style-type: none"> ✧ Favour green products suppliers ✧ Give priority to the procurement of goods and services supplied by local suppliers

Environmental impact assessment policy

Novus conducts environmental impact assessments prior to the drilling activities so as to avoid, reduce and mitigate the impacts on the surrounding environment. After a well is abandoned in accordance with the applicable laws and regulations, the site will be restored to its natural state in conformity with relevant laws and regulations. In addition, Novus also adheres to all the regulatory policies related to endangered species.

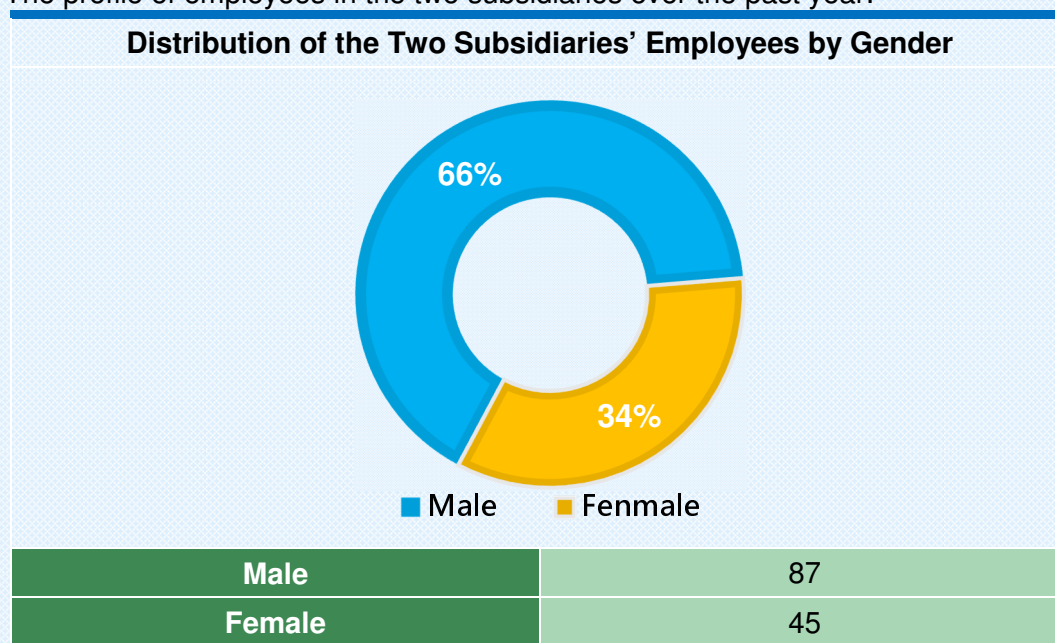


6. Caring for People

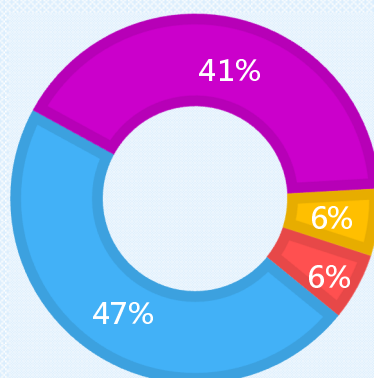
Management approach and policies

The Group appreciates that all the employees have played a part in creating our organization value. We strive to create a safe, reliable and comfortable working environment with harmony and inclusiveness, under the common values of mutual understanding and respect, for the benefit of our employees and customers. We create an atmosphere of harmony and integration for our employees, and help them build and advance in their career. Human Resources Department is responsible to review regularly the relevant functions to the satisfaction of local laws and industry practices.

The profile of employees in the two subsidiaries over the past year:



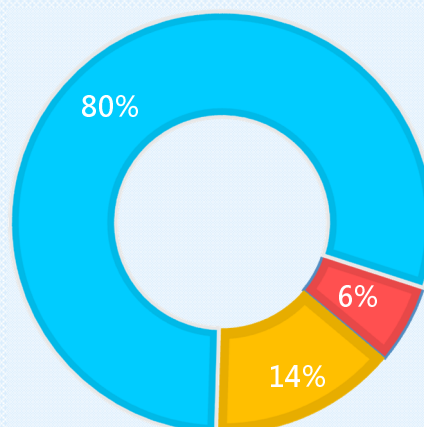
Distribution of the Two Subsidiaries' Employees by Age



■ 18 -30 year old ■ 31-45 year old ■ 45-60 year old ■ 60 year or above

Age 18-30	54
Age 31-45	49
Age 45-60	28
Age 60 or above	1

Distribution of the Two Subsidiaries' Employees by Function



■ Senior management ■ Middle management ■ General staff

Senior management	8
Middle management	19
General Staff	105

6.1. Equal Employment

Equal opportunity and diversity

The Group continues to put emphasis on the value of harmony, and fosters optimizing its labour structure and hiring system. We respect and treat every employee fairly. Employees are recruited in compliance with the relevant local regulations. Employees will not be treated unfavourably due to their age, gender, sexual orientation, race, disability, marital status, pregnancy status, religion, political camp and referees. Instead, we will select employees according to their knowledge, capability, morality and job-related skills, to ensure equal employment opportunity.

Remuneration and Welfare

We sign employment contracts with employees in accordance with local regulations to protect employees' legal rights and interests, and provide medical insurance, ensuring minimum wage and maximum working hours and paid leave, sick leave, work-related injury leave and maternity leave in accordance with statutory requirements. In addition, we will determine salary adjustment for all employees, based on considerations that include the outcome of the periodical performance review of individual, and prevailing pay trends in the relevant market segment. Besides, Novus provides its employees with transport subsidy, flexible working hours (only for employees with specific function), holiday and family leave pursuant to relevant laws.

Caring for Employees

Employees are the lifeblood of the company. The company's success is dependent on the concerted efforts with employees, and it will continue to join force with the employees in the fight for a common goal of making the company becoming the "Best Company to Work for". Therefore, we organize a variety of recreational activities to assist employees in easing pressure at work and promoting good employee relations, enhancing the bonding of employees and strengthening their sense of belonging to the company. For example, Novus holds birthday party for employee every month; Henan Yanchang provides recreation facilities, farms and gardens within the company's area for employees' enjoyment.

6.2. Occupational Health and Safety

Management approach and policies

The Group always considers occupational health and safety as one of its top priorities and the primary commitment to its employees. We strive to attain the goal of "zero accident" in its workplace by taking measures to prevent the occurrence of occupational diseases and industrial casualties. Also, a developed management system for the occupational health and safety has been in place, that functioning regular inspections and evaluations pursuant to relevant regulatory requirements. No violation of local occupational health and safety laws and regulations were found during the reporting period. At the same time, there were no work-related fatalities and lost days during the reporting period.

Occupational health and safety policy

Both subsidiaries have established and implemented the occupational health and safety management system, formulated emergency plans and comprehensive safety management measures to prevent oil leakage. Novus has specifically prepared “Drilling, Completions and Field Operator Handbooks”, to provide guidelines and policies to govern a safe working environment. The health and safety affairs will be arranged to designated staff responsible for reviewing and updating the manuals and procedures on respectively a quarterly and an annual basis. Henan Yanchang had been certified to OHSAS 18001 Occupational Health & Safety Assessment Series since 2013.

Safety training

As a responsible employer, we also provide employees with adequate training on occupational health and safety and appropriate protective equipment, with a view to enabling them to identify high-risk area in the workplace and work out solutions to lower work-related risks, prevent accidents in the course of operation and reduce occupational hazards. Novus is required to take part in the joint emergency drills each year, in addition to fire drills, to familiarize its employees with the contingency measures.

Employee communication

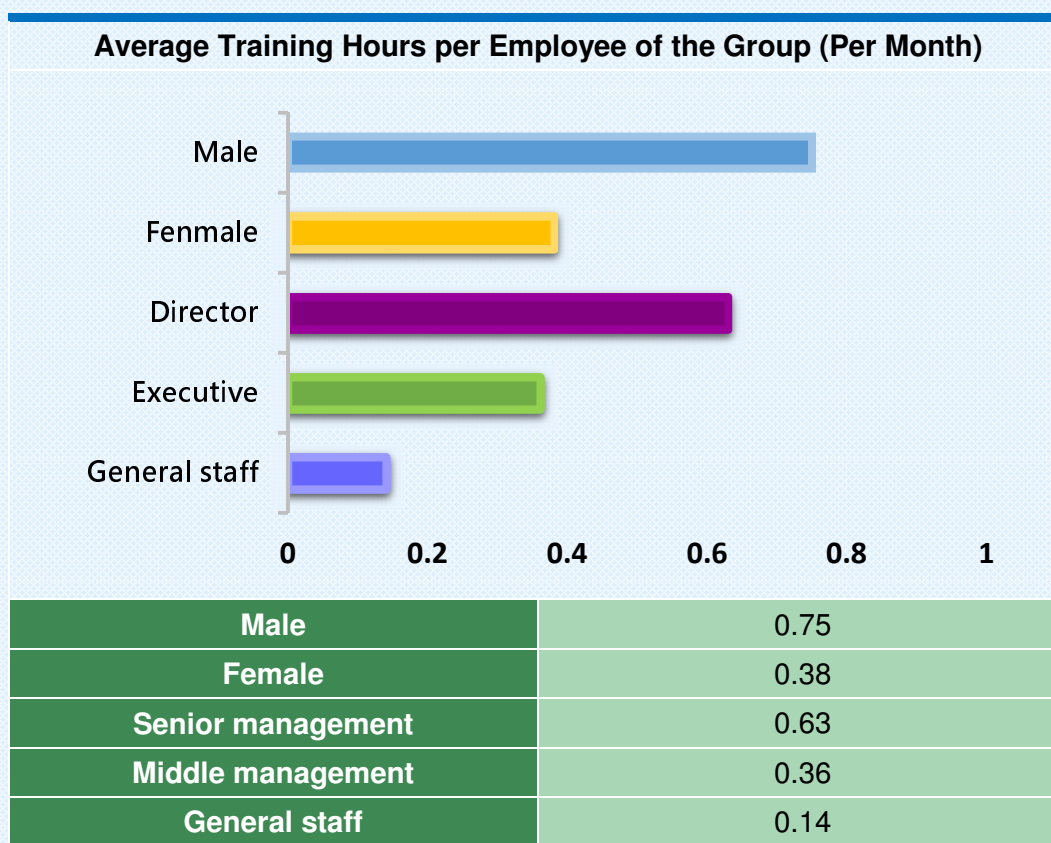
The Group welcomes and values employees' opinions. Employees may voice their opinions on the Company's management system and approach related to safety matters through the opinion collection box and the Company email. We will also send employees messages about occupational safety and health on an irregular basis to heighten their concern for safety matters.

6.3. Training and Development

Management approach and policies

Our employees are the key to our vitality and success. The Group attaches great importance to the nurturing of talents, constantly enhances its training system, enriches the training programs in a progressive manner in order to maintain its employees' competitiveness, and they will, therefore, grow with the company. The head of each department of the Company will assess the functional needs of the employees so as to recommend and arrange appropriate training courses for them; and employees can apply to the relevant training courses based on the needs of their positions.

During the reporting period, the percentage of trained employees in the Group and the average number of training hours per employee are as follows:



Training System

Novus' main operation is crude oil and gas production, the company pays great attention to the knowledge and ability of front-line staff in terms of technology and safety. Therefore, Novus implements a Buddies Mentoring Scheme under which a senior employee is appointed as the mentor for each front-line employee to provide guidance for them and share experience with them, so as to ensure that they are all informed of proper mechanical operation procedures and familiar with the operation process, to achieve the goal of effective and safe production. Novus always encourages its employees to develop their job-related skills, so may sponsor them to take external training courses.

Henan Yanchang establishes Thursday as the "Study Day" on which internal study is carried out through classroom lectures and video viewing with internal employees serving as training lecturers, so as to improve employees' skills for their work positions. As for management training on occupational safety and health, the company will engage external professional lecturers to provide training for employees.

6.4. Protection of Rights and Interests



Management approach and policies

The Group and its subsidiaries hold zero-tolerance towards any use of child labour, and strictly comply with any local laws including the “Labour Law of PRC” the “Prohibition of Using Child Labour”, the “Employment of Children Regulations” (Cap. 57B), etc. During the recruiting process, we

will examine applicants' valid identification documents such as ID cards to verify their age. The Group also prohibits forced labour. Novus strictly adheres to all provincial and federal labour requirements regarding standard work hours. Henan Yanchang also regularly checks whether there is forced labour. If there is a case, it will immediately stop any involuntary overtime working. During the reporting period, the Group did not find the use of child or forced labour.

7. Operational Commitment

7.1. Supply Chain Management

Management approach and policies

The reliable partnership with suppliers are important element for the Group's steady development. Supplier is one of the major stakeholders who contributes to business value recreation, with tight bonding with the company. To promote closer relations and cooperation with suppliers, the Group has created the flexible procurement standards. Assess the details of suppliers and contractors according to tendering and quotation procedures, to ensure that they meet the internal requirements of the Group. Meanwhile, we will inform our partners of our principles and expectations, and establish an effective mechanism to ensure that the parties act in strictly compliance with laws and regulations.

Selecting suppliers

Each subsidiary may have different criteria for various kinds of suppliers.

Selection criteria of suppliers	
Novus	<ul style="list-style-type: none">• In the production of oil and gas, Novus employs authorised contractors with proper licenses and adequate insurance in the government database to conduct drilling and oil production. In addition, Novus requires the contractors and suppliers to comply with its environmental and safety policy.• Should adopt the equal, fair and open tendering process on procurement, and obtain at least three quotations for price, quality and commitment comparison.
Henan Yanchang	<ul style="list-style-type: none">• In the business of refined oil trading, storage and transport, Henan Yanchang requests suppliers and contractors to obtain corporate social responsibility awards or certification. The coverage includes products and service quality, environmental management and conscientious employer. Also, suppliers and contractors are required to comply with the code of "Wholesale and Retail Customer Management" implemented by Henan Yanchang.

Supervisory controls

The Group has stringent procedures intended to ensure that the procurement contracts warrant the rights and obligations of both parties and is executed in accordance with the terms, to prevent disputes. Under supply chain supervision, Novus regularly carries out quality assurance to the extent that all materials used by suppliers satisfy CSA standards. Henan Yanchang adopts a highly transparent accountability mechanism for quality assurance that carried out regularly, hold

regular visits or seminars to verify whether requirement is complied. Furthermore, relevant employees are assigned to regularly assess suppliers' performance and conduct site surveys, and will suspend suppliers who do not conform to the requirements.

Supply Chain Sustainability

As a responsible organization, we work together with our suppliers intending to mitigate environmental and social impacts that induced by business operations. We created a comprehensive assessment system for the sake of assuring social responsibility is adhered to. Also, we verified the suitability of approved suppliers/subcontractors every year in terms of quality of services and products, safety and environmental performance, labour standards and financial status.

7.2. Information Security and Product Safety

Management approach and policies

The Group has always regarded the quality of products as the key to our business success. Therefore, we strive to provide customers with high-quality, healthy and safe products and services in accordance with applicable local and international laws. A sound safety and quality management system is in place which helps us to prevent major accidents and supplies quality products and services to meet customer requirements. In the course of operations, the Group strictly abides by national laws and regulations and industry quality standards to protect the basic rights and interests of customers.

During the reporting period, the Group did not have any reported cases of product recall for safety or quality reasons and received no complaints.

Product Safety

In order to ensure that our products meet industry and national safety standards, we conduct product testing with specific and effective methods to make sure that our products meet quality and technical requirements and to correct any serious defects in a timely manner. We only deliver products meeting quality and technical requirements to customers. To ensure that the products sold by the Group meet the requirements of clients, the subsidiaries adopt the following product safety maintenance measures:

Product safety maintenance measures	
Novus	<ul style="list-style-type: none"> Petroleum products must be tested for quality and safety Pursuant to the requirements of oil and gas distributors, the approved third-party certification institution would be engaged to conduct the tests based on quality every year.

	Product safety maintenance measures
Henan Yanchang	<ul style="list-style-type: none"> Using the established sample quality testing procedures, oil samples are sent to a laboratory for analysis against national standards Suppliers of equipment related to the production, transport and storage of petroleum products must have relevant product qualification certificates Before putting the equipment into use, Henan Yanchang will arrange for relevant departments to perform acceptance inspection thereof, and require employees to conduct routine inspection and regular maintenance of related equipment

After-sales service

Customer satisfaction is always the key to success. The Group strive to improve the performance of business in all respects. We are always committed to providing customers better than they expect, so that we facilitate communicating with our customers and collecting their valuable feedbacks, getting to know their needs so as to improve our products and services. Novus and Henan Yanchang have set up a feedback mechanism for customers to express their opinions through a variety of channels. The department concerned will follow up on the complaint and reply the follow-up results to the complainant. The Group will analyse any product recall from four aspects: economic, technological, environmental impact and related policies. After considering various factors, the product recall process will be started as required.

Privacy of consumer data

The Group would be mindful of the need to safeguard information security and confidentiality. We will preserve documents containing confidential information in a proper way. All employees shall be required to abide by any policies and local regulations in relation to Personal Data in order to protect customer data. During the reporting period, we did not receive any complaints against any breaches of privacy policies or loss of customer data.

The data protection measures will be formulated according to different business segments of subsidiaries.

	Data protection measures
Novus	<ul style="list-style-type: none"> The security of personal data collected and kept will be safeguarded No staff is allowed to disclose any confidential information to any third-party
Henan Yanchang	<ul style="list-style-type: none"> To better store customers' information and protect it against stealing, Henan Yanchang establishes a dedicated customer information system that is provided and maintained by a professional technology company The technology company will provide a system safety report to

	<p>the IT Security Department of Henan Yanchang on a monthly basis to evaluate the stability of the security system, and will report, track and follow up on any anomaly</p> <ul style="list-style-type: none"> • Henan Yanchang will not use customer data for promotion purposes without customers' consent
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Fair Trading

The Group encourages the use of good promotion practices. Advertisements should not contain descriptions, claims or illustrations that depart from truth. We will develop our sales and promotional documents in accordance with relevant laws and codes of practice to make sure that our promotional materials and advertisements are truthful, unbiased and sensible, without any misleading elements, so as to protect the interests of consumers.

7.3. Corporate Governance

Management approach and policies

The Group has always been operating its businesses with integrity and ethics. We will not tolerate any form of corruption, including bribery and extortion, fraud, and money laundering. As such, the Group has established an effective internal monitoring and management system for the sake of creating an ethical corporate culture, to ensure that employees act with integrity, impartiality, and honesty.

During the reporting period, no prosecutions were brought against its subsidiaries or any of their employee, in relation to corruption.

Culture of integrity

To take forward a corporate culture of integrity and anti-corruption, we have established a clear standards of conduct to guide our employees and partners, which provides rules and guidelines for dealing with gifts, treats, transactions, financial management, etc. Both subsidiaries have in place internal anti-corruption policies, including Code of Business Conduct and Ethics of Novus and Management Policies for Executive Business Expenses of Henan Yanchang. All employees are required to comply with the policy and the code. We have also formulated fair, open and impartial procedures for product or service procurement and tendering to inhibit any potential corruption. In addition, the Group employs independent auditors to conduct audit of the Group's financial statements, to ensure that the Group's accounts are fairly presented and to strengthen financial control to protect the interests of shareholders.

Whistle-blowing policies

To firmly reject the occurrence of corruption, frauds, etc., the Group incorporate the whistle-blowing policies into anti-corruption measures, that encourage employees and other stakeholders to report any suspected improper or illegal activities through any anonymous ways such as by mail, email, telephone, etc. The Group will investigate and handle the case once internal corruption related information is received.

The investigations are administered on a confidential basis and there will be no reprisal against employees. The investigations are conducted by the Chairman, the Chief Executive Officer ("CEO") (if CEO is involved, the case will be passed to

the Chairman of the Board of Directors) or any appointed person, and notify the complainant the result of investigation.

8. Giving Back to the Society

We truly understand our responsibility as a “corporate citizen”, and responsible for making contribution to the community. We look forward to working with the community of alike philosophy, to support culture, education and other social needs by making donation to non-profit organizations. Besides, Novus is also supporting the local community, especially the development of local culture and sports. We have already sponsored the local hockey teams for years. Henan Yanchang helps to employ local residents and offers jobs to local residents with priority.

9. Future Prospects

Entering into 2019, we will continue to uphold Sustainable Development as our core value. The Group integrates social responsibilities into its corporate development. We will continue to invest more resources in environmental protection, safe production, employee training, and community responsibility, to further advance its capability and level of green development, while to strictly abide by all relevant laws and regulations.

We will also strive to spread the sustainable development concept to every level along the supply chain, protect stakeholders' current and future welfare, attach equal importance to business development and social dedication and create a better future for next generation.



10. Performance Data Summary

Novus Environmental Performance		
	Unit	2018
Units of emissions and discharges	barrels of equivalent	844,397.00
Pollutant emissions		
Air emissions ¹		
Nitrogen oxide emissions	kg	2.49
Sulphur oxide emissions	kg	0.00
Particulate matter emissions	kg	0.18
Solid waste		
Hazardous waste	kg	Not applicable ²
Hazardous waste intensity	kg/'000 production units	Not applicable ²
Non-hazardous waste	tonnes	711.00
Non-hazardous waste intensity	tonnes/'000 production units	0.84
Greenhouse gas emission and intensity		
Total greenhouse gas emissions	tCO ₂ -e	2,524.63
Direct emissions	tCO ₂ -e	1,904.53
Energy-related indirect emissions	tCO ₂ -e	620.10
Emission intensity	tCO ₂ -e /'000 production units	2.99
Use of energy		
Power purchased	kWh	1,215,890.00
Power intensity	kWh/'000 production units	1,439.95
Propane	litres	1,188,571.51
Propane use intensity	litres/'000 production units	1,407.60
Natural gas	cubic metres	71,770.61
Natural gas use intensity	cubic metres/'000 production units	85.00

Notes:

1: The record of air emissions data is newly introduced in 2018

2: Novus's oil field is operated by contractors, so non-hazardous waste in relation to relevant operations is disposed by contractors.

Henan Yanchang Environmental Performance		
	Unit	2018
Unit of emissions and discharges	tonnes	3,232,347.47
Pollutant emissions		
Air emissions¹		
Nitrogen oxide emissions	kg	230.35
Sulphur oxide emissions	kg	0.47
Particulate matter emissions	kg	22.07
Solid waste		
Hazardous waste	kg	1,500.00
Hazardous waste intensity	kg/'000 production units	0.53
Non-hazardous waste	tonnes	Not applicable ²
Non-hazardous waste intensity	tonnes/'000 production units	Not applicable ²
Greenhouse gas emission and intensity		
Total greenhouse gas emissions	tCO ₂ -e	3,710.40
Direct emissions	tCO ₂ -e	2,530.30
Energy-related indirect emissions	tCO ₂ -e	1,180.10
Emission intensity	tCO ₂ -e /'000 production units	0.98
Use of energy		
Power purchased	kWh	734,491.00
Power intensity	kWh/'000 production units	227.23
Gasoline (mobile sources)	litres	31,731.00
Gasoline use intensity	litres/'000 production units	9.82
Municipal water	cubic metres	11,064.00
Water use intensity	cubic metres/'000 production units	3.42
Diesel (stationary sources)	litres	1,022.00
Diesel use intensity	litres/'000 production units	0.32
Ethanol fuel	litres	1,009.33
Ethanol fuel use intensity	litres/'000 production units	0.312259746

Notes:

1: The record of air emissions data is newly introduced in 2018

2: Non-hazardous waste produced by Henan Yanchang is disposed by municipal authority, so no data could be recorded.

Novus Social Performance		
Employee	Unit	2018
Total number of employees	person	17
Age distribution		
Age 18-30	person	1
Age 31-45	person	8
Age 45-60	person	7
Age 60 or above	person	1
Gender distribution		
Male	person	12
Female	person	5
Employment type		
Full-time	person	17
Function distribution		
Senior management	person	3
Middle management	person	6
General staff	person	8
Employee turnover		
Employee turnover (monthly average)	percentage	0.49%
Age distribution		
Age 18-30	percentage	0.00%
Age 31-45	percentage	0.00%
Age 45-60	percentage	0.49%
Age 60 or above	percentage	0.00%
Gender distribution		
Male	percentage	0.00%
Female	percentage	0.49%
Health and Safety		
Work-related death	person	0
Number of work days lost due to work-related injuries	days	0

Novus Social Performance		
Training and development	Unit	2018
Total training hours for the year	hour	394
Average hours for each employment category		
Male	hour	0.98
Female	hour	0.95
Senior management	hour	0.17
Middle management	hour	0.51
General staff	hour	1.25
Trained employees as a percentage of total employees		
Male	percentage	70.59%
Female	percentage	29.41%
Senior Management	percentage	17.65%
Middle Management	percentage	35.29%
General staff	percentage	47.06%
Product responsibility		
Percentage of products that must be recalled for health and safety reasons	percentage	0
Number of complaint cases about products and services	case	0
Anti-corruption		
Number of concluded corruption cases brought against the issuer or its employees during the reporting period	time	0

Henan Yanchang Social Performance		
Employee	Unit	2018
Total number of employee	person	115
Age distribution		
Age 18-30	person	53
Age 31-45	person	41
Age 45-60	person	21
Age 60 or above	person	0
Gender distribution		
Male	person	75
Female	person	40
Employee type		
Full-time	person	115
Function distribution		
Senior management	person	5
Middle management	person	13
General staff	person	97
Employee turnover		
Employee turnover (monthly average)	percentage	1.23%
Age distribution		
Age 18-30	percentage	0.80%
Age 31-45	percentage	0.43%
Age 45-60	percentage	0.00%
Age 60 or above	percentage	0.00%
Gender distribution		
Male	percentage	1.09%
Female	percentage	0.14%
Health and safety		
Work-related deaths	person	0
Number of work days lost due to work-related injuries	days	0

Henan Yanchang Social Performance		
Training and development	Unit	2018
Total training hours for the year	hour	1393
Average hours for each employment category		
Male	hour	0.71
Female	hour	0.30
Senior management	hour	0.13
Middle management	hour	0.34
General staff	hour	0.54
Trained employees as a percentage of total employees		
Male	percentage	63.48%
Femal	percentage	34.78%
Senior management	percentage	4.35%
Middle management	percentage	11.30%
General staff	percentage	82.61%
Product responsibility		
Percentage of products that must be recalled for health and safety reasons	percentage	0
Number of complaint cases about products and services	case	0
Anti-corruption		
Number of concluded corruption cases brought against the issuer or its employees during the reporting period	time	0

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