



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 228)



Environmental, Social and Governance Report 2018

* For identification purposes only

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1. Introduction

This is the Environmental, Social and Governance Report (this “Report”) of China Energy Development Holdings Limited compiled in accordance with the Environmental, Social and Governance Reporting Guide published by The Stock Exchange of Hong Kong Limited (“SEHK”). This Report aims to disclose relevant environmental, social and governance (“ESG”) information, including information on the policies and compliance with relevant laws and regulations that have a significant impact on the group, as well as environmental key performance indicators (“KPIs”), to the stakeholders of the headquarter of China Energy Development Holdings Limited and its subsidiaries.

Reporting Specification

To improve readability, the headquarter of China Energy Development Holdings Limited will be referred to as “CEDHL” or “the Company”, Zhong Neng Finance Limited will be referred to as “ZNFL”, Karamay Weirun Gas Company Limited will be referred to as “KWGCL”, China Era Energy Power Investment (Hong Kong) Limited will be referred to as “CEEPIL” and the Company, ZNFL, KWGCL and CEEPIL will be collectively referred to as “the Group”.

Reporting Standard

This Report is prepared:

- in accordance with Appendix 27, Environmental, Social and Governance Reporting Guide, of the Rules Governing the Listing of Securities on the Main Board of SEHK (“Main Board Listing Rules”); and
- with reference to the Global Reporting Initiative Standards published by the Global Reporting Initiative.

Reporting Boundary

The scope of this Report includes:

- the operation in Hong Kong of the headquarter of China Energy Development Holdings Limited incorporated in the Cayman Islands with limited liability;
- the operation in Hong Kong of Zhong Neng Finance Limited incorporated in Hong Kong with limited liability (one of the major subsidiaries of the Group);
- the operation in Xinjiang of Karamay Weirun Gas Company Limited incorporated in the People's Republic of China (the "PRC") with limited liability (an effective 26.01% owned subsidiary of the Company); and
- the operation in Xinjiang of China Era Energy Power Investment (Hong Kong) Limited incorporated in Hong Kong with limited liability (one of the major subsidiaries of the Group).

Reporting Period

The reporting period of this Report is from 1 January 2018 to 31 December 2018, which is same as the annual report of the Company.

Reporting Cycle

This Report is to be published annually.

Access to the Report

The English and Chinese versions of this Report can be browsed or downloaded from:

- the Company's official website:
<http://www.cnenergy.com.hk>
- HKEXnews website by Hong Kong Exchanges and Clearing Limited:
<http://www.hkexnews.hk>

Contact Us

If you have any opinions regarding this Report, please contact the ESG reporting team via email.

Email: info@cnenergy.com.hk

2. Preface

This is the ESG Report of the Group, which is prepared in accordance with the Main Board Listing Rules. The Group continues to monitor the public's expectation of sustainable development and disclosure of ESG information. Stakeholders, including government, stock exchange, investors, professional service providers, customers, employees and other social groups, expect to understand the Group's ESG policies and non-financial risks more thoroughly.

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group.

Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group also places high value on the corporate governance practices such as employment, labour practices and operating practices, and the Board of Directors (the "Board") firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Group and its stakeholders. The Group will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the Corporate Governance Code and align with the latest developments.

The Group understands the importance of maintaining a good relationship with its professional service providers, customers and other stakeholders to meet its immediate and long-term goals. The Group commits to operate in a sustainable manner and at the same time maintains the balance of rights and interests between different stakeholders. By regular stakeholder engagements via different channels, the stakeholders are encouraged to express their opinions on the Company's ESG policies. In line with the last reporting period, an ESG survey was conducted with the stakeholders of the Group in order to collect their opinions on the ESG strategy of the Group and help the reporting team to assess the materiality of various aspects from the stakeholder's perspective. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, professional service providers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

To quantify the effectiveness of our ESG policies and management systems of non-financial risks, the Group introduced the measurement and reporting of various environmental KPIs in the 2017 report. The measurement and reporting of environmental KPIs is an ongoing and consistent process, allowing for meaningful comparisons of ESG data in subsequent ESG reports. Starting from this reporting period, the reporting boundary has been expanded to include CEEPIL (one of the major subsidiaries of the Group).

To prepare and compile this Report, the Group has specifically formed a reporting team consisting of the management and external consultant, which updates the Board on a regular basis regarding the reporting progress. When preparing and compiling this Report, the Group has reviewed its existing policies and achieved a better understanding of the values of ESG reporting. During the reporting process through the approach of measurement, management and changes, the Group hopes to drive improvement and innovation while minimizing the Group's non-financial risks.

The Board of the Company is pleased to present the 2018 ESG Report for the period from 1 January 2018 to 31 December 2018, which outlines the Group's policies and performance in four areas which are environmental, employment and labour practices, operating practices and community investment.

3. China Energy Development Holdings Limited and Zhong Neng Finance Limited

3.1 Environmental

The principal activity of CEDHL is investment holdings, while the principal activity of ZNFL is money lending.

The major sources of emissions of CEDHL and ZNFL are from their office and private cars in Hong Kong.

Due to limited number of employees in Hong Kong, the amount of emission is relatively limited. The major sources of emissions are from air conditioning and electricity used in the office.

In the reporting period, CEDHL and ZNFL have complied with all relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

3.1.1 Air and Greenhouse Gas Emissions

In the reporting period of CEDHL and ZNFL, the source of direct air and greenhouse gas emissions from gaseous fuel consumption is from private cars.

The air emissions of the private cars include nitrogen oxides (NO_x), sulphur oxides (SO_x) and respiratory suspended particles, while the greenhouse gas emissions of the private cars include carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O).

Other major direct greenhouse gas emissions are hydrofluorocarbons (HFC) and perfluorocarbons (PFC), which are resulted from the use of air conditioning equipment in the office.

Their major indirect greenhouse gas emission is carbon dioxide (CO₂) resulted from the generation of electricity which is used in the office.

Other minor and indirect greenhouse gas emissions sources are:

- carbon dioxide (CO₂) emissions resulted from disposal of office solid waste at landfills;
- carbon dioxide (CO₂) emissions resulted from the electricity used for processing fresh water and sewage by Water Supplies Department; and
- carbon dioxide (CO₂) emissions resulted from business air travel by employees.

3.1.2 Discharge into Water and Land, and Generation of Hazardous and non-Hazardous Waste

In the reporting period for CEDHL and ZNFL, the major source of discharge into water is from use of water in the office and the amount of discharge is relatively limited.

Due to their business natures, there is no generation of hazardous waste.

The major source of non-hazardous waste is from the solid waste of the office and the amount of discharge is relatively limited.

3.1.3 Policies and Use of Resources

As enterprises with social responsibility, CEDHL and ZNFL encourage their employees to use their best endeavours to reduce waste and emissions, with a view to contributing to the community and the environment. CEDHL and ZNFL believe in ‘many a little makes a mickle’, despite the fact that the amount of emission is very limited due to their business natures and relatively passive position in reducing waste and emissions. Regarding emission policies, all emissions are handled by relevant government agencies and property management companies in ways that are in accordance with local laws and regulations. In addition, CEDHL and ZNFL consider the efficient use of resources, such as electricity and water, is of equal importance to emission policies. Efficient use of resources not only can reduce waste and emissions from the sources, but also reduce operating expenses, which is mutually beneficial to the Group and the environment.

Policies relating to reduction of waste and emissions, and efficient use of resources include:

- encourage employees to use their best endeavours to take public transport during business trip;
- encourage employees to reduce unnecessary overseas business trip, thus reducing indirect carbon emissions;
- consider energy efficient products when procuring and replacing equipment, e.g. replacing incandescent lighting with LED lighting;
- turn off electrical appliances or switch them to standby mode when they are not in use, thus reducing the amount of electricity used;
- use duplex printing, recycle papers and use electronic means to reduce paper usage;
- reuse office stationaries (e.g. envelopes and folders);
- turn off all unnecessary lighting, air conditioning and electrical appliances before leaving the office;
- encourage employees to recycle paper, plastic bottle and tin can; and
- encourage employees to recycle equipment such as computers and communication devices through the recycling programme of Environmental Protection Department.

3.2 Social – Employment and Labour Practices

CEDHL and ZNFL believe employees are essential assets in driving corporate sustainable development and long term success, thus maintaining a good relationship with employees is of utmost importance. By regular communication through different channels, the employees are encouraged to express their opinions on the policies relating to employment and labour practices.

In the reporting period, CEDHL and ZNFL have complied with all relevant laws and regulations relating to employment.

3.2.1 Employment

3.2.1.1 Remuneration

CEDHL and ZNFL have formulated employment policies and guidelines that comply with the employment laws of Hong Kong.

The initial salaries of the employees are based on prevailing local market rate and subject to adjustment based on experiences, qualifications and job positions. To ensure CEDHL and ZNFL can attract and retain outstanding employees, the employees are provided with year-end double pay and remuneration package review on a regular basis.

3.2.1.2 Benefits

CEDHL and ZNFL operate Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

3.2.1.3 Working Hours

The employees of CEDHL and ZNFL implement 5-day work week with 8 hours a day and 40 hours a week.

Due to operational requirement, employees may be required to work outside the normal working hours. CEDHL and ZNFL encourage the management and employees to maintain a work-life balance, avoid unnecessary overtime and maintain a good corporate culture.

3.2.1.4 Holidays

CEDHL and ZNFL provide holidays and leaves for the employees including public holidays, annual leave, sick leave, maternity leave and paternity leave:

- public holidays of 17 days per annum, set by Chapter 149 General Holidays Ordinance of the Laws of Hong Kong. The dates are published in the Government Gazette;
- paid annual leave of not less than 14 days per annum;
- sick leave in accordance with the Hong Kong Employment Ordinance; employees have to provide proper medical certificate;
- 10 weeks of maternity leave, in accordance with the Hong Kong Employment Ordinance; and
- 3 days of paternity leave, in accordance with the Hong Kong Employment Ordinance.

3.2.1.5 Recruitment, Dismissal, Equal Opportunity, Diversity and Anti-Discrimination

During recruitment, promotion and daily operation, CEDHL and ZNFL adopt policies relating to equal opportunity which aim to eliminate discrimination of gender, nationality, marital status, religious belief and disability in workplace.

CEDHL and ZNFL have established a complete complaint mechanism. Employees can file complaints to the administration department if discrimination or sexual harassment behaviours are discovered. All complaints filed are confidential and CEDHL and ZNFL are responsible for protecting the legitimate rights and interests of the whistle blower.

CEDHL adopted the Board Diversity Policy in accordance with the requirement set out in the Corporate Governance Code. The Company recognizes that the Board diversity is an essential element contributing to the sustainable development of the Company. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to the skills, knowledge, gender, age, cultural and educational background or professional experience. A Board Diversity Policy, with the aim of enhancing the quality of the Board's performance by diversity, was adopted on 27 August 2013 and revised on 31 March 2016.

Dismissal or voluntary termination of employee's contract shall be enforced in accordance with the employment laws of Hong Kong.

3.2.2 Health and Safety

CEDHL and ZNFL are committed to provide employees a safe working environment to protect them from occupational hazards.

During the reporting period, CEDHL and ZNFL have secured employees' insurance policies in accordance with the laws of Hong Kong.

CEDHL and ZNFL have implemented smoke-free workplace policy, which prohibits employees from smoking inside the office including lift lobby and toilet. Employees should ensure that their guests also adhere to the same policy.

If an accident occurs resulting in injury or fire breaks out in the workplace, employees should handle such incident by referring to the companies' internal guidelines with common sense and report to the administration department. First aid box and fire extinguishers are stored in accessible places in the office for emergency.

To prevent influenza from spreading in the workplace and affecting the health of employees, CEDHL and ZNFL remind employees to pay attention to personal hygiene practices, including:

- wash hands frequently;
- cover nose and mouth when sneezing or coughing;
- dispose tissue papers properly in rubbish bins;
- put on a surgical mask when having respiratory symptoms; and
- seek medical attention and apply for sick leave if suffering from severe influenza, so as to prevent spreading of infection to colleagues.

Due to employees' prolonged use of computer, CEDHL and ZNFL have provided employees with desks of suitable height and task chairs of adjustable height, and encourages them to pay attention to their usual sitting posture, take breaks and do stretching exercises regularly, thus reducing occupational strain. Employees are also reminded to take safety precautions and use suitable tools when lifting heavy goods or reaching items at height.

In the reporting period, CEDHL and ZNFL have complied with all relevant laws and regulations relating to health and safety.

3.2.3 Development and Training

CEDHL and ZNFL value employees' development of skills and knowledges, believing that talent retention can drive innovations and business development, expecting to grow and create values together with the employees.

CEDHL and ZNFL encourage their staff to participate in external seminars and lectures to keep abreast of changes and updates on areas of legal, compliance, financial accounting and reporting, and market industry practices. Through these types of training, CEDHL and ZNFL believe that the Group can increase its efficiency and productivity while overall reduction of risk and uncertainties of the Group can be reduced.

CEDHL encourages continuous professional development training for the directors and senior management to develop and refresh their knowledge and skills which includes seminars and workshops, updates on regulatory requirements and development and corporate governance practices.

In the reporting period, all directors of the Company have participated their own professional training by attending seminar/programme/reading relevant materials in relation to the business on directors' duties, in accordance with the Corporate Governance Code. The company secretary of the Company undertook over 15 hours of professional training to update his skills and knowledge.

On the subject of employees' career prospects, if vacancies or new positions are available, CEDHL and ZNFL shall consider internal promotion or transfer, thus encouraging upward mobility of employees.

3.2.4 Labour Standards

CEDHL and ZNFL strictly comply with the policies and guidelines in the employment laws of Hong Kong, including elimination of child and forced labour. All professional service providers are required to ensure no child nor forced labour are employed. During the recruitment process, the administration department requires candidate to provide identification document to check if the age of candidate complies with the laws.

In the reporting period, CEDHL and ZNFL have complied with all relevant laws and regulations relating to labour standards.

3.3 Social – Operating Practices

3.3.1 Supply Chain Management

CEDHL and ZNFL continue to monitor closely on their daily operation and encourages professional service providers to join force in promoting performance of sustainable development. The professional service providers are bound by contracts and the laws and regulations of Hong Kong, ensuring their compliance with laws and regulation relating to environmental and social policies. For instances, they are forbidden to employ under-age labour.

3.3.2 Product Responsibility

CEDHL and ZNFL have formulated regulations relating to software security, network security and privacy, to ensure confidential information are protected and secured.

Employees must strictly comply with anti-virus protection regulations, the highlights are:

- all computers must be installed with licensed software; Employees are strictly prohibited from installing any pirated software;
- anti-virus software must be installed on all computers;
- update the operating system and anti-virus software on a prompt and regular basis, thus fixing security vulnerabilities;
- backup employees' computers and servers on a regular basis, hence protecting possible data loss caused by hardware or software failures; and
- when computers or servers showing signs of anomaly, promptly notify the administration department, and conduct quarantine and inspection based on relevant protocols, so as to minimize potential risks.

To protect confidential information, privacy and interests of CEDHL, ZNFL and their stakeholders, employees must strictly comply with regulations relating to information handling, the highlights are:

- disclosure of the companies' information relating to copyrights, intellectual property rights and other confidential information, to unrelated third parties or employees, is prohibited;
- employees will have to keep such information confidential after resignation;
- To avoid potential leak of information, meeting with clients and visitors should be carried out in conference room, instead of in working area of the office;
- proper networking and server permissions are configured to avoid employee accessing information unrelated to his work; and
- handle personal information in accordance with Personal Data (Privacy) Ordinance.

ZNFL has noticed the Guidelines on Additional Licensing Conditions of Money Lenders Licence was applicable with effect on 1 December 2016. In recent years, deceptive tactics are being used by fraudsters who claim themselves to be financial intermediaries for money lending to induce intending borrowers to engage them for arranging loans with money lenders and charge very high fees under different pretexts in the process. To combat the problem, the additional licensing conditions were imposed on money lenders seek to facilitate effective enforcement of the statutory ban on separate fee charging by money lenders and their connected parties, ensure better protection of privacy of intending borrowers, enhance transparency and disclosure, and promote the importance of prudent borrowing.

In the reporting period, regarding the money lending business of ZNFL, ZNFL has not authorized any third parties or intermediaries, and has ensured its compliance with the additional licensing conditions.

In the reporting period, CEDHL and ZNFL have complied with all relevant laws and regulations relating to product responsibility.

3.3.3 Anti-corruption

CEDHL and ZNFL consider ethical conduct is of utmost importance in corporate sustainable development and long-term success. Employees must comply with relevant laws and regulations in Hong Kong, prohibiting individual and commercial corruption, bribery, extortion, fraud and money laundering.

CEDHL and ZNFL have formulated guidelines relating to anti-corruption, for instance:

- without consent of CEDHL or ZNFL, employees must not offer nor accept any gifts;
- employees endeavours to avoid conflict of interests and they should report such conflict in advance if any; and
- employees discovering any corruption, bribery, blackmail, fraud and money laundering incidents must report to the administration department. All complaints filed are confidential and CEDHL and ZNFL are responsible for protecting the legitimate rights and interests of the whistle blower.

In the event of corruption, bribery, extortion, fraud and money laundering, CEDHL and ZNFL will investigate in depth and take necessary legal actions to protect the rights and interests of the companies and their stakeholders.

During the reporting period, CEDHL and ZNFL have complied with all relevant laws and regulations relating to anti-corruption.

3.4 Social – Community

3.4.1 Community Investment

CEDHL and ZNFL are committed to participate in community events from time to time, and to the improvement of community well-being and social services. CEDHL and ZNFL support and encourage staff to actively participate in a wide range of charitable events outside working hours, to raise awareness and concern for the community, and to inspire more people to take part in serving the community. Due to their business natures, CEDHL and ZNFL do not have any specific policies in relation to community engagement and donation in the reporting period. In the coming year, the management shall review policies relating to community investment and explore the feasibility of increasing community investment activities.

4. Karamay Weirun Gas Company Limited

4.1 Environmental

KWGCL is principally engaged in distribution of natural gas. Due to the fact that KWGCL distributes its natural gas entirely through third-party pipelines, its operation has limited impact on the environment. In order to protect the environment and natural resources, prevent accidents and mitigate losses caused by accidents, the management of KWGCL has formulated the "Emergency Plan for the Operation of Hazardous Chemicals for KWGCL" (the "Emergency Plan"), in accordance with local laws and regulations.

The scope of the Emergency Plan includes but not limited to:

- classification, identification and evaluation of risks of accidents;
- the system and responsibilities of the emergency organization;
- prevention and early warning, including monitoring of sources of hazards and information reporting mechanisms;
- procedures and measures for handling emergency;
- protection of communication, information, supplies and equipment for emergency; and
- training, drills, maintenance and updates.

On top of that, in order to standardise production safety and provide work regulations for the management and employees responsible for the operations and maintenance, KWGCL has formulated a number of management systems and safety systems, including but not limited to: Shift Handover Management System, Duty Regulations, Pipeline Inspection System, Equipment Management System, Dangerous Goods Safety Management System, Natural Gas Safety Data Sheet, Accident Management Measures, Safety Risk Management System, Emergency Rescue Management System, Fire Safety Management System, Hidden Danger Investigation and Governance System and etc.

The main emphasis of the managements systems and safety systems includes but not limited to:

- employees are not allowed to leave the post before the arrival of employees of next shift;
- must check the equipment regularly for leakages when on duty;
- employees must pass relevant professional and operational skills training and exams;
- employees must be familiar with the general physical and chemical properties of natural gas, technical process, use and maintenance of testing equipment, and related safety practices;
- critical parts of the pipelines, that may leak when there are construction, passing of heavy vehicles and etc., must be heavily monitored (24 hours on-site monitor is necessary for crucial parts); and
- keep proper inspection records for future verification and inspection.

The major sources of emissions of KWGCL are from the office, dormitory, private cars in Xinjiang and business air travel by employees.

Due to limited number of employees in Xinjiang, the amount of emission from the office and dormitory are relatively limited. The major sources of emissions are from air conditioning, electricity used, water used and natural gas used for heating.

During the reporting period, KWGCL has complied with all relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

4.1.1 Air and Greenhouse Gas Emissions

During the reporting period of KWGCL, the source of direct air and greenhouse gas emissions from gaseous fuel consumption is from the private cars.

The air emissions of the private cars include nitrogen oxides (NO_x), sulphur oxides (SO_x) and respiratory suspended particles, while the greenhouse gas emissions of the private cars include carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O).

Other major direct greenhouse gas emissions are hydrofluorocarbons (HFC) and perfluorocarbons (PFC), which are resulted from the use of air conditioning equipment in the office and dormitory.

Its major indirect greenhouse gas emission is carbon dioxide (CO₂) resulted from business air travel by employees and the generation of electricity, which is used in the office and dormitory.

Other minor and indirect greenhouse gas emissions sources are:

- carbon dioxide (CO₂) emissions resulted from disposal of solid waste at the office and dormitory;
- carbon dioxide (CO₂) emissions resulted from the electricity used for processing fresh water and sewage for the office and dormitory; and
- carbon dioxide (CO₂) emissions resulted from the use of natural gas for heating.

4.1.2 Discharge into Water and Land, and Generation of Hazardous and non-Hazardous Waste

During the reporting period for KWGCL, the major source of discharge into water is from use of water in the office and dormitory, and the amount of discharge is relatively limited.

Due to its business nature, the generation of hazardous waste is limited.

The major source of non-hazardous waste is from the solid waste of the office and dormitory and the amount of discharge is relatively limited.

4.1.3 Policies and Use of Resources

As enterprises with social responsibility, KWGCL encourages their employees to use their best endeavours to reduce waste and emissions, with a view to contributing to the community and the environment. KWGCL believes in ‘many a little makes a mickle’, despite the fact that the amount of emission is very limited due to their business natures and relatively passive position in reducing waste and emissions. Regarding emission policies, all emissions are handled in accordance with local laws and regulations. In addition, KWGCL considers the efficient use of resources, such as electricity and water, is of equal importance to emission policies. Efficient use of resources not only can reduce waste and emissions from the sources, but also reduce operating expenses, which is mutually beneficial to the KWGCL and the environment.

Policies relating to reduction of waste and emissions, and efficient use of resources include:

- encourage employees to use their best endeavours to take public transport during business trip;
- encourage employees to reduce unnecessary overseas business trip, thus reducing indirect carbon emissions;
- consider energy efficient products when procuring and replacing equipment, e.g. replacing incandescent lighting with LED lighting;
- turn off electrical appliances or switch them to standby mode when they are not in use, thus reducing the amount of electricity used;
- use duplex printing, recycle papers and use electronic means to reduce paper usage;
- reuse office stationaries (e.g. envelopes and folders);
- turn off all unnecessary lighting, air conditioning and electrical appliances before leaving the office;
- encourage employees to recycle paper, plastic bottle and tin can; and
- encourage employees to recycle equipment such as computers and communication devices through recycling programme.

4.2 Social – Employment and Labour Practices

KWGCL believes employees are essential assets in driving corporate sustainable development and long term success, thus maintaining a good relationship with employees is of utmost importance. By regular communication through different channels, the employees are encouraged to express their opinions on the policies relating to employment and labour practices.

In the reporting period, KWGCL has complied with all relevant laws and regulations relating to employment.

4.2.1 Employment

4.2.1.1 Remuneration, Benefits, Working Hours and Holidays

KWGCL has formulated employment policies and guidelines that comply with the local Employment Law and Employment Contract Law.

The initial salaries of the employees are based on prevailing local market rate and subject to adjustment based on experiences, qualifications and job positions. Performance bonus is determined according to the employee's work performance, labour achievement and actual contribution, and evaluated according to the internal distribution method. To ensure KWGCL can attract and retain outstanding employees, the employee remuneration package shall be reviewed on a regular basis. KWGCL shall reasonably adjust the employee's salary according to the internal salary growth method, the economic benefits of the company, the salary guideline issued by the local labour administrative department, the labour cost information and other systems. If work is suspended due to insufficient production tasks or other reasons, the employees' living expenses shall be paid according to the minimum living security of the city. Employee remuneration is paid monthly on a regular basis.

KWGCL participates in social insurance in accordance with the laws and pays various social insurance premium on time. The part that should be paid by the employees according to the laws shall be withheld and paid by the employees' salary, and the social insurance contribution shall be monitored by and presented to the employees yearly. Employees are entitled to leave and vacation in accordance with the laws, including the national statutory holidays, family leave, marriage and bereavement leave, maternity leave and paid annual leave.

KWGCL has implemented a standard working hour system, employees work on average of no more than 40 hours per week. If employees are required to work overtime due to work requirements, KWGCL should discuss with the labour union to extend the working hours by no more than 3 hours per day, 36 hours per month, and give employees compensation leave or overtime pay according to the laws. If an employee's job duty requires a comprehensive calculation of working hours or irregular working hour system, the system must be approved by the labour administrative department before implementation.

4.2.1.2 Recruitment, Dismissal, Equal Opportunity, Diversity and Anti-Discrimination

The major principle of recruitment is the suitability of the candidates in relation to the positions. Other factors such as required practical knowledge of the position, the quality, working attitude, skill, potential and working experience of the candidates are also considered. During recruitment, KWGCL encourage to provide equal opportunity to people with different social statuses, races and genders, with a view to increasing internal diversity and strengthening competitiveness.

Dismissal or voluntary termination of employee's contract shall be enforced in accordance with the local Employment Contract Law.

KWGCL has established a complete complaint mechanism. Employees can file complaints when:

- having any dissatisfaction with the work or the company; or
- discovering any illegal activities conducted by employee or the company; or
- having any dissatisfaction with the work or the company in relation to providing equal opportunity, diversity and anti-discrimination.

An employee can file the complaints directly to his/her senior or to the administration department. If the reply to the complaint is not satisfactory or if the employee does not want the complaint to be handled by his/her senior nor the administrative department, he/she can report it directly to the general manager. All complaints filed are confidential and KWGCL is responsible for protecting the legitimate rights and interests of the whistle blower.

4.2.2 Health and Safety

KWGCL has provided workplace that meets the national labour hygiene standards in accordance with local labour protection regulations, and effectively protects the health and safety of employees. If an employee is likely to have an occupational hazard during his or her work, KWGCL shall truthfully inform the employee and protect the employee's health and related benefits in accordance with the provisions of the Occupational Disease Prevention and Control Act. If the management has an indifferent act to the employee's life safety and physical health, the employee has the right to criticize and complaint to the relevant departments for accusation.

If unfortunate events happen and employees suffer from physical injury when carrying out work duties, the employee can apply for work injury holiday to his or her department. Other policies regarding occupational safety and production safety have been set out in Section 4.1 of this report.

During the reporting period, KWGCL has complied with all relevant laws and regulations relating to health and safety.

4.2.3 Development and Training

KWGCL values employees' development of skills and knowledges, believing that talent retention can drive innovations and business development. KWGCL expects to grow and create values together with its employees.

If an employee is required to receive professional technical training, KWGCL shall sign an agreement with the employee to clarify the rights and obligations of both parties, and the training fees shall be paid by KWGCL.

On the subject of employees' career prospects, if vacancies or new positions are available, KWGCL shall consider internal promotion or transfer, thus encouraging upward mobility of employees. External recruitment shall take place if:

- there is no suitable candidate internally; or
- there is not enough workforce internally; or
- talents with professional knowledges or specific skillset are required.

4.2.4 Labour Standards

KWGCL strictly complies with the policies and guidelines in the local Employment Law and Employment Contract Law, including elimination of child and forced labour. All operating units have to ensure no child or forced labour are employed. During the recruitment process, the human resources department requires candidate to provide identification document to check if the age of candidate complies with the laws.

During the reporting period, KWGCL has complied with all relevant laws and regulations relating to labour standards.

4.3 Social – Operating Practices

4.3.1 Supply Chain Management

KWGCL continues to monitor closely on its daily operation and encourages suppliers and contractors to join force in promoting performance of sustainable development. Suppliers and contractors are bound by contracts and the local laws and regulations, ensuring their compliance with laws and regulation relating to environmental and social policies. For instances, they are forbidden to employ under-age labour and the products supplied must meet environmental standards. During procurement, the procurement manager is responsible for selecting and reviewing suppliers. More environmental friendly products or services should be procured when it is feasible, with a view to minimizing negative impacts to the environment and human health, and also conserving natural resources.

4.3.2 Product Responsibility

To protect confidential information, privacy and interests of KWGCL and its stakeholder, employees must strictly comply with the terms in the employment contracts and other regulations regarding the code of practice, the highlights are:

- disclosure of information of KWGCL relating to strategies, researches, technologies, financial, clients and other confidential information, to unrelated third parties or employees, is prohibited;
- employees will have to keep such information confidential after resignation;
- To avoid potential leak of information, meeting with clients and visitors should be carried out in conference room, instead of in working area of the office;
- reading other employees' working information, computer and personal items without consent is prohibited;
- permissions must be granted before entry to the finance office or server room with confidential information; and
- proper networking and server permissions are configured to avoid employee accessing information unrelated to his work.

During the reporting period, KWGCL has complied with all relevant laws and regulations relating to product responsibility.

4.3.3 Anti-corruption

KWGCL considers ethical conduct is of utmost importance in corporate sustainable development and long-term success. Employees must comply with the Anti-Unfair Competition Law and relevant local laws and regulations, prohibiting individual and commercial bribery, extortion, fraud and money laundering.

KWGCL has established a complete complaint mechanism. If an employee discovers illegal activities within the company, he/she can report it to the administrative department or his/her senior. If the reply to the complaint is not satisfactory or if the employee does not want the complaint to be handled by his/her senior nor the administrative department, he/her can report it directly to the general manager. All complaints filed are confidential and KWGCL is responsible for protecting the legitimate rights and interests of the whistle blower.

If any corruption, bribery, blackmail, fraud and money laundering incidents are discovered, KWGCL will take necessary legal actions to protect the rights and interests of KWGCL and its stakeholders.

During the reporting period, KWGCL has complied with all relevant laws and regulations relating to anti-corruption.

4.4 Social - Community

4.4.1 Community Investment

KWGCL is committed to create a positive impact on the communities in which it operates. Employees are encouraged to participate in community projects and activities. Due to its business nature, KWGCL does not have any specific policies in relation to community engagement and donation during the reporting period. In the coming year, the management shall review policies in relation to community investment and explore the feasibility of increasing community investment activities.

5. China Era Energy Power Investment (Hong Kong) Limited

CEEPIL, an indirectly wholly-owned subsidiary of the Group, entered into a petroleum contract with China National Petroleum Corporation (“CNPC”) for the drilling, exploration, development and production of oil and/or natural gas within the specified site located in North Kashi Block, Tarim Basin, Xinjiang, PRC (the “Petroleum Contract”).

Pursuant to the Petroleum Contract, CEEPIL shall bear all costs required for the evaluation operations, and the development costs shall be borne by CNPC and CEEPIL in the proportions of 51% and 49%, respectively. In addition, CNPC’s portion of operating costs shall be advanced by CEEPIL and recovered from the production of crude oil.

Under the terms of the Petroleum Contract, the evaluation costs, development costs and operating costs are to be recovered according to a mechanism of cost recovery oil and investment recovery oil. Remaining oil, after cost recovery, all applicable taxes and royalty that might apply in the PRC, is share oil, which is apportioned between 51% by CNPC and 49% by CEEPIL.

Regarding disclosure of ESG information of CEEPIL, since it is a jointly controlled operation with CNPC, disclosure of such information has to be approved by CNPC. Upon materiality assessment through stakeholder engagement and discussion with the ESG reporting team, the Group has decided to include CEEPIL in the reporting boundary of this Report, although the ESG information that can be disclosed is not comprehensive. In coming years, CEEPIL shall continue to liaise with CNPC for better disclosure of ESG information.

5.1 Environmental

CEEPIL is principally engaged in drilling, exploration, development and production of oil and/or natural gas in Xinjiang, PRC.

During the reporting period, the major sources of emissions of CEEPIL are from the office, dormitory in Xinjiang and business air travel by employees.

Due to limited number of employees in Xinjiang, the amount of emission from the office and dormitory are relatively limited. The major sources of emissions are from air conditioning, electricity used, water used and natural gas used for heating.

During the reporting period, CEEPIL has complied with all relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including but not limited to:

- The Environmental Protection Law of the PRC;
- The Water Pollution Prevention Law of the PRC;
- The Solid Waste Pollution Prevention Law of the PRC;
- Integrated Emission Standard of Air Pollutants of the PRC; and
- Integrated Wastewater Discharge Standard of the PRC.

5.1.1 Air and Greenhouse Gas Emissions

During the reporting period of CEEPIL, the source of major direct greenhouse gas emissions are hydrofluorocarbons (HFC) and perfluorocarbons (PFC), which are resulted from the use of air conditioning equipment in the office and dormitory.

Its major indirect greenhouse gas emission is carbon dioxide (CO₂) resulted from business air travel by employees and the generation of electricity, which is used in the office and dormitory.

Other minor and indirect greenhouse gas emissions sources are:

- carbon dioxide (CO₂) emissions resulted from disposal of solid waste at the office and dormitory;
- carbon dioxide (CO₂) emissions resulted from the electricity used for processing fresh water and sewage for the office and dormitory; and
- carbon dioxide (CO₂) emissions resulted from the use of natural gas for heating.

5.1.2 Discharge into Water and Land, and Generation of Hazardous and non-Hazardous Waste

During the reporting period for CEEPIL, the major source of discharge into water is from use of water in the office and dormitory, and the amount of discharge is relatively limited.

Due to its business nature, the generation of hazardous waste is limited.

The major source of non-hazardous waste is from the solid waste of the office and dormitory and the amount of discharge is relatively limited.

5.1.3 Policies and Use of Resources

As enterprises with social responsibility, CEEPIL encourages their employees to use their best endeavours to reduce waste and emissions, with a view to contributing to the community and the environment. Regarding emission policies, all emissions are handled in accordance with local laws and regulations. In addition, CEEPIL considers the efficient use of resources, such as electricity and water, is of equal importance to emission policies. Efficient use of resources not only can reduce waste and emissions from the sources, but also reduce operating expenses, which is mutually beneficial to the CEEPIL and the environment.

Policies relating to reduction of waste and emissions, and efficient use of resources include:

- encourage employees to use their best endeavours to take public transport during business trip;
- encourage employees to reduce unnecessary overseas business trip, thus reducing indirect carbon emissions;
- consider energy efficient products when procuring and replacing equipment, e.g. replacing incandescent lighting with LED lighting;
- turn off electrical appliances or switch them to standby mode when they are not in use, thus reducing the amount of electricity used;
- use duplex printing, recycle papers and use electronic means to reduce paper usage;
- reuse office stationaries (e.g. envelopes and folders);
- turn off all unnecessary lighting, air conditioning and electrical appliances before leaving the office;
- encourage employees to recycle paper, plastic bottle and tin can; and
- encourage employees to recycle equipment such as computers and communication devices through recycling programme.

5.2 Social – Employment and Labour Practices

CEEPIL believes employees are essential assets in driving corporate sustainable development and long term success, thus maintaining a good relationship with employees is of utmost importance. By regular communication through different channels, the employees are encouraged to express their opinions on the policies relating to employment and labour practices.

In the reporting period, CEEPIL has complied with all relevant laws and regulations relating to employment.

5.2.1 Employment

5.2.1.1 Remuneration, Benefits and Holidays

CEEPIL has formulated employment policies and guidelines that comply with the local Employment Law and Employment Contract Law.

The initial salaries of the employees are based on prevailing local market rate and subject to adjustment based on experiences, qualifications and job positions. To ensure CEEPIL can attract and retain outstanding employees, the employee remuneration package shall be reviewed on a regular basis. CEEPIL shall reasonably adjust the employee's salary according to the internal salary growth method, the economic benefits of the company, the salary guideline issued by the local labour administrative department, the labour cost information and other systems.

CEEPIL participates in social insurance in accordance with the laws and pays various social insurance premium on time. The part that should be paid by the employees according to the laws shall be withheld and paid by the employees' salary, and the social insurance contribution shall be monitored by and presented to the employees yearly. Employees are entitled to leave and vacation in accordance with the laws, including the national statutory holidays, family leave, marriage and bereavement leave, maternity leave and paid annual leave.

5.2.1.2 Recruitment, Dismissal, Equal Opportunity, Diversity and Anti-Discrimination

The major principle of recruitment is the suitability of the candidates in relation to the positions. Other factors such as required practical knowledge of the position, the quality, working attitude, skill, potential and working experience of the candidates are also considered. During recruitment, CEEPIL encourage to provide equal opportunity to people with different social statuses, races and genders, with a view to increasing internal diversity and strengthening competitiveness.

Dismissal or voluntary termination of employee's contract shall be enforced in accordance with the local Employment Contract Law.

CEEPIL has established a complete complaint mechanism. Employees can file complaints when:

- having any dissatisfaction with the work or the company; or
- discovering any illegal activities conducted by employee or the company; or
- having any dissatisfaction with the work or the company in relation to providing equal opportunity, diversity and anti-discrimination.

An employee can file the complaints directly to his/her senior or to the administration department. If the reply to the complaint is not satisfactory or if the employee does not want the complaint to be handled by his/her senior nor the administrative department, he/she can report it directly to the general manager. All complaints filed are confidential and CEEPIL is responsible for protecting the legitimate rights and interests of the whistle blower.

5.2.2 Health and Safety

CEEPIL has provided workplace that meets the national labour hygiene standards in accordance with local labour protection regulations, and effectively protects the health and safety of employees. If an employee is likely to have an occupational hazard during his or her work, CEEPIL shall truthfully inform the employee and protect the employee's health and related benefits in accordance with the provisions of the Occupational Disease Prevention and Control Act. If the management has an indifferent act to the employee's life safety and physical health, the employee has the right to criticize and complaint to the relevant departments for accusation.

If unfortunate events happen and employees suffer from physical injury when carrying out work duties, the employee can apply for work injury holiday to his or her department. Other policies regarding occupational safety and production safety have been set out in Section 5.1 of this report.

During the reporting period, CEEPIL has complied with all relevant laws and regulations relating to health and safety.

5.2.3 Development and Training

CEEPIL values employees' development of skills and knowledges, believing that talent retention can drive innovations and business development. CEEPIL expects to grow and create values together with its employees.

On the subject of employees' career prospects, if vacancies or new positions are available, CEEPIL shall consider internal promotion or transfer, thus encouraging upward mobility of employees. External recruitment shall take place if:

- there is no suitable candidate internally; or
- there is not enough workforce internally; or
- talents with professional knowledges or specific skillset are required.

5.2.4 Labour Standards

CEEPIL strictly complies with the policies and guidelines in the local Employment Law and Employment Contract Law, including elimination of child and forced labour. All operating units have to ensure no child or forced labour are employed. During the recruitment process, the human resources department requires candidate to provide identification document to check if the age of candidate complies with the laws.

During the reporting period, CEEPIL has complied with all relevant laws and regulations relating to labour standards.

5.3 Social – Operating Practices

5.3.1 Supply Chain Management

CEEPIL continues to monitor closely on its daily operation and encourages suppliers and contractors to join force in promoting performance of sustainable development. Suppliers and contractors are bound by contracts and the local laws and regulations, ensuring their compliance with laws and regulation relating to environmental and social policies. For instances, they are forbidden to employ under-age labour and the products supplied must meet environmental standards. During procurement, the procurement manager is responsible for selecting and reviewing suppliers. More environmental friendly products or services should be procured when it is feasible, with a view to minimizing negative impacts to the environment and human health, and also conserving natural resources.

5.3.2 Product Responsibility

To protect confidential information, privacy and interests of CEEPIL and its stakeholder, employees must strictly comply with regulations relating to information handling, the highlights are:

- disclosure of information of CEEPIL relating to strategies, researches, technologies, financial, clients and other confidential information, to unrelated third parties or employees, is prohibited;
- employees will have to keep such information confidential after resignation;
- To avoid potential leak of information, meeting with clients and visitors should be carried out in conference room, instead of in working area of the office;
- reading other employees' working information, computer and personal items without consent is prohibited;
- permissions must be granted before entry to the finance office or server room with confidential information; and
- proper networking and server permissions are configured to avoid employee accessing information unrelated to his work.

During the reporting period, CEEPIL has complied with all relevant laws and regulations relating to product responsibility.

5.3.3 Anti-corruption

CEEPIL considers ethical conduct is of utmost importance in corporate sustainable development and long-term success. Employees must comply with the Anti-Unfair Competition Law and relevant local laws and regulations, prohibiting individual and commercial bribery, extortion, fraud and money laundering.

CEEPIL has established a complete complaint mechanism. If an employee discovers illegal activities within the company, he/she can report it to the administrative department or his/her senior. If the reply to the complaint is not satisfactory or if the employee does not want the complaint to be handled by his/her senior nor the administrative department, he/her can report it directly to the general manager. All complaints filed are confidential and CEEPIL is responsible for protecting the legitimate rights and interests of the whistle blower.

If any corruption, bribery, blackmail, fraud and money laundering incidents are discovered, CEEPIL will take necessary legal actions to protect the rights and interests of CEEPIL and its stakeholders.

During the reporting period, CEEPIL has complied with all relevant laws and regulations relating to anti-corruption.

5.4 Social - Community

5.4.1 Community Investment

CEEPIL is committed to create a positive impact on the communities in which it operates. Employees are encouraged to participate in community projects and activities. Due to its business nature, CEEPIL does not have any specific policies in relation to community engagement and donation during the reporting period. In the coming year, the management shall review policies in relation to community investment and explore the feasibility of increasing community investment activities.

6. Environmental Key Performance Indicators

The Group continually improves by managing, monitoring and reporting its environmental KPIs. The tables below present a quantitative overview of our 2018 performance.

KPI A1.1:

The types of emissions and respective emissions data

Item	Unit	2017	2018
Private cars NO _x emissions	g	5,832	5,304
Private cars SO _x emissions	g	169	150
Private cars RSP emissions	g	429	391

KPI A1.2:

Greenhouse gas emissions in total and, where appropriate, intensity

Item	Unit	2017	2018
Scope 1 – Direct emissions from sources			
CO ₂ equivalent emissions from private cars	kg	31,099	27,606
Scope 2 – Energy indirect emissions			
CO ₂ equivalent emissions from purchased electricity	kg	25,484	24,357
CO ₂ equivalent emissions from purchased natural gas	kg	2,399	6,161
Scope 3 – Other indirect emissions			
CO ₂ equivalent emissions from paper waste	kg	656	1,570
CO ₂ equivalent emissions from fresh water processing	kg	60	216
CO ₂ equivalent emissions from sewage processing	kg	29	146
CO ₂ emissions from business air travel	kg	15,359	67,917
Total CO ₂ equivalent emissions	kg	75,086	127,974
Revenue	HK\$'000	13,039	477,789
CO ₂ equivalent emissions intensity	kg/HK\$'000	5.76	0.27

KPI A2.1:

Direct and/or indirect energy consumption by type in total and intensity

Item	Unit	2017	2018
Energy consumption by private cars	kWh	111,401	98,890
Energy consumption by purchased electricity	kWh	33,910	33,340
Energy consumption by purchased natural gas	kWh	11,880	30,509
Total energy consumption	kWh	157,191	162,738
Revenue	HK\$'000	13,039	477,789
Energy consumption intensity	kWh/HK\$'000	12.06	0.34

KPI A2.2:

Water consumption in total and intensity

Item	Unit	2017	2018
Total water consumption	m ³	159	867
Revenue	HK\$'000	13,039	477,789
Water consumption intensity	m ³ /HK\$'000	0.012	0.002

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ESG Report 2018

If you have any opinions regarding this Report, please
contact our ESG reporting team via email.

Email: info@cenergy.com.hk