



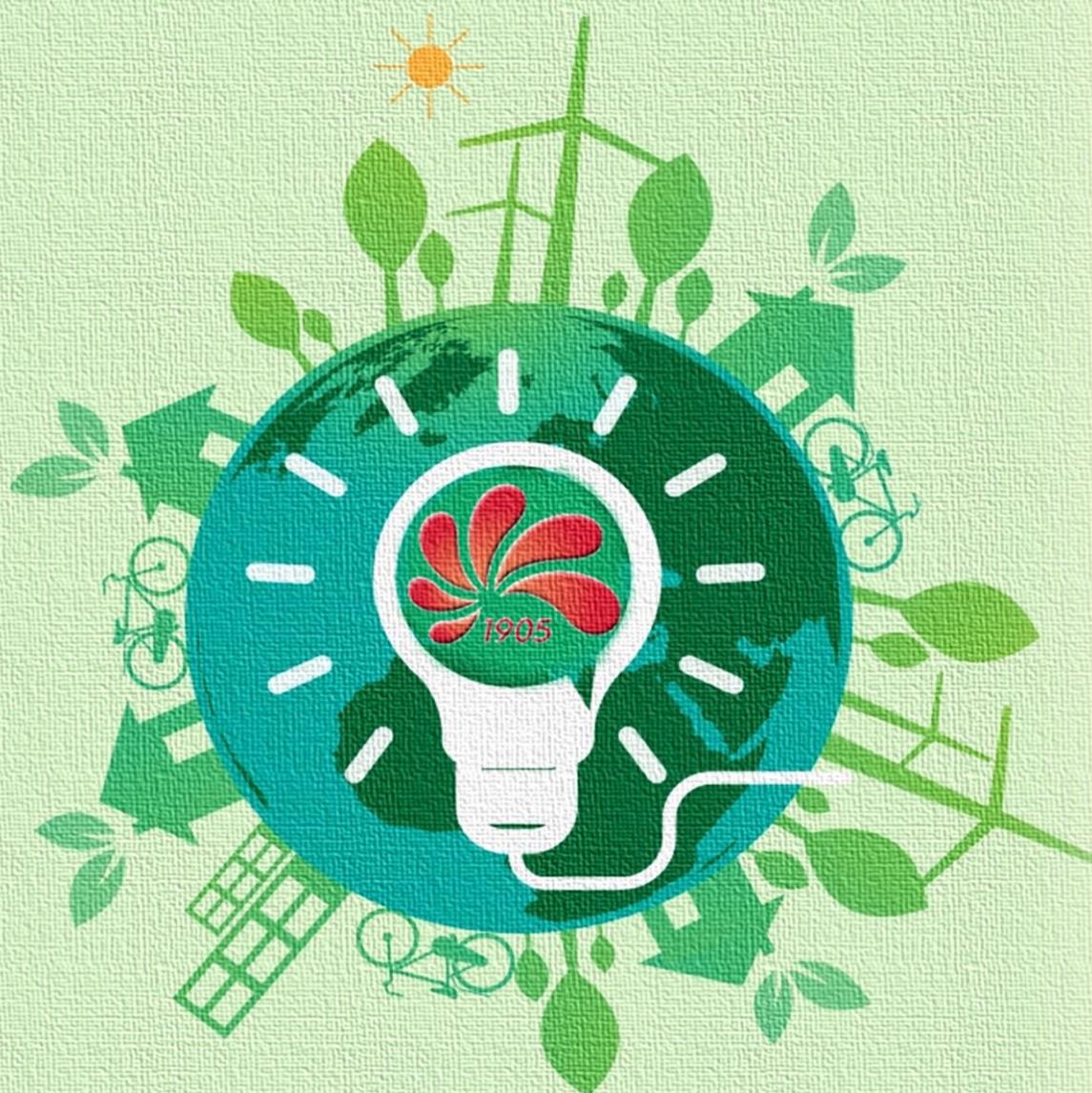
# 延長石油國際有限公司

YANCHANG PETROLEUM INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

Stock Code: 00346

## Environmental, Social and Governance Report 2019





**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 environmental, social and governance (“ESG”) from 1 January 2019 to 31 December 2019. 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”) issued by the Hong Kong Stock Exchange Limited (the “Stock Exchange”).

### 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 distribution 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 engages in the production of oil and natural gas
- Henan Yanchang Petroleum Sales Co., Limited (“Henan Yanchang”) - A China incorporated company engages 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 and core revenue contributors of the Group.

### 1.3. Reporting Principles

The Group has taken into account of the following reporting principles in the preparation of this Report:

- **Materiality** : The board of directors (the “Board”) and senior management regularly review the sustainability issues that are most significant to our businesses and operations, and consider the sustainability issues which are material to the Group, based on the opinions collected from stakeholders.
- **Quantitative** : The quantitative key performance indicators (the “KPIs”) are used to measure the performance. The Report will focus on the major KPIs, and enhance its transparency by disclosing the factors and/or methods of computation.
- **Balance** : We aim to keep our report balanced on critical aspects of our performance, both in terms of progress made and continuing challenges that we are dealing with, to improve the quality of its contents.
- **Consistency** : The Report is written in accordance with the ESG Reporting Guide, in order to ensure the consistency with its contents. In the event of inconsistency, including any changes in reporting scopes and/or methods of computation for KPIs, the Group will explain in the Report.

### 1.4. 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.

Yanchang Petroleum International Limited

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Fax: (852) 3528 5238

Email: [info@yanchanginternational.com](mailto:info@yanchanginternational.com)

## 2. Stakeholder Engagement

To plan for future business development and fulfill our role on the social responsibility, the Group fully understand that it is highly essential to listen to stakeholders' opinions, response to and care for their concerns effectively and empathetically, 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 of the Group.

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 interact with major stakeholders are summarized below.

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

Based on the communication with stakeholders and their feedback, the Company summarizes their concerns regarding to ESG management as below, and elaborates its performance in related aspects on this Report.

Environmental Aspects	Social Aspects
<ul style="list-style-type: none"> <li>• Emissions</li> <li>• Use of Resources</li> <li>• Environment and Natural Resources</li> <li>• Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Health and Safety</li> <li>• Development and Training</li> <li>• Labour Standards</li> <li>• Supply Chain Management</li> <li>• Product Responsibility</li> <li>• Anti-corruption</li> <li>• Community Investment</li> </ul>

### 3. Awards and Achievements

Award/ Achievement	Granting Body	Date of Award
<b>Advanced Unit of Annual Statistical Work in 2019</b>	Xinzheng Human Resources and Social Security Bureau Xinzheng Statistics Bureau	March 2020
<b>Model Unit of Implementing Dual Prevention Mechanism for Hazardous Chemical Enterprise in Xinzheng City</b>	The Safety Production Committee of Xinzheng City	April 2019
<b>Outstanding Award of the Activities of the National Quality Control Group of the Petroleum and Chemical Industry in 2019 (Level 3)</b>	China Petroleum and Chemical Industry Federation	July 2019
<b>Class-II Enterprise for Safety Production Standardisation</b>	Working Committee of Safety Production Standardisation in Henan	December 2019

## 4. Environmental Protection

### Management approach and policies

The Group recognizes the potential impact of the oil and gas industry on the local environment, it may cause irreversible damage to the environment without proper management systems. Therefore, we remain committed to practicable environmental protection and sustainable development, and pays attention to the problem commonly faced by the international community and the global environment, that leading to reduce the environmental burden. The Group adopted a series of policies and measures, including emission reduction, energy conservation and promotion of cleaner production to minimize the impact of the Group's business on the surrounding environment.

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

### 4.1. Pollution Control

#### Gas emissions

All of our operating locations strictly comply with the emission standards specified by local government, in order to maintain the volume of gas emission will not go beyond the ambit of all applicable laws and regulations, and minimize the impacts on the neighbourhood. In the Group's operation, the refueling, offloading and storage of "oil and gas" at gas stations normally emit Volatile Organic Compounds ("VOCs") which is oil vapour. Oil filling stations are mainly included storage, offloading and refueling during daily operation, these will emit oil vapour as same as the volume of gasoline. Being a responsible corporation, the Group aims to reduce the emissions of VOCs from refueling of oil by adopting new technologies and equipment. Henan Yanchang has installed a set of oil and gas recovery systems in oil depots and four gas stations respectively so as to further reduce and control gas emissions. Regular maintenance for the equipment 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.

Operation of Oil and Gas Recovery System	
<b>Oil and Gas Recovery System at Oil Depot:</b>	The oil and gas recovery system at oil depot automatically starts in combination with the production outputs, adopts activated carbon absorption system and recovers oil and gas by means of oil leaching analysis. Oil and gas is directly recovered to the oil tank after the absorption.
<b>Oil and Gas Recovery System at Gas Station:</b>	The oil and gas recovery system at gas stations is the centralized oil and gas recovery system. Oil and gas generated during refueling are compressed and then stored at special storage tanks. The oil and gas collected during offloading are transported by tanker trucks to oil depots, and recovered in oil and gas recovery system.

### Waste management

The Group puts emphasis on waste management. Its subsidiary, Henan Yanchang has drawn up the Health, Safety and Environmental Inspection Management, and Environmental Safety Protection Management System according 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. Further, it has formulated the Hazardous Waste Management System in accordance with the List of National Hazardous Wastes to govern the disposal process of internal hazardous and non-hazardous wastes. 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:

<b>Novus</b>	<b>Hazardous waste</b>	No hazardous waste is generated during the operation.
	<b>Non-hazardous waste</b>	Recyclable office wastes (such as papers, cardboards, foods, electronic products and etc) will be put in recycling bins and composting bins supplied by the property management company for sorting and recycling. Some of non-hazardous waste will be recycled as crop fertilizer.
<b>Henan Yanchang</b>	<b>Hazardous waste</b>	The waste is collected and sorted by the storage station and the oil filling station according to the List of National Hazardous Wastes, and then delivered to the Company's Safety and Quality Department for storage. When a certain quantity of stored waste is reached, the application is processed on the hazardous waste online, and the processing unit comes for collection and transportation.
	<b>Non-hazardous waste</b>	The harmless garbage generated in office and daily life is collected by municipal unified urban solid waste recycling unit in Xinzheng City.

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

	<b>Novus</b>	<b>Henan Yanchang</b>
<b>Hazardous waste*</b>	Not applicable	Not applicable
<b>Non-hazardous waste</b>	237.00 tonnes	673.50 tonnes

\* Since hazardous waste is handled by contractors, there is no relevant recorded.

### Reduce wastewater discharge

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

## **4.2. Making Good Use of Resources**

Climate change is the greatest environmental challenges we are facing now. All companies have the responsibility to reduce greenhouse gas emissions and protect the environment with executing the stringent resources management system. The Group continues to ensure prudent use of resources, to manage energy savings, water consumption and raw material usage, with the goal of increasing resource efficiency, reducing wastes and recycling reusable resources. In the past, the Group implemented a number of targeted actions for energy-saving. We also regularly check the condition of equipment in order to prevent energy wastage from engine aging. For protection of precious water resources, we actively promote the concept of water saving to employees and strengthen the maintenance, inspection and management of water equipment to achieve the purpose of saving water. We also constantly evaluate and consider all opportunities to optimize the use of resources.

	Novus	Henan Yanchang
<b>Energy saving measures</b>	<ul style="list-style-type: none"><li>• Use its own natural gas to fuel well sites where available.</li><li>• Equip machines with timer, and use motor instead of natural gas engine.</li><li>• Optimize on-site use of power by setting timer and carrying out cost analysis to assess results.</li><li>• Replace lights with LED</li></ul>	<ul style="list-style-type: none"><li>• Select LED lightings.</li><li>• Maintain the air-conditioning room temperature at 25 degrees Celsius.</li><li>• Shut down the machines during non-business hours.</li></ul>

	luminaries.	
<b>Water saving measures</b>	<ul style="list-style-type: none"> <li>• Re-use the reclaimed water in oil field production site to achieve zero water consumption.</li> <li>• Water-saving signages were posted around the office to remind staff of taking action at personal level to save energy and resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Post labels to remind employees and visitors to conserve water usage.</li> <li>• Collect rainwater for irrigation.</li> <li>• Regularly monitor and replace the equipment promptly to prevent leakage.</li> <li>• Conduct internal inspection periodically to monitor the effectiveness and target of the saving measures.</li> </ul>

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

	<b>Total Consumption</b>	
<b>Resources</b>	<b>Novus</b>	<b>Henan Yanchang</b>
<b>Electric power</b>	1,227,476.26 kWh	645,653.00 kWh
<b>Propane</b>	1,056,853.40 litres	Not applicable
<b>Natural gas</b>	94,326.09 cubic metres	Not applicable
<b>Gasoline (mobile sources)</b>	Not applicable	40,149.00 litres
<b>Diesel (stationary sources)</b>	Not applicable	2,080.00 litres
<b>Water consumption</b>	Not applicable	11,811.00 cubic metres
<b>Packaging materials (tonnes) *</b>	Not applicable	Not applicable

\* Since oil products do not involve the packaging of finished products, no data on the amount of packaging materials can be provided.

### 4.3. Green Operations

#### Advocating green operation

Climate change is a major challenge facing the world today. Yanchang Petroleum International, as a socially responsible organization, is well prepared to meet this challenge. We have formulated green office policies and green business management measures to lessen the impact on the environment and natural resources.

Measure	Measure details
<b>Green office</b>	<ul style="list-style-type: none"><li>• Get closer to paperless office with focusing in particular on e-archiving of documents.</li><li>• Maintain the room temperature at 25°C.</li><li>• Seasonally adjusting outdoor lighting system controls.</li><li>• Turning off unused equipment or machinery.</li><li>• Where possible, use energy-saving lamps like LED.</li></ul>
<b>Promoting environmental protection in supply chain</b>	<ul style="list-style-type: none"><li>• Require suppliers to comply with environmental protection laws and regulations as well as the standards of the Group.</li><li>• Encourage sub-contractors to comply with environmental protection measures through posters and emails.</li></ul>
<b>Providing environmental protection training</b>	<ul style="list-style-type: none"><li>• Provide environmental protection training for new joins so that they can understand the requirements and standards of the industry as well as the Group on environmental protection.</li><li>• Remind the environmental protection of the Group at daily meetings to ensure all measures are effectively implemented.</li></ul>
<b>Green purchase</b>	<ul style="list-style-type: none"><li>• Subject to the requirements of the company:<ul style="list-style-type: none"><li>✧ Give priority to green product suppliers.</li><li>✧ Give priority to the procurement of goods and services supplied by local suppliers.</li></ul></li></ul>

#### 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.

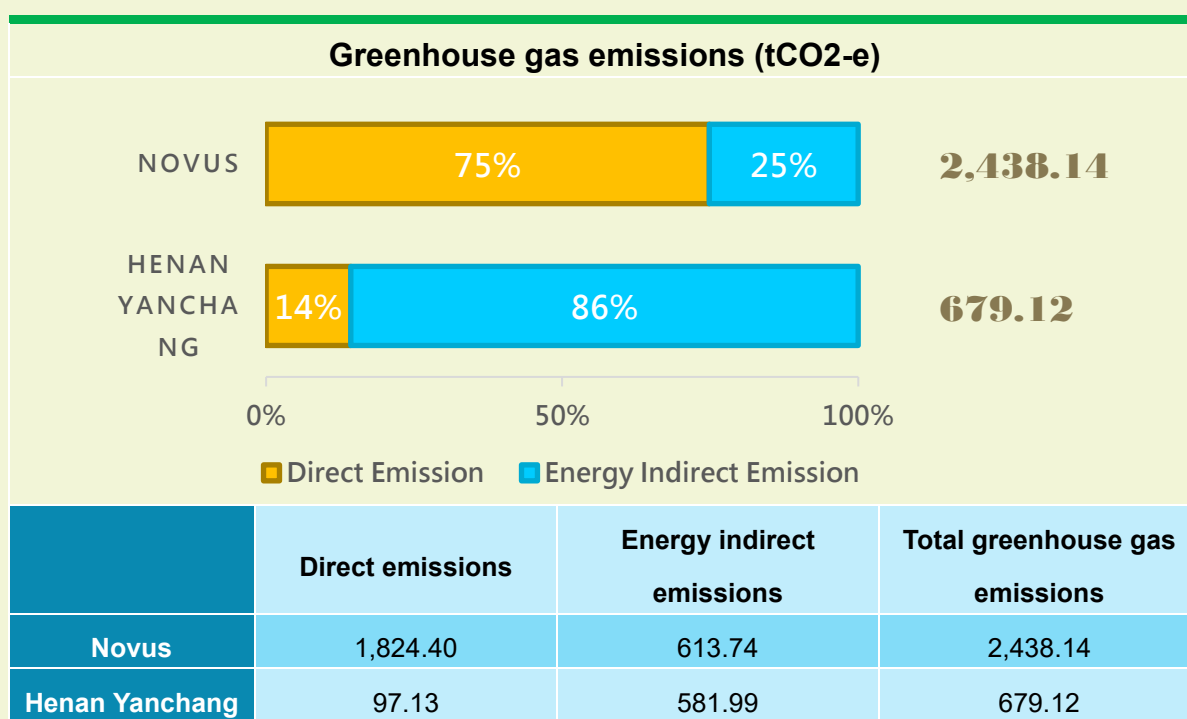


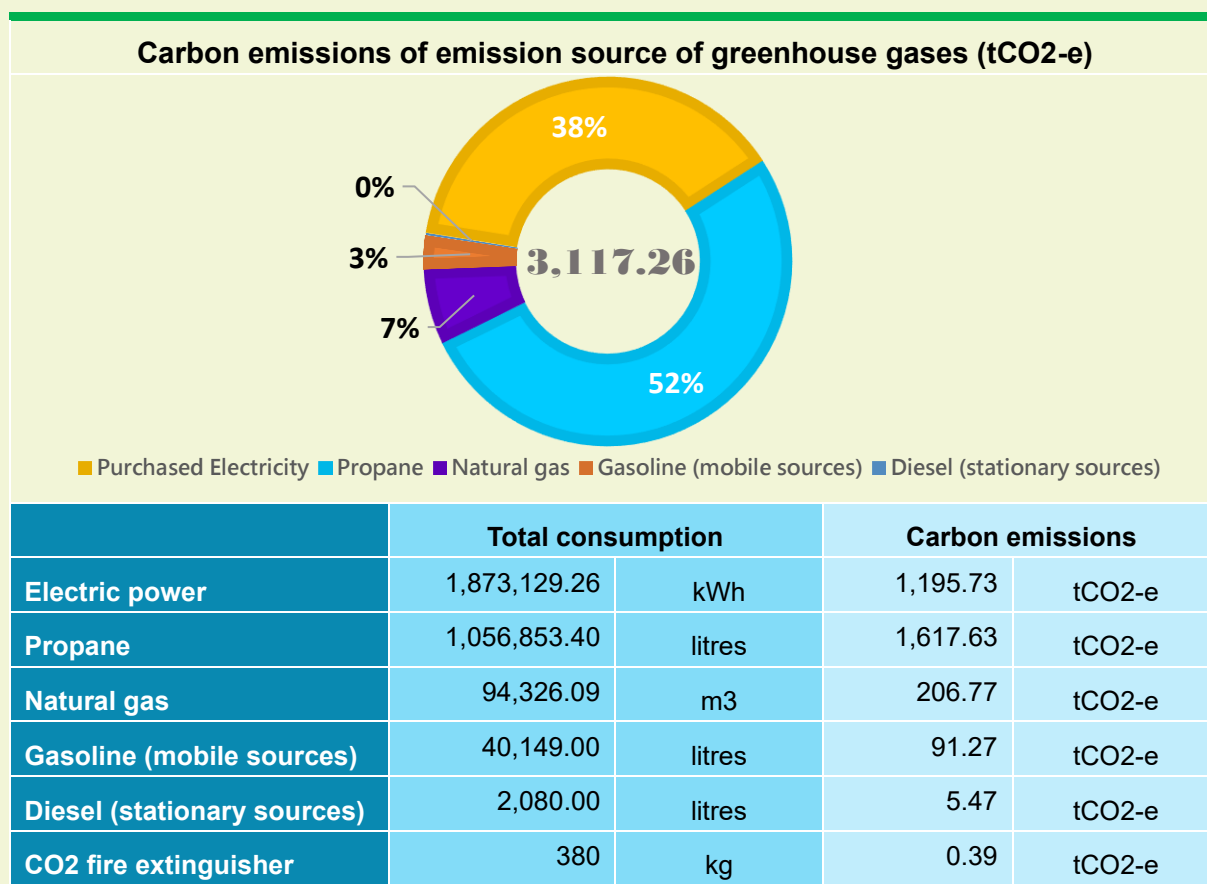
## 4.4. Fighting Climate Change

### Carbon footprint

The Group understands that monitoring the consumption of resources is very important for formulating effective management measures and enhancing our overall environmental performance. Therefore, we put our best effort on overall statistics of the total greenhouse gas emission in response to the disclosure requirement of greenhouse gas emission of the Stock Exchange. Novus increases use of natural gas so as to lower carbon emissions to the satisfaction of local environmental standards, ensuring the conformity with the requirements of Alberta Energy Regulator and Saskatchewan Energy Regulator. In addition, Henan Yanchang has 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 impartially. During the reporting period, the Group's total greenhouse gas emissions reached 3,117.26 tCO<sub>2</sub>-e.

The Group is well aware that long-distance transportation for business trips 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.





### Extreme Weather

The global risk report of the World Economic Forum 2016 states that, climate change is one of the major risks for the enterprises in recent years. Although the locations where the Group operates in are at low risk of natural disasters, Novus still provides on-site disaster trainings. Besides, the Group has purchased insurance for its staffs and equipment, to protect the interests of the staff and operating facilities.

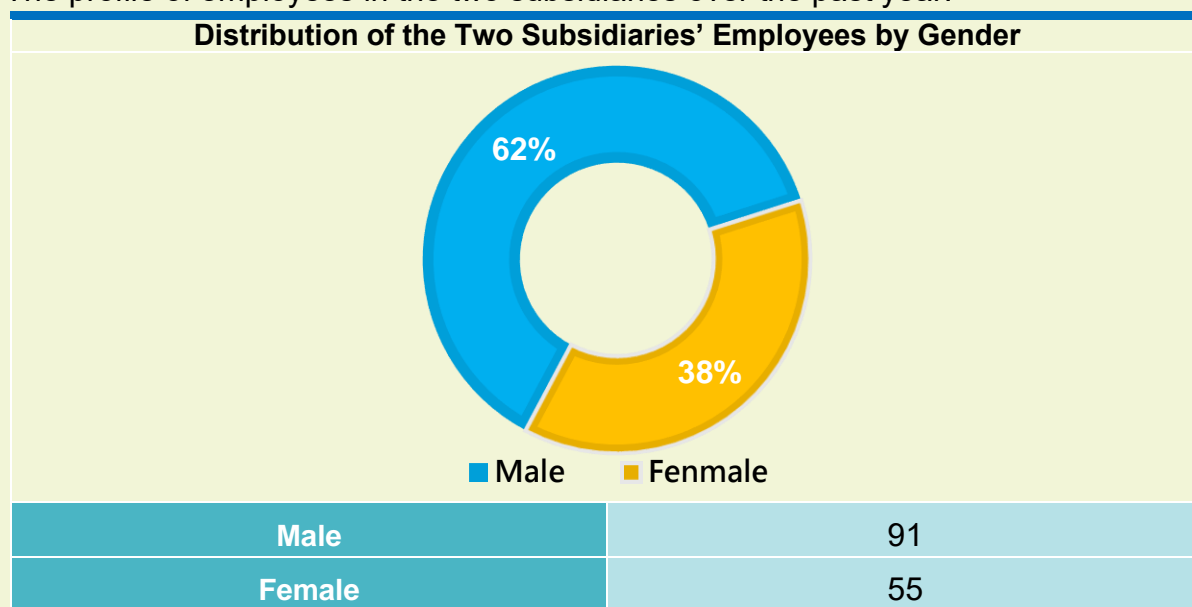
In the future, the Group will further identify operational risks due to climate change in the normal course of business, and also analyze the potential impact, such as water supplies, increasing cost of raw materials, unstable transportation and any uncertainties due to the instability of climate, and devote resources to control the risks. Furthermore, we seek opportunities that brought by climate change, to achieve the goal of sustainable business development by introducing new model of energy development and new energy-saving equipment, and prevent highly pollution from production.

## 5. Caring for People

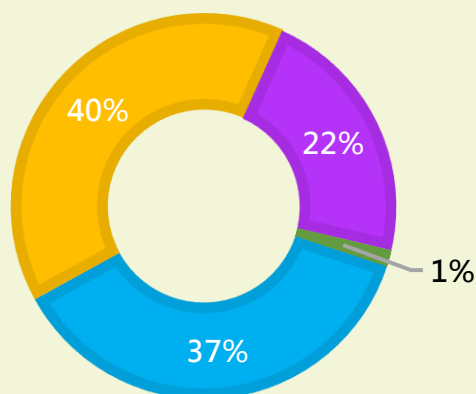
### Management approach and policies

The Group appreciates that all the employees have played a part in creating our organization value. We strive to protect the rights and interests of the employees. The Group strictly complies with applicable employment-related legislation in where it operates, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) in China, as well as the labour legislation, such as Canada Labour Code, Canadian Labour Standards Regulations, and the employment standards of its operating location in Canada, such as Alberta Employment Standards, 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, to help them build and advance in their career. Human resources department reviews the internal policy regularly in order to comply with the local laws and industry practices.

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



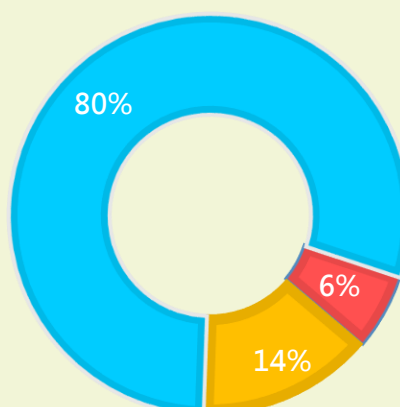
### Distribution of the Two Subsidiaries' Employees by Age



■ Age 18-30    ■ Age 31-45    ■ Age 45-60    ■ Age 60 or above

Age 18-30	54
Age 31-45	58
Age 45-60	32
Age 60 or above	2

### Distribution of the Two Subsidiaries' Employees by Function



■ Senior management    ■ Middle management    ■ General staff

Senior management	9
Middle management	21
General staff	116



## 5.1. 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 employees fairly. Employees are recruited in compliance with the relevant local regulations. Employees will not be prejudiced due to their age, gender, sexual orientation, race, disability, marital status, pregnancy status, religion, political camp and referees. Instead, employees will be recruited according to their knowledge, capability, morality and job-related skills, to ensure equal employment opportunity.

### Recruitment and retention of talents

In the principles of equitable, openness, competition and meritocracy, the Company carries out recruitment in strict accordance with the relevant laws and regulations, policies, and procedures. We also specify the rights and obligations between the Company and employees subject to relevant regulations and the employment contract, so as to maintain a harmonious and sustainable employment relationship. We have a set of management policies for promotion and transfer of employees. The promotion or transfer of employee is based on business needs, and an appraisal is weighted on the performance of employee. The appraisal result will be reviewed by the human resources department and approved by the general manager. Career progression of an employee is determined on the performance and qualification of individual. The Company encourages employee development and gives priority to internal selection for hiring talents under the same conditions.

### 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.

## Protection of Rights and Interests

We have established specific measures for dismissal and compensation. Where an employee seriously misbehaves in the course of work and is expected to be prejudicial to the interests of the Group, the Company may terminate the employment contract with employee and make the due compensation required by the relevant law.

## Caring for Employees

Employees are the lifeblood of the company. The company's success is dependent on the concerted efforts with 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.

## **5.2. 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.

Health and Safety	Year	Novus	Henan Yanchang
work-related fatality (person)	2019/20	0	0
	2018/19	0	0
	2017/18	0	0
work days lost due to work-related injuries (day)	2019/20	0	0
	2018/19	0	0
	2017/18	0	0

### Occupational health and safety policy

Both subsidiaries established and implemented the occupational health and safety management system, formulated emergency plans and comprehensive safety management measures to prevent oil leakage. Henan Yanchang developed the Occupational Disease Prevention Management System, to assess the risks of occupational disease hazard in the workplace regularly, and took relevant prevention measures. Besides, Major Hazard Sources Management Regulation and Double Prevention Mechanism (including Risk Management System and Risk Assessment System) were established, in order to identify major risks. Novus specifically prepared “Drilling, Completions and Field Operator Handbooks”, to provide guidelines and policies to govern a safe working environment. The health and safety affairs had been arranged to designated staff responsible for reviewing and updating the manuals and procedures on respectively a quarterly and an annual basis.

### 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. Henan Yanchang formulates the Safe Facilities Management System (安全設施管理制度) and the Management System of Protective Equipment at Workplace (勞保防護用品管理制度), and provides staff with protective measures, such as anti-static clothing, anti-static shoes with non-slip sole, safety helmets, oil-resistant gloves. In addition to fire drills, Novus is required to take part in the joint emergency drills each year, to make its employees familiar 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.

### 5.3. Training and Development

#### Management approach and policies

We believe in the power of talent, and we also understand the key elements that employees endow the company with vigorous vitality, which is also the root of the company's extraordinary achievements. Therefore, we support life-long learning and nurture a continuous learning culture. The Group constantly enhances its training system, enriches the training programs in a progressive manner, and introduce a comprehensive career development and training program to improve employees' knowledge of operation and safety standards, so as to improve employees' job-related skills and unleash their potential, as well as provide promotion opportunities and foster employee loyalty, thereby further promoting foundations for the sustainable development of the Group. Each of department heads 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 base on the needs of duty.

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

	Novus		Henan Yanchang	
	Monthly average training hours	Percentage of employees trained (%)	Monthly average training hours	Percentage of employees trained (%)
Male	0.95	58.82	0.71	60.47%
Female	0.88	41.18	0.36	36.43%
Senior Management	0.16	23.53%	0.10	3.88%
Middle Management	0.48	29.41%	0.39	12.40%
General staff	1.19	47.06%	0.57	80.62%



### 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 Buddy-Mentor 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, sponsors them to take external training courses if needed.

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, external professional lecturers will be engaged to provide training for employees.

## **5.4. 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 the People's Republic of China, the Prohibition of Using Child Labour, the Employment of Children Regulations (Cap. 57B) and etc. During the recruiting process, we will examine the validity of applicants' identification documents 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.

## 6. Operational Commitment

### 6.1. Supply Chain Management

#### Management approach and policies

The Group aims to provide fuel products and services of the most supreme standard. We believe that a reliable partnership with supplier is an important element for the steady development of the Group's business. 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 set up flexible procurement standards to assess the details of suppliers and contractors according to tendering and quotation procedures, to ensure that they meet the internal requirements of the Group. We also inform our business partners about 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 subsidiaries may have different criteria for various kinds of suppliers.

Selection criteria of suppliers	
<b>Novus</b>	<ul style="list-style-type: none"><li>• Employs authorised contractors with proper licenses and adequate insurance in the government database to conduct drilling and oil production, and requires the contractors and suppliers to comply with its environmental and safety policy in the production of oil and gas.</li><li>• Adopt the equal, fair and open tendering process on procurement, and obtain at least three quotations for price, quality and commitment comparison.</li></ul>
<b>Henan Yanchang</b>	<ul style="list-style-type: none"><li>• Requests suppliers and contractors to obtain corporate social responsibility awards or certification which covers products and service quality, environmental management and conscientious employer in the business of refined oil trading.</li></ul>

#### Supervisory controls

The Group has stringent procedures to ensure that the procurement contracts warrant the rights and obligations of both parties and it 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 Canadian Standards Association standards. Henan Yanchang adopts a highly transparent accountability mechanism for quality assurance that carries out regularly, holds 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.

## **6.2. 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 customers, the subsidiaries adopt the following product safety maintenance measures:

Product safety maintenance measures	
<b>Novus</b>	<ul style="list-style-type: none"><li>• Petroleum products must be tested for quality and safety.</li><li>• 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.</li></ul>
<b>Henan Yanchang</b>	<ul style="list-style-type: none"><li>• Using the established sample quality testing procedures, oil samples are sent to a laboratory for analysis against national standards.</li><li>• Suppliers of equipment related to the production, transport and storage of petroleum products must have relevant product qualification certificates.</li><li>• 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.</li></ul>

## After-sales service

Customer satisfaction is always the key to success. The Group strives 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.



### 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 formulated according to different business segment of subsidiaries.

Product safety maintenance measures	
<b>Novus</b>	<ul style="list-style-type: none"><li>• Personal data collected is secured and kept in confidential manner.</li><li>• No staff is allowed to disclose any confidential information to third-party.</li></ul>
<b>Henan Yanchang</b>	<ul style="list-style-type: none"><li>• Henan Yanchang will not use customer data for promotion purposes without customer consent.</li></ul>

### 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.

### Intellectual property and copyright protection policy

We always attach great importance to intellectual property rights and the protection on these rights. To provide an environment for a fair competition, the Group has been completely following the standards and practices of the industry. The company has established sound rules and regulations on intellectual property protection. We also organize education and training on intellectual property for employees to raise their awareness of intellectual property protection and establish the concepts of innovation, integrity and intellectual property protection.

### 6.3. Corporate Governance

#### Management approach and policies

The Group has always been operating its businesses with integrity and ethics. We do not tolerate any form of corruption, including bribery and extortion, fraud, and money laundering. As such, the Group 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 established a clear standard of conduct to guide our employees and partners, which provides rules and guidelines for dealing with gifts, treats, transactions, financial management. 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 that employees are required to comply. 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 the financial reports prepared by the Group give a “true and fair view” and to strengthen internal financial control, in order to protect the interests of shareholders.

#### Whistle-blowing policies

To avoid the occurrence of corruption and frauds, the Group incorporates the whistle-blowing policies into anti-corruption measures, that encourages employees and other stakeholders to report any suspected improper or illegal activities via anonymous ways such as by mail, email, telephone and 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.

## 7. Giving Back to the Society

The Group believes that we are not only responsible for direct contribution to the society and economy, but optimize our operation and charity projects, to produce an overall positive impact on society. The Group actively takes part in various educational and cultural activities, and also welcomes cooperation with community groups that match the Group's corporate responsibility concept. We aim to respond to the social needs in culture, education and other aspects by supporting non-profit organizations through donation and sponsorship. 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 gives priority to employ local workforce to fulfill corporate social responsibility.

## 8. Future Prospects

2020 is a challenging year, the downside pressure of the economy exerts pressure on our business operation. In order to navigate through the uncertain challenges, we seek the practical development strategies and an enhanced scheme to cope with the uncertainties in future.

We reaffirm our working units' commitment to the core value by carrying out comprehensive analysis and examination of internal and external operational environments. We reassess and define our philosophy, mission, core belief and operational strategies to enhance the efficiency and ability of the Sustainability. 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. We will pay close attention to relevant international trend and local regulations and requirements, to further enhance our ESG Report for next year.

## 9. Performance Data Summary

Novus Environmental Performance		
	Unit	2019
Production volume	barrels of equivalent	746,421.00
<b>Pollutant emissions</b>		
Air emissions		
Nitrogen oxide emissions	kg	2.34
Sulphur oxide emissions	kg	0.00
Particulate matter emissions	kg	0.17
Solid waste		
Hazardous waste	kg	Not applicable <sup>1</sup>
Hazardous waste intensity	kg/'000 production volume	Not applicable <sup>1</sup>
Non-hazardous waste	tonnes	237.00
Non-hazardous waste intensity	tonnes/'000 production volume	0.32
Greenhouse gas emissions and intensity		
Total greenhouse gas emissions	tCO <sub>2</sub> -e	2,438.14
Direct emissions	tCO <sub>2</sub> -e	1,824.40
Energy-related indirect emissions	tCO <sub>2</sub> -e	613.74
Emission intensity	tCO <sub>2</sub> -e /'000 production volume	3.27
<b>Use of energy</b>		
Purchase electricity	kWh	1,227,476.26
Electricity intensity	kWh/'000 production volume	1,644.48
Propane	litres	1,056,853.40
Propane use intensity	litres/'000 production volume	1,415.89
Natural gas	cubic metres	94,326.09
Natural gas use intensity	cubic metres/'000 production volume	126.37

Notes:

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

2: As oil finished products do not involve the use of finished packaging, thus no data of packaging materials provided.

Reference guide on each of carbon emission factors :

Stationary combustion (Hong Kong)	Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong
Stationary combustion (non-Hong Kong)	2006 IPCC Guidelines for National Greenhouse Gas Inventories / 2016 Baseline Emission Factors for Regional Power Grids
Mobile combustion (Hong Kong)	Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong
Mobile combustion (non-Hong Kong)	2006 IPCC Guidelines for National Greenhouse Gas Inventories
Fugitive emission	Mass balance

Henan Yanchang Environmental Performance		
	Unit	2019
Production Volume	tonnes	3,710,236.84
<b>Pollutant emissions</b>		
Air emissions <sup>1</sup>		
Nitrogen oxide emissions	kg	409.88
Sulphur oxide emissions	kg	0.59
Particulate matter emissions	kg	39.27
Solid waste		
Hazardous waste	kg	Not applicable <sup>1</sup>
Hazardous waste intensity	kg/'000 production volume	Not applicable <sup>1</sup>
Non-hazardous waste	tonnes	673.50
Non-hazardous waste intensity	tonnes/'000 production volume	0.18
Greenhouse gas emissions and intensity		
Total greenhouse gas emissions	tCO <sub>2</sub> -e	679.12
Direct emissions	tCO <sub>2</sub> -e	97.13
Energy-related indirect emissions	tCO <sub>2</sub> -e	581.99
Emission intensity	tCO <sub>2</sub> -e /'000 production volume	0.18
<b>Use of energy</b>		
Purchase electricity	kWh	645,653.00
Electricity intensity	kWh/'000 production volume	174.02
Gasoline (mobile sources)	litres	40,149.00
Gasoline use intensity	litres/'000 production volume	10.82
Municipal water	cubic metres	11,811
Water use intensity	cubic metres/'000 production volume	3.18
Diesel (stationary sources)	litres	2,080.00
Diesel use intensity	litres/'000 production volume	0.56

Notes:

1. Henan Yanchang's oil field is operated by contractors, so hazardous waste in relation to relevant operations is disposed by contractors.

2. As oil finished products do not involve the use of finished packaging, thus no data of packaging materials provided.



Reference guide on each of carbon emission factors :

	Guidelines to Account for and Report on Greenhouse Gas
Stationary combustion (Hong Kong)	Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong
	2006 IPCC Guidelines for National Greenhouse Gas
Stationary combustion (non-Hong Kong)	Inventories / 2016 Baseline Emission Factors for Regional Power Grids (2016 中国区域电网基准线排放因子)
	Guidelines to Account for and Report on Greenhouse Gas
Mobile combustion (Hong Kong)	Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong
	2006 IPCC Guidelines for National Greenhouse Gas
Mobile combustion (non-Hong Kong)	Inventories
Fugitive emission	Mass balance

Novus Social Performance		
Employee	Unit	2019
Total number of employees	person	17
Age distribution		
Age 18-30	person	0
Age 31-45	person	7
Age 45-60	person	8
Age 60 or above	person	2
Gender distribution		
Male	person	10
Female	person	7
Employment type		
Full-time	person	17
Function distribution		
Senior management	person	4
Middle management	person	5
General staff	person	8
Employee turnover		
Employee turnover (monthly average)	percentage	1.47%
Age distribution		
Age 18-30	percentage	0.00%
Age 31-45	percentage	0.49%
Age 45-60	percentage	0.98%
Age 60 or above	percentage	0.00%
Gender distribution		
Male	percentage	0.98%
Female	percentage	0.49%
Health and Safety		
Work-related fatality	person	0
Number of days lost due to work-related injuries	day	0

Novus Social Performance		
Training and development	Unit	2019
Total training hours for the year	hour	373
Monthly average hours for each employment category		
Male	hour	0.95
Female	hour	0.88
Senior management	hour	0.16
Middle management	hour	0.48
General staff	hour	1.19
Trained employees as a percentage of total employees		
Male	percentage	58.82%
Female	percentage	41.18%
Senior management	percentage	23.53%
Middle management	percentage	29.41%
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	2019
Total number of employees	person	129
Age distribution		
Age 18-30	person	54
Age 31-45	person	51
Age 45-60	person	24
Age 60 or above	person	0
Gender distribution		
Male	person	81
Female	person	48
Employment type		
Full-time	person	129
Function distribution		
Senior management	person	5
Middle management	person	16
General staff	person	108
Employee turnover		
Employee turnover (monthly average)	percentage	1.68%
Age distribution		
Age 18-30	percentage	0.84%
Age 31-45	percentage	0.78%
Age 45-60	percentage	0.06%
Age 60 or above	percentage	0.00%
Gender distribution		
Male	percentage	0.90%
Female	percentage	0.78%
Health and Safety		
Work-related fatality	person	0
Number of work days lost due to work-related injuries	days	0

Henan Yanchang Social Performance		
Training and development	Unit	2019
Total training hours for the year	hour	1,650
Monthly average hours for each employment category		
Male	hour	0.71
Female	hour	0.36
Senior management	hour	0.10
Middle management	hour	0.39
General staff	hour	0.57
Trained employees as a percentage of total employees		
Male	percentage	60.47%
Female	percentage	36.43%
Senior management	percentage	3.88%
Middle management	percentage	12.40%
General staff	percentage	80.62%
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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