



# 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 2020



**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 2020 to 31 December 2020 (the “Reporting Period”). 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 and by-products 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 and by-products

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. The Group records and estimates quantitative data, and compares with past performance where feasible. To ensure the accuracy of environmental key performance indicators, the Group has engaged external consultants to conduct carbon assessment, based upon ISO 14064–1 (Greenhouse gases Part 1: Specification with guidance) and the Greenhouse Gas Protocol and other national and international standards. The quantitative data on social key performance indicators in this report are based on the statistical records of associated departments of the Group.
- **Balance:** The source of information and cases within this report were mainly derived from the Group’s internal statistical data, relevant documents and communication documents in 2020. The Group undertakes that there are no material misleading statements in this Report, and takes responsibility for the authenticity, accuracy and completeness of the information in this report. The information related to fuel well contained in the report is provided by local operator, and the Group makes truthful disclosures in accordance with the documents and information provided.
- **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 comments by the following ways.

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## 2. Stakeholder Engagement

The Group fully understand that listening to stakeholders' opinions, responding to and caring for their concerns effectively and in a sustainable manner, are the foundation for us to plan for future business development and fulfill our role in facilitating the on-going development of social responsibility, which enable 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. Also, we will share the fruits of our success with our stakeholders in order to achieve an all-win situation and the harmonious development.

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

The ways we interact with major stakeholders are summarized below.

Stakeholders	Communication Approaches
<b>Shareholders</b>	<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 shareholder's meetings</li><li>• Press releases, announcements, financial and other information related to the Company</li></ul>
<b>Employees</b>	<ul style="list-style-type: none"><li>• Orientation training and internal training</li><li>• Recreational activities</li><li>• Announcements, intranet and emails</li><li>• Meetings</li><li>• One-to-one meeting</li></ul>
<b>Clients</b>	<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>
<b>Suppliers and Vendors</b>	<ul style="list-style-type: none"><li>• Tendering process</li><li>• Regular meetings</li></ul>

<b>Community</b>	<ul style="list-style-type: none"> <li>• Participation in community welfare activities</li> <li>• Consultations</li> </ul>
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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.

<b>Environmental Aspects</b>	<b>Social Aspects</b>
<ul style="list-style-type: none"> <li>• <b>Emissions</b></li> <li>• <b>Use of Resources</b></li> <li>• <b>Environment and Natural Resources</b></li> <li>• <b>Climate Change</b></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. Environmental Protection

#### Management approach and policies

The oil and gas industry could have a major environmental impact on the local environment potentially. In order to avoid any irreversible damage to the environment, the Group has established an appropriate environmental management system and seeks every opportunity to improve the environment within its capabilities. 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 complies all applicable environmental laws and regulations, such as the Atmospheric Pollution Prevention and Control Law of the People's Republic of China. There was no prosecution case involving the Group in respect of any environmental law during the Reporting Period.

#### 3.1. Pollution Control

##### Gas emissions

Gas stations are mainly included storage, offloading and refueling during daily operation, these will emit oil vapour as same as the volume of gasoline. The Volatile Organic Compound (VOC) that volatilises into the air during refueling, offloading and storage at gas stations are known as "oil and gas" which is one of the major gas emissions derived from the business activities of the Group. the Group aims to reduce the emissions of VOC from refueling of oil by adopting new technology and equipment, so as to ensure that our gas emission do not exceed the limit as stipulated under relevant laws and regulations, and mitigate the impact on neighboring areas.

Henan Yanchang, as a member of the Group, 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 is 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.

<b>Operation of Oil and Gas Recovery System</b>	
Oil and Gas Recovery System at Oil Depot :	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 are directly recovered to the oil tank after the absorption.
Oil and Gas Recovery System at Gas Station :	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.

Global warming becoming more serious has no doubt topped the list. To solve problems such as environmental pollution and greenhouse effect, we seek to take the optimal measures to reduce greenhouse gas emissions from business operations and combat climate change in compliance with applicable laws and regulation in where we operate. We also conduct data monitoring to identify and classify sources of greenhouse gas emissions in accordance with requirements and guidelines of the Stock Exchange of Hong Kong, so as to compare the data performance of various sources.

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.

In addition, the Group has adopted and implemented a series of management measures that target at carbon emission reduction:

- We provide video and teleconference systems and encourage employees to use them, so as to reduce greenhouse gas emissions from business trips and the related transportation ;
- Have formulated the regional procurement policy, and local suppliers shall be selected in first priority, to reduce energy consumption and greenhouse gas emissions resulted from additional transportation; and
- Environmentally-friendly equipment are preferred, such as the use of air-conditioning equipment with variable frequency drives and refrigerants which can reduce the damages to the ozone layer, and the replacement of electromagnetic stove for gas stove.

Set forth below are the Group's greenhouse gas emissions:

<b>Type of Greenhouse Gas Emissions</b>	<b>Unit</b>	<b>Novus</b>	<b>Henan Yanchang</b>
Total greenhouse gas emissions	tonnes of carbon dioxide equivalent	1,051.06	327.48
Direct emissions ( Scope 1 )	tonnes of carbon dioxide equivalent	214.45	79.64
Energy indirect emissions ( Scope 2 )	tonnes of carbon dioxide equivalent	836.61	247.84
<b>Notes :</b> The calculations were based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Fifth Assessment Report and the latest grid emission factors ; Scope 1 includes emission from stationary combustion of diesel, and direct emission from the mobile combustion of diesel; and Scope 2 includes the energy indirect emission from the acquired electricity.			

### Waste management

The Group puts emphasis on waste management. We require our subsidiaries, Novus and Henan Yanchang to strictly comply with local laws and regulations, and the Group's way of treatment and disposal of waste. The Group adopts "4R" as our waste management strategy.

The Group's "4R" waste management strategy is set out below:

Reduce	Reduction of waste from the source is to be achieved depends on a careful balance of practical needs and avoid stocking up excessive and unnecessary items.
Reuse	Reduce the use of disposable products, and choose recyclable products if possible.
Recycle	Collect waste materials and deliver the separated materials to recyclers for treatment.
Replace	Environmental friendly products are preferred to replace the used products.

In addition, our 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. It has also 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.

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

Novus	<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.
Henan Yanchang	<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 :

	Novus	Henan Yanchang
Hazardous waste <sup>1</sup>	Not applicable	2.68
Non-hazardous waste <sup>2</sup>	26.00 tonnes	Small amount

<sup>1</sup> The hazardous wastes generated by Novus are all disposed by contractors, so there is no relevant record.  
<sup>2</sup> Henan Yanchang only generates a small amount of non-hazardous waste, so there is no recording system.

### 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.

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

The Group continues to double our efforts to ensure prudent use of resources by implementing strict resources management policies, to manage energy savings, water consumption and raw material usage, with the goal of increasing resource efficiency and reducing wastes. We advocate the use of energy-saving, efficient and environmental-friendly construction equipment, machinery and tools and office appliances recommended by the state and the industry, and continuously update the latest environmental news to optimise the existing services, so as to reduce environmental pollution.

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 optimise the use of resources.

	Novus	Henan Yanchang
Energy saving measures	<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</li></ul>	<ul style="list-style-type: none"><li>• Select LED lightings.</li><li>• Maintain the air- conditioning room temperature at 25°C.</li><li>• Shut down the machines during</li></ul>

	<p>natural gas engine.</p> <ul style="list-style-type: none"> <li>• Optimise on-site use of power by setting timer and carrying out cost analysis to assess results.</li> <li>• Replace lights with LED luminaries</li> </ul>	<p>non-business hours.</p>
Water saving measures	<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 total energy consumption of the Group is set out below:

Energy types	Unit	Novus	Henan Yanchang
Total energy consumption	kWh	2,347,084.39	698,746.85
Total energy consumption intensity	kWh / Production output ('000 units)	389.42	115.93
Direct energy consumption	kWh	1,019,126.39	305,345.72
Direct energy consumption intensity	kWh / Production output ('000 units)	169.09	50.66
Which include :			
Fuel consumption	kWh	52,586.85	298,496.35
Fuel consumption intensity	kWh / Production output ('000 units)	8.72	49.53
Gas consumption	kWh	691,920.55	Not applicable
Gas consumption intensity	kWh / Production output ('000 units)	114.80	Not applicable
Green energy consumption	kWh	274,618.99	6,849.37
Green energy consumption intensity	kWh / Production output ('000 units)	45.56	1.14
Indirect energy consumption	kWh	1,327,958.00	393,401.13
Indirect energy consumption intensity	kWh / Production output ('000 units)	220.33	65.27
Which include:			
Electricity consumption	kWh	1,327,958.00	393,401.13
Electricity consumption intensity	kWh / Production output ('000 units)	220.33	65.27
Notes : The conversion of energy data unit to kWh is based on the lower heating value ; Direct energy consumption includes fuel consumption (diesel and gasoline consumption), gas consumption (natural gas) and green energy (ethanol and methanol consumption). Indirect energy consumption refers to electricity consumption.			

During the Reporting Period, the total water consumption of the Group is set out below:

	<b>Total Consumption</b>	
<b>Resource</b>	<b>Novus</b>	<b>Henan Yanchang</b>
Water consumption	Not applicable <sup>1</sup>	11,811.00 m <sup>3</sup>
<sup>1</sup> Water used by Novus is handled by contractors, so there is no relevant record.		

### 3.3. 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.

Measures	Measure details
Green office	<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>
Promoting environmental protection in supply chain	<ul style="list-style-type: none"> <li>• All the provisions of environmental protection are included in the contract signed with the supplier, and the supplier shall 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>
Providing environmental protection training	<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>
Green	<ul style="list-style-type: none"> <li>• Subject to the requirements of the company :</li> </ul>



purchase	<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>
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#### 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.

### **3.4. Fighting Climate Change**

#### 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.

#### 4. Caring for People

##### Management approach and policies

The success of our business depends on the untiring efforts and dedicated service of all employees. The Group understands that the recruitment, retention and cultivation of talents can help maintain its market competitiveness. We have formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner. 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.

Employee profile of the two subsidiaries in last year:

Types	Novus	Henan Yanchang
<b>By gender</b>		
Male	9	96
Female	7	55
<b>By employment type</b>		
Full-time	16	151
<b>By age group</b>		
Age 18-30	0	64
Age 31-45	7	65
Age 45-60	8	22
Age 60 or above	1	0

Overview of the employee turnover rate of the two subsidiaries in last year:

Types	Novus	Henan Yanchang
<b>By gender</b>		
Male	0.93%	0.95%
Female	0.00%	0.30%
<b>By employment type</b>		
Full-time	0.52%	0.72%
<b>By age group</b>		
Age 18-30	0.52%	0.00%
Age 31-45	0.77%	0.00%
Age 45-60	1.14%	0.00%
Age 60 or above	0.00%	8.33%

#### 4.1. Equal Employment

##### Equal opportunity and diversity

To promote the value of harmony, we must get to the root, that is, the provision of systematic protection of staff's rights and interests by standardizing and fostering our hiring system. We uphold recruitment principle "morality and talent with focus on performance and integrity first" and to hire the best person for the job on the basis of merit and in accordance with the principle of open and fair competition. Recruitment and selection procedures of the Group must strictly comply 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 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 that specify the rights and obligations between the Company and employees, aiming on developing a stable and sustainable employment relationship. We 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

The Group understands that cohesiveness among employees is an important driving force for enterprise development, employee plays a key role who we can join hands to fight for a common goal. Therefore, we remain committed to making the company the “Best Company to Work for”, and 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.

## **4.2. Occupational Health and Safety**

### Management approach and policies

the Group believes that occupational health and safety is important, so we strive to create a most suitable working environment for our employees. We develop and uphold the concept of “safety first” to achieve the goal of zero work accidents. Various measures are taken to prevent 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, to reduce and monitor the potential hidden risks to the occupational safety and health, and meet relevant regulatory requirements.

The Group strictly abides by all applicable occupational health and safety related laws and regulations, such as the Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases. No violation of relevant occupational health and safety laws and regulations were found during the Reporting Period. At the same time, there were no work-related fatalities and lost days during the Reporting Period.

### Occupational health and safety policy

In order to implement relevant laws, regulations and policy standards related to occupational disease prevention and control, and to strengthen the management of occupational disease prevention and control, the Group has instructed its two subsidiaries, Novus and Henan Yanchang to establish and implement occupational health and safety management systems, and develop comprehensive safety management measures and emergency plans to prevent oil leakage.

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. 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.

### Safety training

As a responsible employer, we also provide employees with adequate training on occupational health and safety and appropriate protective equipment. All new employees should complete a series of pre-service safety training courses, which covers the learning of basic knowledge about occupational health, occupational health management regulations and operating process, the correct use of protective equipment, and emergency rescue measures, with a view to enhancing employees’ awareness of safety and 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.

#### Incident response plan

In view of the nature of the business, we prohibit employees from smoking, drinking or making phone calls in the workplace, especially in the gas station. We regularly carry out safety checks and emergency drills. For example, in terms of potential risks due to emergencies like fire and power failure, the Group has set up a set of stringent measures and practice fire drills from time to time. All onsite workers are required to be aware of the emergency procedures, such as the use of personal protective equipment and rescue facility.

#### Response to COVID-19

The world has been affected by COVID-19 pandemic over the past year. The Group has urged Novus and Henan Yanchang to implement preventive measures earlier during the outbreak, such as providing employees with masks and hand sanitizers, conducting crowd control measures and arranging health declarations. We also encourage all employees to follow the regulatory requirement stipulated by the government and avoid unnecessary contact. At the same time, we continue to put our eyes on and update COVID-19 situation, and perform the appropriate actions in accordance with local regulations or requests of the Government.

#### 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.

### **4.3. Training and Development**

#### Management approach and policies

Continuous learning and development of our employees are constructive to enhancing the value of our team and the professionalism of our employees, and will in turn improve the productivity of the Group. 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.

The Group requires each of department heads of Novus and Henan Yanchang to assess the functional needs of the employees so as to recommend and arrange appropriate training courses for them, in conjunction with development strategies of the Group. Also, employees can apply for the relevant training courses in accordance with the skills required for their job nature.

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 :

	<b>Novus</b>		<b>Henan Yanchang</b>	
	The percentage of employees trained (%)	Average training hours of employees in each category ( hour )	The percentage of employees trained (%)	Average training hours of employees in each category ( hour )
<b>By gender</b>				
Male	56.25%	1.343	63.33%	1.198
Female	43.75%	1.310	36.67%	1.030
<b>By employment type</b>				
Senior Management	18.75%	0.69	3.33%	3.00
Middle Management	31.25%	1.07	13.33%	3.54
General Staff	50.00%	1.73	83.33%	0.68



### 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.

## **4.4. 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 such as the Labour Law of the People's Republic of China, Prohibition of Using Child Labour and Employment of Children Regulations (Cap. 57B).

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.

In compliance with local labour laws and regulations, the Group's employees are entitled to statutory holidays and various types of paid leave, where applicable, including annual leave, sick leave, maternity leave, paternity leave, marital leave and bereavement leave. Terms of leave entitlement, working hours, rest, labour protection and termination of employment are clearly laid out in the respective employment contracts of each employee, in compliance with local labour regulations.

During the Reporting Period, the Group has not committed any material breaches of employment labour laws and regulations related to child and forced labour, and other benefits and welfares concerning its employees.

## 5. Occupational Commitment

### 5.1. Supply Chain Management

#### Management approach and policies

The Group aims to provide fuel products and services of the most supreme standard and the support of reliable supplier is the key to achieving that. The Group believes that 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
Novus	<ul style="list-style-type: none"> <li>Engages 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,</li> </ul>

	and obtain at least three quotations for price, quality and commitment comparison.
Henan Yanchang	<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.

## **5.2. 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
Novus	<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>
Henan Yanchang	<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.

### Consumer data privacy protection

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
Novus	<ul style="list-style-type: none"><li>• Personal data collected and possessed will be protected properly.</li><li>• No staff is allowed to disclose any confidential or proprietary information to third-party, to prevent data leakage.</li></ul>
Henan Yanchang	<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.

### **5.3. Corporate Governance**

#### Management approach and policies

The Group has always been operating its businesses with integrity and ethics. We require all staff to adhere to professional and ethical standards, and set standards for staff's behaviour. 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 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 (if Chief Executive Officer 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.

## **6. Giving back to the society**

The Group believes that we are not only responsible for direct contribution to the society and economy, but optimise 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. Novus has already sponsored the local hockey teams for years, albeit the recent suspension due to COVID-19 pandemic. However, Novus is expected to continue to sponsor after resumption. Henan Yanchang is committed to improve the employability of the local workers, and gives priority to employ local workforce to fulfill corporate social responsibility.

## 7. Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Index

A	Environmental	Chapter
<b>ASPECT A1</b>	Emissions	3.1. POLLUTION CONTROL
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	No significant gas emissions in all offices
<b>KPI A1.2</b>	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1. POLLUTION CONTROL
<b>KPI A1.3</b>	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1. POLLUTION CONTROL Novus does not generate significant hazardous waste
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1. POLLUTION CONTROL
<b>KPI A1.5</b>	Description of emission target(s) set and steps taken to achieve them.	3.1. POLLUTION CONTROL
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.1. POLLUTION CONTROL
<b>ASPECT A2</b>	Use of resources	3.2. MAKING GOOD USE OF RESOURCES
<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.2. MAKING GOOD USE OF RESOURCES
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.2. MAKING GOOD USE OF RESOURCES
<b>KPI A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.2. MAKING GOOD USE OF RESOURCES
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	No issue in sourcing water that is fit for purpose for the Group
<b>KPI A2.5</b>	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	Not applicable to the Group
<b>ASPECT A3</b>	Environment and natural resources	3.3. GREEN OPERATIONS
<b>KPI A3.1</b>	Description of the significant impacts of activities on the	During the Reporting Period, there was no



	environment and natural resources and the actions taken to manage them.	incident that had a significant impact on the environment and natural resources
<b>ASPECT A4</b>	Climate change	3.4. FIGHTING CLIMATE CHANGE
<b>KPI A4.1</b>	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.4. FIGHTING CLIMATE CHANGE
<b>B</b>	<b>Social</b>	
<b>ASPECT B1</b>	Employment	4.1. EQUAL EMPLOYMENT
<b>KPI B1.1</b>	Total workforce by gender, employment type (e.g. full-or part-time), age group and geographical region.	4.1. EQUAL EMPLOYMENT
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	4.1. EQUAL EMPLOYMENT
<b>ASPECT B2</b>	Health and safety	4.2. OCCUPATIONAL HEALTH AND SAFETY
<b>KPI B2.1</b>	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	There were no work-related deaths in the past three years inclusive of the Reporting Period
<b>KPI B2.2</b>	Lost days due to work injury.	During the Reporting Period, there was no lost working day due to work-related injuries
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.2. OCCUPATIONAL HEALTH AND SAFETY
<b>ASPECT B3</b>	Development and training	4.3. TRAINING AND DEVELOPMENT
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3. TRAINING AND DEVELOPMENT
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category.	4.3. TRAINING AND DEVELOPMENT
<b>ASPECT B4</b>	Labour standards	4.4. PROTECTION OF RIGHTS AND INTERESTS
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	4.4. PROTECTION OF RIGHTS AND INTERESTS
<b>KPI B4.2</b>	Description of steps taken to eliminate such practices when discovered.	No violation in the Reporting Period
<b>ASPECT B5</b>	Supply chain management	5.1. SUPPLY CHAIN MANAGEMENT
<b>KPI B5.1</b>	Number of suppliers by geographical region.	5.1. SUPPLY CHAIN MANAGEMENT
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers,	The Group engaged 586 suppliers last year, all

	number of suppliers where the practices are being implemented, how they are implemented and monitored.	of which were engaged according to the Group's supplier engagement guideline
<b>KPI B5.3</b>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	To be disclosed in the next year's report
<b>KPI B5.4</b>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	To be disclosed in the next year's report
<b>ASPECT B6</b>	Product responsibility	5.2. INFORMATION SECURITY AND PRODUCT SAFETY
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	During the Reporting Period, no products were subject to recalls for safety and health reasons
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	During the Reporting Period, no products were subject to recalls for quality problems
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	5.2. INFORMATION SECURITY AND PRODUCT SAFETY
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	5.2. INFORMATION SECURITY AND PRODUCT SAFETY
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2. INFORMATION SECURITY AND PRODUCT SAFETY
<b>ASPECT B7</b>	Anti-corruption	5.3. CORPORATE GOVERNANCE
<b>KPI B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No corruption lawsuit in the Reporting Period
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.3. CORPORATE GOVERNANCE
<b>KPI B7.3</b>	Description of anti-corruption training provided to directors and staff.	To be disclosed in the next year's report
<b>ASPECT B8</b>	Community investment	6. GIVING BACK TO THE SOCIETY
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	6. GIVING BACK TO THE SOCIETY
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	6. GIVING BACK TO THE SOCIETY