



KunLun Energy Company Limited
昆 侖 能 源 有 限 公 司

(incorporated in Bermuda with limited liability)
(Stock Code: 00135.HK)



2021 | Environmental, Social and Governance Report

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ABOUT THIS REPORT

PURPOSE OF THE REPORT

This report is the "Environmental, Social and Governance Report" (referred to as **"this Report"** or **"Report"**) issued by Kunlun Energy Company Limited (referred to as **"Kunlun Energy"** or **"the Company"** or **"We"**). The parent company of Kunlun Energy is PetroChina Company Limited (referred to as **"PetroChina"**). The purpose of this report is to summarise Kunlun Energy's philosophy in fulfilling its three major responsibilities of environmental, social, and governance in 2021, the management system and related practices it follows, and the response to important issues of concern to key stakeholders.

REPORTING PERIOD

This Report is prepared on an annual basis, and the reporting period is from January 1, 2021 to December 31, 2021 (referred to as **"this Year"**). Part of the content in the report extends to the beginning of 2022.

REPORTING SCOPE

This report covers the Company's environmental, social and governance management systems, objectives, commitments, key projects and measures in relation to ESG matters and activities relating to the operation of the Company. For the list of the Company's subsidiaries covered in the report, please refer to Note 38 "Principal Subsidiaries" in the consolidated financial statements set out in the Company's annual report 2021.

BASIS OF PREPARATION

- Environmental, Social, and Governance Reporting Guide (referred to as **"ESG Reporting Guide"**) in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (referred to as **"Hong Kong Stock Exchange"**)
- GRI Sustainability Reporting Standards (referred to as **"GRI Standards"**), Global Sustainability Standard Board
- Recommendation Report of Task Force on Climate-related Financial Disclosures, Task Force on Climate-related Financial Disclosures (referred to as **"TCFD"**)
- Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises 4.0 (referred to as **"CASS-CSR4.0"**), Chinese Academy of Social Sciences
- ISO 26000 Guidance on Social Responsibility, International Organisation for Standardisations (referred to as **"ISO"**)

INFORMATION PREPARATION

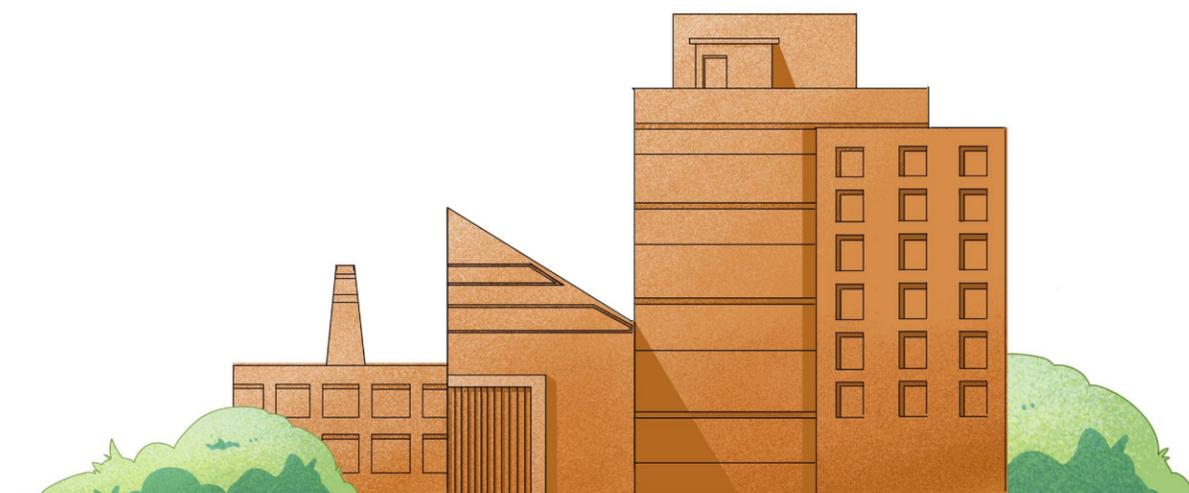
All information disclosed in this report is derived from the Company's internal documents, statistical data and summaries and statistics of the fulfilment of responsibilities by the subsidiaries of the Company. This report is prepared by the ESG working group, reviewed by the management, Sustainability Committee and approved by the Board. Unless otherwise stated, all amounts stated in this report are in Renminbi (referred to as **"RMB"**).

FEEDBACK AND CONTACTS

The Company looks forward to hearing your valuable opinions and suggestions, to improve the sustainable development performance and ESG capability. If you have any questions about this Report or require a printed version, please contact us through info@kunlun.com.hk or (852) 25222282.

LIST OF ABBREVIATIONS

Abbreviation	Meaning
BOG	Boil-off gas
CCUS	Carbon capture, utilisation and storage
CDP	Carbon Disclosure Project
CNG	Compressed natural gas
ESG	Environmental, social, and governance
ISO	International Organisation for Standardisations
LDAR	Leak detection and repair
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
MSCI	Morgan Stanley Capital International
ORV	Open rack vaporiser
QHSE	Quality, safety, health and environment
RTK	Real-time kinematic
TCFD	Task Force on Climate-related Financial Disclosures



ABOUT KUNLUN ENERGY

COMPANY PROFILE

Kunlun Energy Company Limited is a comprehensive energy company incorporated in Bermuda (British) and listed on the main board of Hong Kong Stock Exchange (stock code: 00135.HK). Kunlun Energy Company Limited is an integrated energy company controlled by PetroChina and a constituent of the Hang Seng China Enterprises Index. Kunlun Energy's businesses focus in four segments: Natural Gas Sales, LPG Sales, LNG Processing and Terminals and Exploration and Production, which are important elements of PetroChina's natural gas value chain.

Kunlun Energy has become one of the largest enterprises engaged in natural gas utilisation and sales of LPG in the People's Republic of China (referred to as "PRC"), with LNG and CNG terminals covering across the whole country. In 2021, the Company's natural gas business covered 31 provinces, autonomous regions, and municipalities directly under the central government. The annual natural gas sales volume has reached 42.00 billion cubic metres, representing an increase of 11.2% over the previous year, with 13.846 million natural gas users.

Kunlun Energy gives full play to the advantage of business synergy, focusing on development concept of "adhere to green and low carbon, achieve high-quality development and build beautiful ecology". The Company is committed to providing safe and stable gas supply as well as high-quality and efficient customer service for all kinds of users, creating significant value for shareholders. We are making positive contributions to promote economic and social development, and striving to become an internationally renowned and China's first-class integrated green energy provider.

Economic performance in 2021

Indicator	Unit	2020	2021
Revenue	RMB 100 million	1,092.5	1,385.5
Profit attributable to shareholders of the Company	RMB 100 million	60.6	230.2
Earnings per share (basic)	RMB in cent	70.0	265.8
Total assets	RMB 100 million	1,549.9	1,325.8
Sales volume of natural gas	100 million cubic metres	377.6	420.0
Sales volume of LPG	10,000 tonnes	521.2	598.6
Numbers of users	Million households	12.358	13.846

Covering provinces, cities & autonomous regions across the country

31

Natural gas sales volume

420.0 billion cubic metres

Year-on-year growth

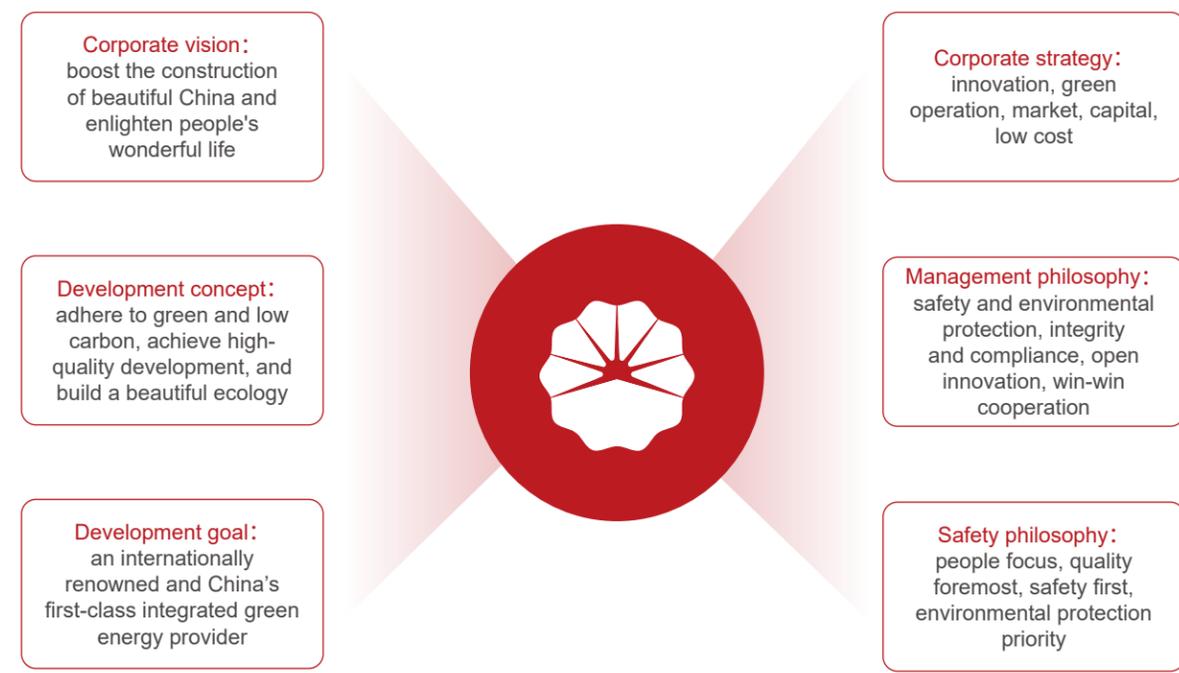
11.2%

Natural gas users

13.846 million



CORPORATE CULTURE



HONOURS IN 2021



Won the "Most Honoured Company in Asia" in Power sector in the 2021 Annual Asia Executive Team survey by Institutional Investor. The Company also took first place in all eligible categories for the Power sector in All-Asia, including the "Best CEO", "Best CFO", "Best Investor Relations Professional", "Best Investor Relations Team", "Best Investor Relations Company" and "Best Environmental, Social and Governance".

Won the "Best Listed Company" and the "Outstanding Entrepreneur of the Year" in China Securities Golden Bauhinia Award.



Won the "Best ESG Award" at the 6th Golden Hong Kong Stocks.



Won the Silver Award for 2020 Annual Report Layout Design in the natural gas industry at the 35th International Annual Report Competition (ARC).

Shortlisted in the "State-owned Enterprises ESG Pioneer 50 Index". The company has reached the level of four-star outstanding and ranked 26th in the "State-owned Enterprise ESG-Pioneer 50 Index".

Won the "Best Investor Relations Company", "Best Public Utilities Company" and "Best Investor Relations Professional" in the Investor Relations Magazine Awards -Greater China 2021.

Won the "Best Investor Relations Company", "Best CFO" and "Best Investor Relations Professional" in the 7th Investor Relations Awards organised by the Hong Kong Investor Relations Association.

BUSINESS DEVELOPMENT PLAN

During the "14th Five-Year" plan period, Kunlun Energy will vigorously push forward the implementation the five strategies of "innovation, green operation, market, capital, and low cost". The Company will focus on the two core business lines of natural gas and new energy, developing a high-quality natural gas development ecosystem, and advancing mutual development between natural gas and new energy. The Company continuously improves its comprehensive capability and competitiveness to promote high-quality development, and strives to become an internationally renowned and China's first-class integrated green energy provider.



Innovation strategy

The Company drives innovation-driven development in mechanism, business model and corporate culture to promote reforms in terms of quality, efficiency reform and motivation. The Company actively explores diversified sales models and sticks to the value of "green development, supplying energy, boosting growth for customers, and enriching people's happy lives". We will deploy innovation across the industrial chain and use innovation to enhance the value chain, and actively follow the trend of digital and intelligent transformation.

Green strategy

The Company takes energy conservation as the primary energy source, and strengthens energy conservation and efficiency improvement in production and operation. We speeds up the development of peak-buffering natural gas, photovoltaic and wind power, and actively deploy the distributed energy supply business. The Company will prioritise the development of photovoltaic power and wind power to accelerate the transformation from a single natural gas distributor to an integrated green energy supplier.

Market strategy

The Company improves the adaptability of resources and markets by promoting the integrated development of natural gas and new energy, core businesses and non-gas business, to support future strategies and create new growth for the industry.

Capital strategy

The Company comprehensively carries out joint venture cooperation in the fields of resources and terminals, broadening capital cooperation channels to strengthen investor relations management and continuously improve ESG performance.

Low-cost strategy

The Company builds a more scientific and fair internal pricing mechanism, reduces logistics costs in a reasonable range, and maximises the value of resources. The Company refines cost measures to stimulate the potential of reducing costs for all employees, whole process and the entire industry chain, to create the core competitiveness of low cost.

KUNLUN ENERGY AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Kunlun Energy firmly believes that by actively fulfilling its social responsibilities and improving its governance level, it can help the world move towards a better future. The Company has always practised the concept of sustainable development and strived to support and promote the United Nations Sustainable Development Agenda and Sustainable Development Goals from its own planning and business. By benchmarking the 17 Sustainable Development Goals with the Company's material issues and business characteristics, Kunlun Energy has identified 4 Sustainable Development Goals that are most closely related to corporate practices. The Company will focus on formulating and implementing more specific and effective action plans in response to these goals, and unswervingly embark on the journey to achieve global Sustainable Development Goals.

7 AFFORDABLE AND
CLEAN ENERGY

Goal 7: Affordable and clean energy

Our commitment:

Kunlun Energy insists on the development concept of “adhere to green and low-carbon, achieve high-quality development, and build a beautiful ecology”. With the goal of becoming an internationally renowned and China's first-class integrated green energy provider, the Company adheres to the green development. We actively ensure the stable supply of natural gas and vigorously promote new energy business. We closely integrate the Sustainable Development Goal 7 with our corporate development, and promote the country's low-carbon transformation and clean energy development with practical actions.

Our actions:

- Ensure stable supply of natural gas wholeheartedly
- Ensure product quality and safety, to have reliable and safe energy supply
- Deploy new energy, explore multi-energy integration projects (including wind, photovoltaic and gas power) and wind and photovoltaic power business

8 DECENT WORK AND
ECONOMIC GROWTH

Goal 8: Decent work and economic growth

Our commitment:

Kunlun Energy constantly contributes to increasing and ensuring employment, cultivating talents and accumulating local economic development. We strive to achieve a win-win success of coordinated development between nation and people, and build a more sustainable future.

Our actions:

- Adhere to equity, diversity and non-discrimination employment policies
- Protecting the legitimate rights and interests of employees in terms of employment, benefits and welfare
- Adhere to localisation principle and promote local employment
- Create higher economic value and contribute to local tax revenue

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE

Goal 9: Industry, innovation and infrastructure

Our commitment:

As a comprehensive green energy supplier, Kunlun Energy has always been committed to leading the high-quality development through technology innovation and digital transformation, and promoting the sustainable development of the entire industry. With the global trend of digital and intelligent transition for the energy industry, Kunlun Energy fully supports this goal and leads the trend of new technology reform. We take the potential of technology innovation and continuously improve the gas infrastructure, operation and service, so as to lead the industry in economic transformation and reform and create global impact.

Our actions:

- Promote the construction of pipeline network and build up natural gas (branch) pipelines and urban natural gas pipelines for nearly 90,000 km
- Promote the digital platform represented by the production management system and build a smart pipelines network
- Promote digital sales system and smart gas terminals to provide customers with more convenient and efficient service

13 CLIMATE
ACTION

Goal 13: Climate action

Our commitment:

Kunlun Energy complies with the requirements of building a community of shared future for mankind and global sustainable development, and strives to be a practitioner and promoter of climate action in energy sector. The Company supports this goal with practical actions, such as energy conservation and emission reduction, green supply chain construction, and comprehensive development and utilisation of new energy, etc. These measures are implemented to address climate change that support low-carbon transformation of global energy, and helps to build a green and better future.

Our actions:

- Carry out climate change risk analysis
- Issued the Carbon Peak Carbon Neutrality Action Plan, formulate future emission reduction pathway, targets and action plans
- Respond to the CDP climate change questionnaire and improve carbon emission data management

MESSAGE FROM CHAIRMAN



Chairman and Executive Director
Fu Bin



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

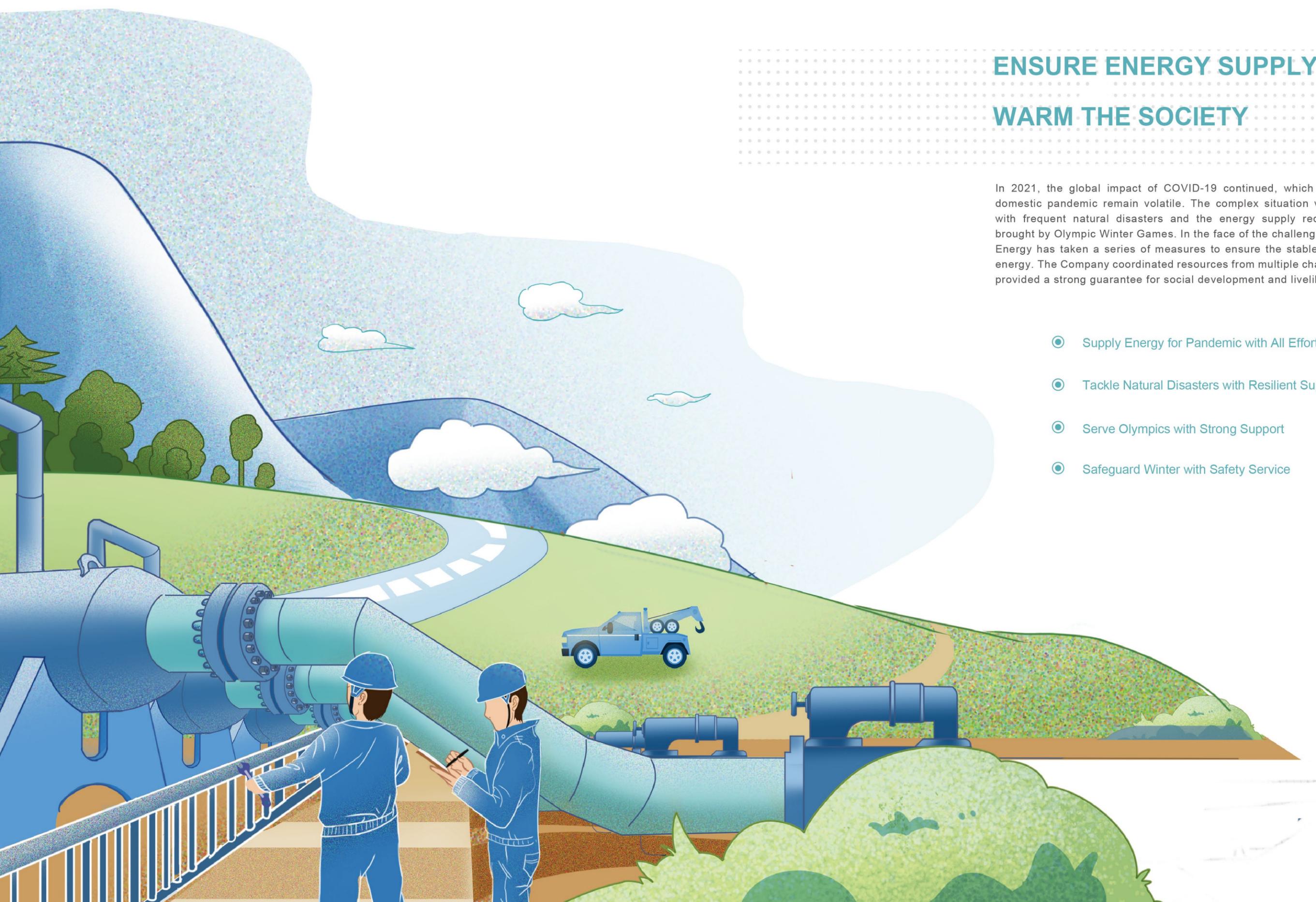
In the past year, Kunlun Energy consistently maintained a high sense of responsibility to shareholders, customers, employees and the society. We actively responded to the concerns across the country on environmental, social and governance matters. The Company coordinated epidemic prevention and business operation, making efforts on promoting management, reform, risk prevention along with transformation. The annual economic performances were significantly better than expectation with remarkable achievements of high-quality development.

We actively embrace the space for clean energy development, creating a stronger momentum of green development. In the context of the “dual carbon” goal, Kunlun Energy adhered to the green development strategy, strengthened production and operation, energy conservation and efficiency improvement, and saved nearly 2,500 tonnes of standard coal throughout the year. The study and release of the Carbon Peak and Carbon Neutrality Action Plan further clarified the emission reduction path, target and action plan. The Company strengthened the prevention and control of environmental risks, continued to carry out the investigation and management of hidden dangers of ecological and environmental protection. We focus on the green transformation of business, rely on the existed urban gas users while taking the distributed multi-energy integration project as the starting point. In this way, we would create a model of carbon neutrality in emerging towns, new parks and new buildings. A number of distributed energy projects in Chengdu and Chengmai were promoted as planned, which contributed to the comprehensive energy business in various scenarios. Relying on the customer network of power generation enterprises, the Company accelerates the integration of gas power and new energy, making every effort to expand the peak-shaving gas power and photovoltaic and wind power businesses, and thus enhances the transformation of business development to an integrated green energy supplier.

Kunlun Energy further promotes the modernisation of governance system and capacity, which lay a solid foundation for sustainable development. Kunlun Energy improved its governance structure and strengthens from the top-level design. Based on the Audit Committee, the Remuneration Committee and the Nomination Committee, we established the Sustainability Committee to enhance the governance system suitable for a world-class international energy company. The deployment of tenure system and contractual management for management personnel and professional managers has achieved remarkable results. Kunlun Energy carried out regular audits, continued to promote integrity construction and anti-corruption work, and effectively prevented operational and management risks. The Company continued to deepen digital transformation, optimised corporate management methods with more efficient, scientific and precise digital management for a steady and rapid development. With the goal of establishing a long-term safety mechanism, the Company continued to promote the safety management, further promoted the three-year action plan for safety production, and strengthened the management of hidden dangers of hazardous chemical storage, urban gas pipeline network and old fire equipment and facilities. The Company implemented the “technology-driven” strategy, with a number of research results including the intelligent unmanned station technology promoted and applied. The application of user-end safety technology was steadily developed, of which the safety management system driven by intelligent technology achieving initial success. The Company comprehensively built a risk prevention and control matrix focusing on key areas and links which achieved a full coverage for all the business areas, and effectively prevented and resolved major risks.

Kunlun Energy actively takes its corporate social responsibility by contributing to a balanced and inclusive development. Kunlun Energy sticks to the concept of “development for the people”, and increases resource preparation to ensure a stable supply of gas for people’s livelihood. We put the safety, physical and mental health of employees in the first place, strictly implementing the epidemic prevention and control to realise “zero epidemic and zero infection” in the workplace. The Company promoted the construction of people’s livelihood projects to achieve the simultaneous growth of employees’ income and corporate development, cultivating a sense of achievement, happiness and pride among employees. We carried out six employee welfare projects, including “targeted assistance”, “health escort”, “warm care”, “team building”, “employee development” and “labour rights protection”, solving a total of 2,449 issues of employees’ concerns. The Company implemented the talent-oriented enterprise action, initiated a talent training plan, and provided employees with a smooth career development channel. We actively promoted the national strategy of rural revitalisation, increased the income of villagers in Guizhou, Hunan and Yunnan by means such as infrastructure construction, industrial support and public welfare donations.

Face with the complex situation of adjustment between natural gas supply and demand, as well as the acceleration of energy transformation, Kunlun Energy will shoulder more responsibilities while facing more challenges and opportunities. The Company will anchor the strategic goal of becoming an internationally renowned and China’s first-class integrated green energy provider, firmly grasp the opportunities arising from China’s low-carbon transformation, with highlights of structural adjustment, reform and innovation, quality and efficiency improvement, and corporate governance in accordance with the law. The Company will work together with all stakeholders to achieve a win-win cooperation, and continue to promote the coordination and unity among sustainable development, economic recovery, social stability and environmental friendliness.



ENSURE ENERGY SUPPLY TO WARM THE SOCIETY

In 2021, the global impact of COVID-19 continued, which made the domestic pandemic remain volatile. The complex situation was mixed with frequent natural disasters and the energy supply requirements brought by Olympic Winter Games. In the face of the challenges, Kunlun Energy has taken a series of measures to ensure the stable supply of energy. The Company coordinated resources from multiple channels and provided a strong guarantee for social development and livelihood.

- Supply Energy for Pandemic with All Efforts
- Tackle Natural Disasters with Resilient Supply
- Serve Olympics with Strong Support
- Safeguard Winter with Safety Service

Feature

ENSURE ENERGY SUPPLY TO WARM THE SOCIETY

Kunlun Energy's actions of fulfilling its responsibilities has also been recognised by all sectors of society. During the Reporting Period, the Company received a total of 36 appreciation letters from all levels of government and 64 appreciation letters from various enterprises.



appreciation letters from all levels of government
36 letters



appreciation letters from various enterprises
64 letters

SUPPLY ENERGY FOR PANDEMIC WITH ALL EFFORTS

In the face of the challenges brought by the pandemic, Kunlun Energy deployed resources from multiple sources to guarantee the stable gas supply for thousands of households while ensuring employees' well-being and business operations. The front-line employees continued to work in challenging conditions and made adjustment for service to ensure energy supply, which provided a solid foundation to fight against the pandemic nationwide.

In July 2021, Nanjing in Jiangsu Province was hit by the pandemic. In order to provide stable gas supply and customer service during the pandemic, Kunlun Energy launched various remote services for residential users, and made videos for safety education. All gas filling stations in Nanjing implemented "disinfection for each person and each vehicle" policy to prevent and control the pandemic. The allocation of LNG resources in Jiangsu Province was coordinated during the whole process of "procurement, supply, transportation and sales" to ensure a stable supply of gas in the epidemic areas and set a strict line of defence against the epidemic.

When Gansu Province was suffering severe pandemic, Kunlun Energy properly arranged pandemic prevention, and managed natural gas resource allocation and supply for full day. Considering the quarantine of some communities, the Company patiently resolved residents' problems through self-service payment machines and 24-hour online services. Kunlun Energy scientifically and accurately predicted the gas demand and supplied gas to residents in advance, ensuring their living quality during observation period.



The front-line staff fulfilled their duty during the pandemic



Real-time detection in the dispatch centre

TACKLE NATURAL DISASTERS WITH RESILIENT SUPPLY



In the face of the high frequency of extreme climate events and natural disasters in 2021, Kunlun Energy always put the health and safety of its employees as a top priority. The Company launched emergency plans immediately after the disaster, and promptly conducted recovery work for post-disaster energy production and supply. The efficient climate risk response mechanism fully guarantees disaster relief and people's needs.

Facing the severe flood in Henan Province, Kunlun Energy immediately launched a dedicated contingency plan for flood prevention, and carried out the rescue for disaster relief. The Company implemented 24-hour duty system, and conducted safety inspections of natural gas pipelines of high, medium and low pressure, gas stations and pressure regulating facilities in Zhengzhou, Jiaozuo, Luoyang, Nanyang and other cities that suffered heavy rainfall, ensuring safe and stable natural gas supply and operation in Henan Province.

In May 2021, severe earthquakes hit Yunnan, Qinghai and Gansu. In face of the natural disaster, Kunlun Energy activated emergency plan and conducted investigation for the impact of the disaster and hidden danger. The Company immediately screened the pipeline networks, natural gas stations, gas stations and courtyard pipeline networks and other facilities. In addition, the Company strengthened joint prevention and control with local governments, and distributed epidemic prevention supplies to ensure the safe and stable supply of natural gas, employees' health and safety, as well as normal operation of pipelines, equipment and fixed sites, etc.



Line inspectors are confronted with 10-level wind



Line inspectors are resting during patrolling



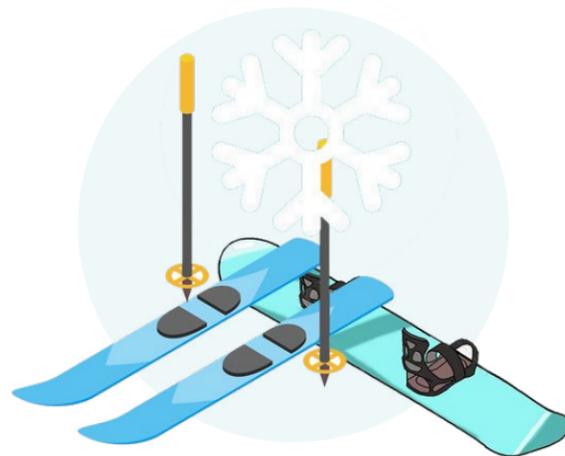
Jilin Repair Team is responding to emergency rapidly



Kunming Gas Repair Team is responding to emergency

SERVE OLYMPICS WITH STRONG SUPPORT

At the beginning of 2022, the Olympic and Paralympic Winter Games were held as scheduled, demonstrating the great spirit of sport to the world, while also posing challenges to natural gas supply during the period. Kunlun Energy, as the official oil and gas partner of the Olympic Winter Games, made great effort to provide a stable and clean energy supply for the event, serving approximately 200 people directly and 1,602 people indirectly.



Kunlun Energy has established an emergency leading group for the Olympic Winter Games. The Company prepared a dedicate emergency programme to control, mitigate and eliminate the negative impacts caused by natural gas supply shortages, which may derive from natural disasters, pipeline interruptions and other emergencies, to improve the capability to cope with emergencies. Meanwhile, employees from different positions of Kunlun Energy strived to do their part to guarantee energy supply.



To implement air quality standards for Olympic and Paralympic Winter Games, Kunlun Energy carried out various inspections, and improved low-nitrogen technologies for 69 boilers, and installed oil fume purification facilities for 29 canteens.



On the day before the opening ceremony of the Olympic Winter Games, Tangshan LNG terminal obtained 200,000 cubic metres of LNG from Qatar, which provided sufficient gas supply for Beijing and Olympic Winter Games.



As an alternative gas source for the Olympic Winter Games, the Bazhou LNG plant continued to maintain high-load production and high-liquid level of storage tanks. The plant strengthened the insulation and maintenance of equipment and made emergency preparations for both equipment and personnel.



Group photo of the maintenance team for Olympic Winter Games



Equipment inspection for Olympic Winter Games

SAFEGUARD WINTER WITH SAFETY SERVICE

During the end 2021, heavy snowstorm hit many regions of China. Kunlun Energy made efforts from the whole industry chain, allocated resources scientifically, and strengthened investigation for winter production safety and hidden danger. The Company spared no effort to ensure a warm winter of thousands of households, as well as stable operation of the national economy.



Snow cleaning under the storm



Pressure valve inspection at night

At the end of 2021, Jilin Province experienced strong snowstorm in the history. Kunlun Energy scientifically allocated natural gas resources within the province, and took on the responsibility of securing gas for 24 million people in Jilin Province. Our production staff tracked the production and operation conditions all day, while customer service and maintenance staff carried out safety inspections and hidden danger investigations under heavy snow and strong wind, to guard people's lives and property.



Patrol on snowy days



ORV Inspection



Tanker station at night



Staff in tanker station

In Harbin, faced with the pressure of pandemic and snowstorm, Kunlun Energy insisted on safeguarding the safety energy supply. We organised 365 inspectors to conduct investigations on 3,232 km natural gas pipelines and around 9,500 pressure regulating boxes in Harbin. Our 13 emergency teams with 536 personnel were 24 hours on standby, to assure rapid response once an emergency occurs, safeguarding safety operation of natural gas pipeline in Harbin.



Overhaul on snowy days



Downhole repair at night



01

CONSOLIDATE GOVERNANCE TO BUILD A FIRST-CLASS ENTERPRISE

Under the guidance of the “14th Five-Year” Plan and the “dual carbon” goal, Kunlun Energy attaches importance to ESG governance in corporate development to practice the concept of innovation, green and coordination, which lays a solid foundation for long-term sustainable development. At the same time, Kunlun Energy actively responds to stakeholders’ concerns of sustainable development and regularly communicates with them through multi-channels. The Company recognises the demands and expectations from stakeholders while accepting their supervision, as to better coordinate among enterprise development, economic growth and environmentally sustainable development.

- Sustainability Management
- Communication with Stakeholders
- Materiality Assessment
- Compliance and Risk Management
- Information Security Protection

SUSTAINABILITY MANAGEMENT

Board Statement

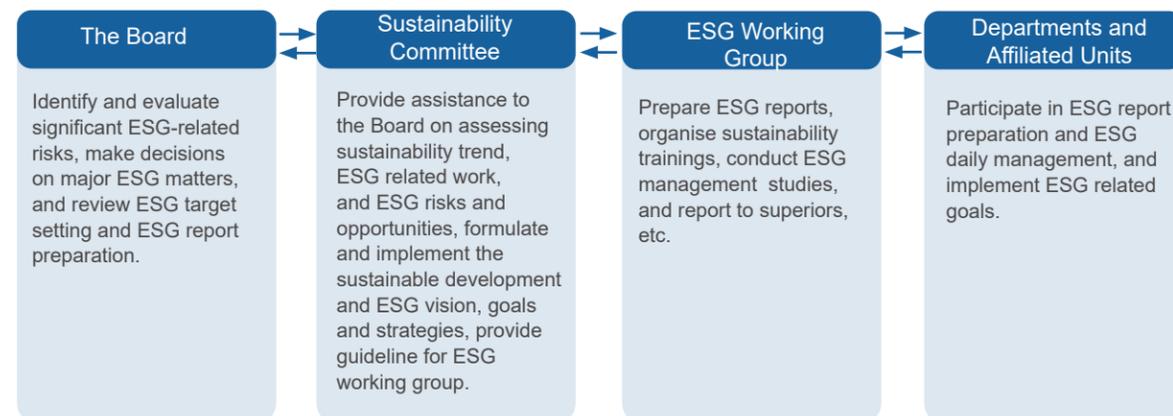
The Board of Kunlun Energy has overall responsibility for ESG management strategy, supervision and reporting. The Board receives regular reports from the Sustainability Committee, and makes judgments and decisions on the Company's material ESG issues. The Board also reviews the ESG-related risks to ensure all risks are effectively managed and monitored. Meanwhile, the Board supervises the routine communication with stakeholders to determine the core ESG issues, to ensure that the Company continuously improve the ESG management while focuses on meeting the requirements of stakeholders. The Board also regularly reviews and adjusts the establishment and achievement of ESG-related goals, so as to promote the continuous improvement of the Company's ESG performance with higher standards. The Board makes unremitting efforts to achieve the goal of becoming an international renowned and China's first-class integrated green energy provider.

ESG Governance Structure

Kunlun Energy strictly complies with the "Rules Governing the Listing of Securities" and the provisions of the Company's articles of association, the "Securities and Futures Ordinance" and other securities laws and rules, regulating the responsibilities of governance entities and strengthening compliance and risk control to enhance the level of corporate governance. As of 31 December 2021, the Board of the Company consisted of 7 members, including 4 executive directors and 3 independent non-executive directors. For details on corporate governance, please refer to the "Corporate Governance Report" in the Company's 2021 Annual Report.

As one of the model enterprises of corporate governance recognised by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), Kunlun Energy focuses on the innovation of the corporate governance mechanism, continues to improve the joint venture articles of association and supporting system, while also scrutinises, improves and establishes a series of business systems and processes with the characteristics of corporate governance. By implementing of a series of reform measures, Kunlun Energy achieved breakthroughs in deepening corporate governance, market incentives and constraints, and resolving historical problems. As a result, the Company's corporate governance capability has enhanced, with the modern enterprise system promoted and internal driving force strengthened for continuous development.

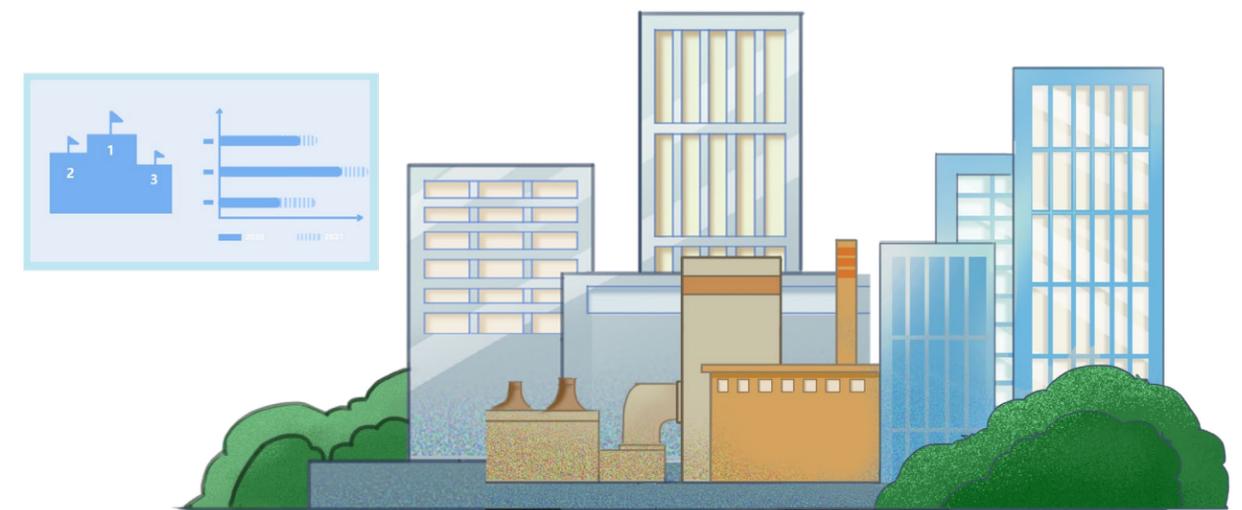
Kunlun Energy established a Sustainability Committee on 26 May 2021 based on the Audit Committee, the Remuneration Committee and the Nomination Committee, after deliberation of the Board of Directors. This decision responded to the requirements of the of Hong Kong Stock Exchange on "Making inroads into good Corporate Governance and ESG management" and SASAC's guidance of driving state-owned enterprises holding listed companies to take the lead in ESG. It's also a major step to advance the Comapany's ESG governance and continuously improve corporate value creation capabilities. The Sustainability Committee is mainly responsible for evaluating issues related to sustainable development and ESG work, as well as ESG- related risks and opportunities, which also in charge of guiding the Company for formulating and implementing sustainable development and ESG vision, goals, strategies and work.



Key Tasks and Achievements of ESG Management in 2021

Kunlun Energy regards the improvement of ESG capabilities and management as its long-term work, and continues to formulate and improve ESG governance, strengthen information disclosure and communication, and improve value-creation ability. In 2021, Kunlun Energy strengthened the information disclosure, established and upgraded the ESG indicator system, and continuously improved the quality of information disclosure. Meanwhile, the Company actively responded to the capital market's focus on corporate ESG performance. In 2021, we made our first response to the CDP climate change questionnaire, and achieved the ESG rating improvement from MSCI.

In addition, Kunlun Energy also conducted ESG management improvement studies and organised regular training about ESG governance and management, to continuously improve the sustainable development quality and ability of corporate management and employees, and provide continuous motivation of the Company's long-term ESG development.



COMMUNICATION WITH STAKEHOLDERS

Stakeholder Categories

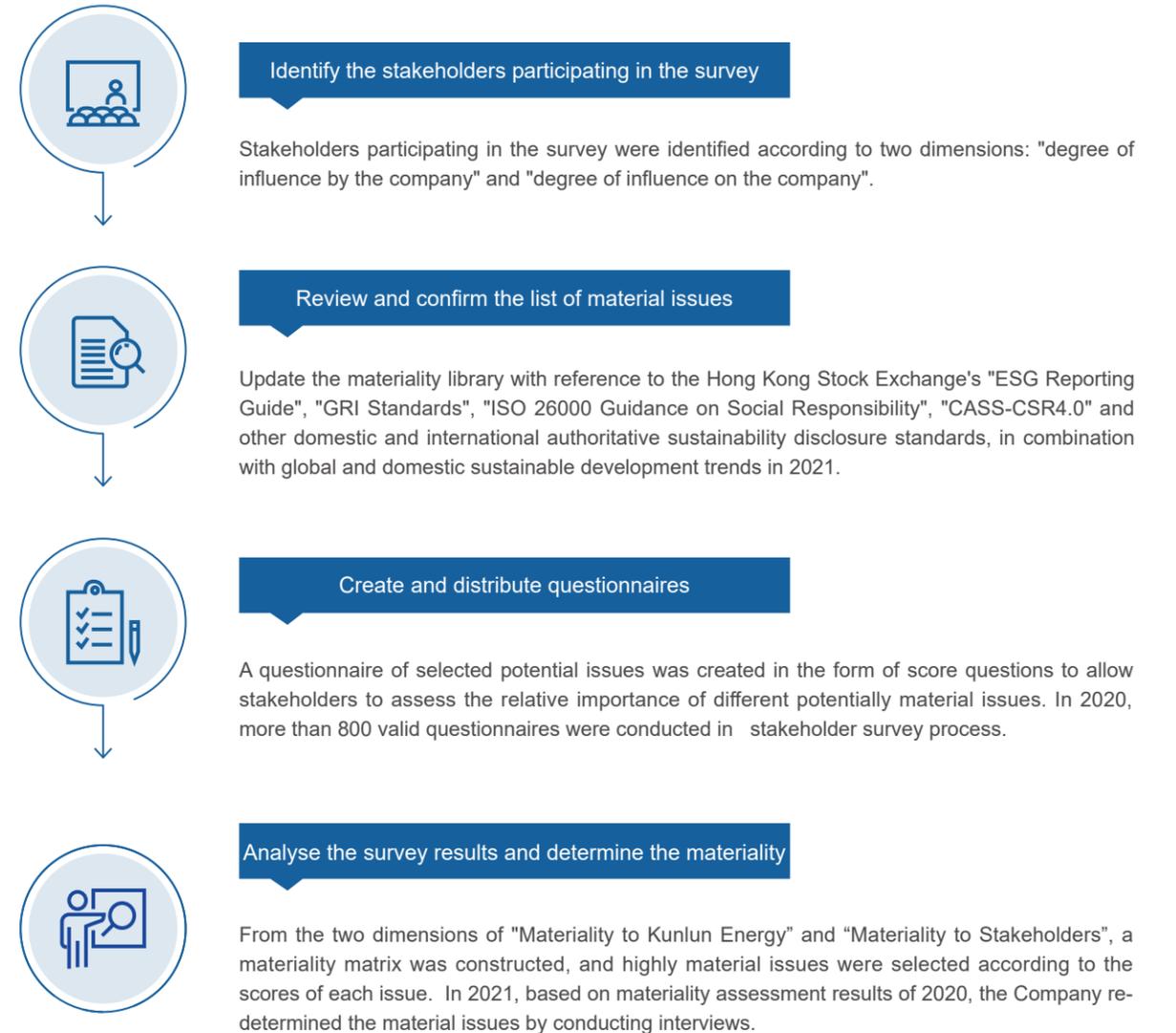
Based on the original intention of coordinated development with various stakeholders, Kunlun Energy insists on developing open channels and communicating with major stakeholders on key issues to enhance the trust and cooperation of both sides. The major stakeholders identified in 2021 include customers, governmental and regulatory authorities, suppliers, employees, communities, shareholders and investors. Kunlun Energy also continues to recognise the sustainability issues concerned by different types of stakeholders, and take actions to respond to their concerns.

Stakeholder Communication Mechanism

Stakeholders	Focus issues	Communication and responses
 Customers	<ul style="list-style-type: none"> Gas safety Stable price Supply steadiness Quality of service and response time Privacy protection 	<ul style="list-style-type: none"> Conduct customer satisfaction surveys Carry out consumer care activities Further strengthen users security checks and awareness promotion Set reasonable sales prices Ensure a stable supply of resources Strengthen information security protection
 Governmental and regulatory authorities	<ul style="list-style-type: none"> Implement of government energy strategies Compliance with regulatory requirements Employment promotion Tax payment in accordance with the law Environmental protection Tackle climate change Supply steadiness 	<ul style="list-style-type: none"> Communicate with relevant authorities to enhance cooperation Participate in government agency meetings and forums Take multiple measures to ensure stable supply of resources Strictly control of energy consumption in accordance with annual targets Strictly implement the "Three Simultaneities" Management Procedures for Safety, Environmental Protection and Occupational Health in Construction Projects Pay taxes in accordance with the law
 Supplies	<ul style="list-style-type: none"> Equilibrium of resource inventory, demand, and supply Fair and transparent procurement Win-win cooperation 	<ul style="list-style-type: none"> Hold a quarterly meeting to address to resource supply Strengthen the communication and collaboration with upstream and downstream Conduct on-site inspection and communication with suppliers Centralised procurement of bulk materials through public bidding
 Employees	<ul style="list-style-type: none"> Legal rights Career path Compensation and benefits Healthy and safe working environment 	<ul style="list-style-type: none"> Regularly hold staff representative meetings Establish trade union organisations at all levels Set up complaint and feedback mailboxes Employ according to the law and protect workers' rights Pay all social insurance for employees Develop multi-level, multi-angle and full-coverage training programs Strictly prevent and control epidemics, conduct occupational protection, employee medical checkups, and employee care
 Community	<ul style="list-style-type: none"> Protect the local environment Support community charity Create jobs for the community Contribute to local economic development 	<ul style="list-style-type: none"> Active visits and conversations in local communities Carry out project social and environmental assessments Enhance information disclosure Strictly implement the "Three Simultaneities" Management Procedures for Safety, Environmental Protection and Occupational Health in Construction Projects Carry out community welfare and volunteer services
 Shareholders/Investors	<ul style="list-style-type: none"> Good return on investment Continuity of corporate strategy Information disclosure Corporate risk management Corporate governance risk 	<ul style="list-style-type: none"> Arranged regular shareholder meetings, the Board meetings and professional committee meetings for 12 times, resulting in 64 motions Participated in 12 online investor summits and communicated with 8 securities companies 86 one-on-one investor/analyst meetings Strengthened information disclosure and issued 39 announcements on changes in directors and performance reports Actively respond to ESG-related inquiries from ESG rating agencies and investors Improved the governance structure and established the Sustainability Committee

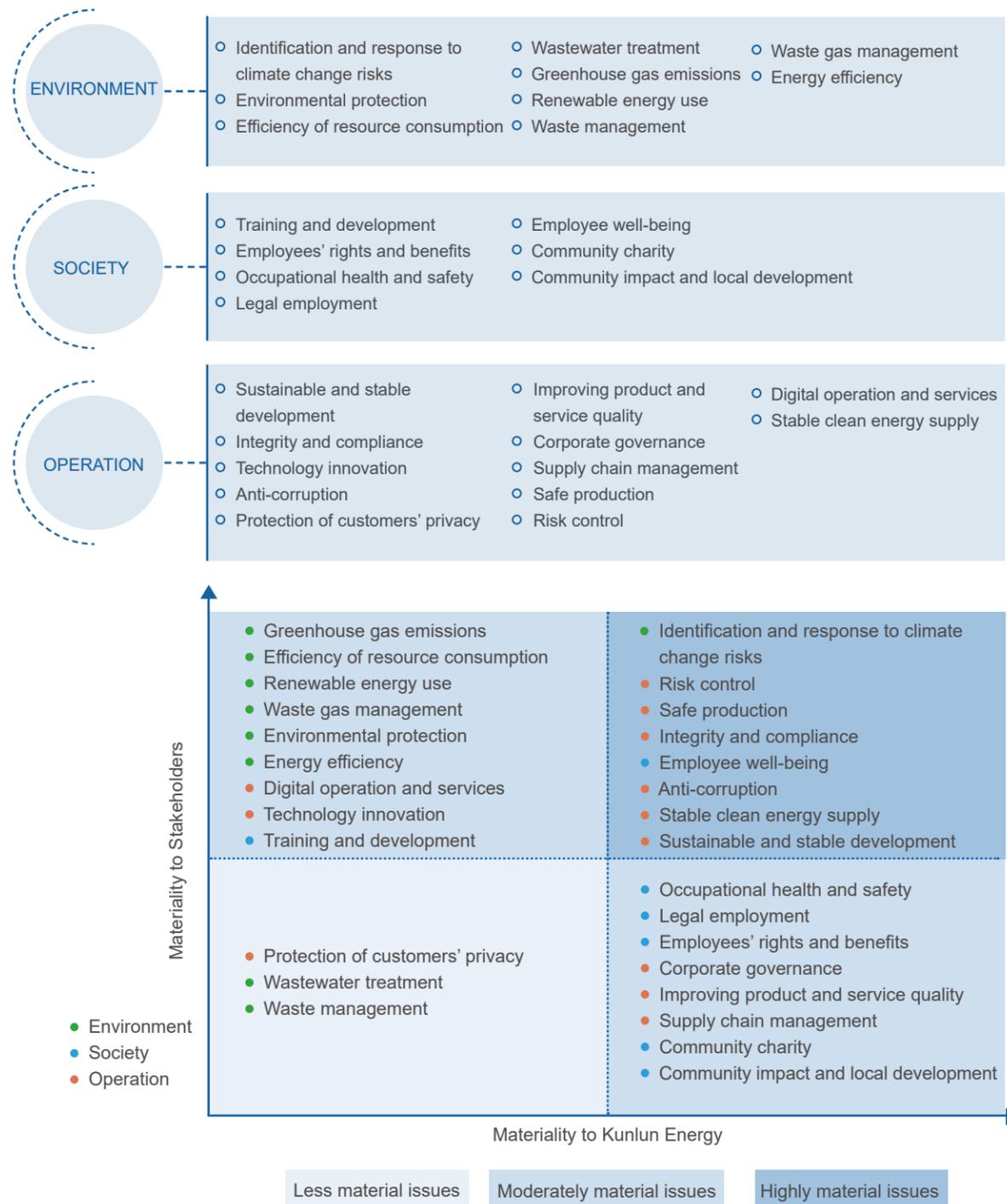
MATERIALITY ASSESSMENT

Materiality Assessment Process



Materiality Matrix

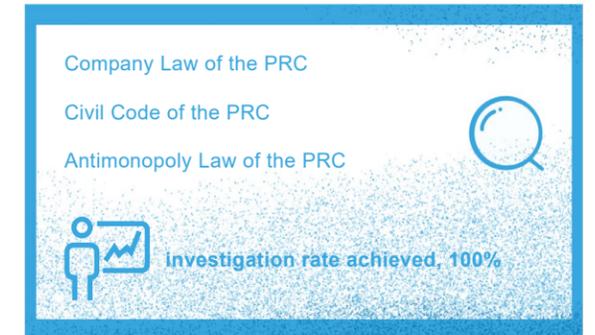
Kunlun Energy has categorised 28 sustainability issues into environment, society and operation., and a materiality matrix is established based on the two dimensions of " Materiality to Kunlun Energy " and " Materiality to stakeholders".



COMPLIANCE AND RISK MANAGEMENT

Compliance Management

Kunlun Energy attaches great importance to corporate compliance governance and risk management. The Company strictly abides by the "Company Law of the People's Republic of China", the "Civil Code of the People's Republic of China", the "Anti-monopoly Law of the People's Republic of China" and other relevant laws and regulations, and continuously carries out compliance management as well as implements prevention and control measures. Throughout this Year, Kunlun Energy actively prevented and controlled legal risks, organised compliance training to improve employees' awareness and ability of risk prevention and control. The number of participants for the online compliance training has reached 16,320. At the same time, Kunlun Energy insisted on conducting legal compliance inspections, and supervised and rectified compliance issues. Also, we strengthened the compliance investigation of rules and regulations, with an investigation rate of 100%.



Anti-corruption

Kunlun Energy proactively conducts anti-corruption management to improve its operational efficiency and development dynamics. The Company strictly complies with the "Company Law of the People's Republic of China", the "Anti-monopoly Law of the People's Republic of China", the "Oversight Law of the People's Republic of China", the "Law of the People's Republic of China on Administrative Discipline for Public Officials" and the Company's policies and regulations on the prevention of corruption, bribery, extortion, fraud and money laundering.

In terms of construction of anti-corruption mechanism, the Company has established an anti-corruption leading group to be fully responsible for the Company's anti-corruption and anti-bribery matters. with the Chairman as the head of the anti-corruption leading group. Every year, Kunlun Energy composes and reviews the anti-corruption system, and updates and improves the anti-corruption and anti-bribery system from time to time based on the actual situation. Since 2016, the Company has implemented "Management Measures for Supervision Departments to Participate in the Investigation and Handling of Accidents and Incidents", "Rules for the Implementation of Inspection Work", "Guidance on Further Strengthening the Disposal of Problem Clues (Trial)" and other series of company-wide policies and related measures.

Reporting Supervision

Kunlun Energy has set up multiple reporting channels, where employees and external stakeholders can report irregularities or suspicious activities related to bribery, extortion, fraud, and money laundering, etc. The relevant departments will consider the clues reported. Any corruption case will be filed for review and transferred to judicial authorities for following up. Throughout this Year, there were no legal cases regarding corrupt practices brought against the Company or its employees.

The Company strictly implements "Discipline Inspection and Supervision Rules for Handling Prosecution and Accusations", and systematically protects whistle-blowers in accordance with the law: the Company clarifies that whistle-blowers enjoy the right to apply for recusal of staff related to the matter of prosecution and accusation; if their legitimate rights are threatened or infringed due to prosecution and accusation, they can apply for protection. At the same time, the Company observes strict confidentiality of the name, work unit, address and other relevant information of the whistle-blower, as well as the content of the prosecution and accusations.

Anti-corruption Training

Kunlun Energy carries out various anti-corruption training to enhance employees' awareness of business ethics and provide a disciplinary guarantee for the Company to improve its ability to resist risks. For the management, we conducted pre-service integrity education for newly promoted middle management personnel, and organised more than 600 managers at every level to watch publicity warning videos. For affiliated enterprises, the Company conducted 718 positive education and warning education throughout the year. Meanwhile, Kunlun Energy prepared 9 integrity-themed courseware for employees and delivered topical lectures in 23 provinces, acquiring positive responses. For suppliers and contractors that have a cooperative relationship with Kunlun Energy, the Company also delivered anti-corruption training materials to promote their business ethics once they have obtained the access qualification. 100% of the Company's suppliers have signed the "Supplier Qualification Commitment". In addition, Kunlun Energy has created a good culture of integrity through the construction of the Company's website.



Anti-monopoly

Kunlun Energy regards anti-monopoly as the focus of compliance management. In 2021, Kunlun Energy continued to strengthen anti-monopoly risk control and promote anti-monopoly training of related laws and regulations, and formulated the "Compilation of Anti-monopoly Laws and Regulations Applicable for Kunlun Energy" and the "Typical Cases Study of Anti-monopoly in the Gas Industry" to provide guidance and reference of anti-monopoly management for all units. In addition, Kunlun Energy has formulated and improved anti-monopoly management agency and response mechanism by strengthening training about anti-monopoly laws and regulations and conducting self-inspection.

Risk Management

Kunlun Energy places emphasis on the construction of the risk management, and has set up a comprehensive internal control system, taking business department as the first line of defence for risk management, and implements the upgraded control of risk events. The Company follows up the risk events in a timely manner, shares related information, and implements rectification. Every year, the Company conducts significant risk assessment and report preparation, forming a risk database of 85 risks within 25 business management areas, and eventually 11 major risks are confirmed through evaluation. In response to major risks, the Company formulated risk management strategies and solutions, which formed the 2022 risk management report of the Company. The report was deliberated and approved by the Internal Control and Risk Management Committee and issued with the signature of CEO.

Meanwhile, the Company conducted a comprehensive risk investigation and assessment of 21 major risky points, and formulated 72 specific risk prevention and control measures to form the risk prevention and control and supervision responsibility matrix of the Company, which includes ESG-related risks such as safety accident risk and resource supply risk. Each business area of the Company clearly defined control measures for each risky point, and held monthly risk management meetings to supervise the implementation of risk management measures, effectively improving the risk prevention and control capabilities.

In 2021, Kunlun Energy continued to promote the construction of the internal control system of its subordinate units, strengthen the inspection in key issues and important business areas, and promote the problem rectification to develop a closed-loop management. In addition, the Company improve the internal control management manual and actively carried out internal control and risk management publicity and education, with a total of 716 employees obtaining the internal control and risk management qualification certificates.

INFORMATION SECURITY PROTECTION

Information Security Management

Kunlun Energy has established a comprehensive information security system to cope with essential demand for information security in the digital era. The Company strictly implements the "Data Security Law of the People's Republic of China" and the "Personal Information Protection Law of the People's Republic of China". Through adopting a series of measures such as network security inspection, network assets sorting, network security risk management, network security education, and network safety protection deployment, the Company implements network security duties and truly safeguards network security, improving of the overall capabilities of network security management, and protects the core information of the Company.



Customer Privacy Protection

Kunlun Energy has always prioritised customer privacy and information security. Special confidentiality provisions or separate confidentiality agreements are set up in the different types of contracts and agreements signed with customers. Technical measures such as internal and external network isolation, electronic key (UKEY) certification, and hierarchical authorisation are applied in the customer information system to restrict the export of customer information. We also promote related training to raise employees' confidentiality awareness, and strictly implement the Company's confidentiality system and work procedures, to ensure customer information security. In 2021, there were no relevant cases regarding disclosure of customer information.

02

INNOVATIVE APPROACH TO RESPONSIBLE OPERATION

Kunlun Energy adheres to the concept of “people focus, quality foremost, safety first, and environmental protection priority”, strictly controls the quality and safety of production processes and products, and meets customers’ expectations with high standard and high-quality services. The Company continues to promote the refined management of suppliers and achieves mutual benefits with partners while preventing and resolving various supply chain risks. In addition, Kunlun Energy continues to deepen its digital transformation, and continues to optimise and reform corporate management methods with more efficient, scientific and precise digital management to promote the steady and rapid development of the Company.

- Management of Quality and Safety
- Customer Service
- Supply Chain Management
- Innovation and Digital Development



MANAGEMENT OF QUALITY AND SAFETY

Management System

With the goal of establishing a long-term safety mechanism, Kunlun Energy continues to promote safety management to achieve a series of targets including corporate quality, safety and environmental protection. The Company strictly abides by the "Law of the People's Republic of China on Production Safety", the "Law of the People's Republic of China on Special Equipment Safety", the "Regulations on the Safe Management of Hazardous Chemicals", the "Measures for the Management of Production Safety Accident Emergency Response Plans", the "Product Quality Law of the People's Republic of China" and other relevant laws and regulations, and carries out production and operation activities in accordance with the standards of GB/T19001-2016, GB/T24001-2016, GB/T28001-2011, Q/SY1002. 1-2013 and SY/T6276-2014.

The Company has established a sound quality, health, safety and environment (QHSE) management system, with the QHSE Committee as the highest decision-making body. We also have four quality, safety and environmental supervision centres covering the business scope nationwide, responsible for the supervision and inspection of units, projects and stations at all levels. At the same time, the Company has established various QHSE management systems such as the "Management Measures of Production Safety", the "Management Measures of Safety and Environmental Protection Responsibility System", the "Management Measures of Environmental Protection", the "Management Measures of Occupational Health", and the "Quality Management Measures", and strengthened the supervision and inspection for implementation. All employees of Kunlun Energy have signed the safety and environmental protection responsibility statement, implemented the responsibilities of QHSE positions at all levels. We also prepared a responsibility list in accordance with the 2021 newly revised "Law of the People's Republic of China on Production Safety", and took measures such as accountability and deduction of performance-based remuneration for responsible persons who have serious problems found in audit, supervision and inspection.

In 2021, Kunlun Energy further improved the construction of the QHSE system, and highlighted the review of key projects, newly acquired projects and major hazard source units in the review of the QHSE system. In addition, we continued to carry out HSE standardisation construction, issued a total of 14 "Regulations on the HSE Standardisation Development Documents for Stations", added 111 standard stations, 110 excellent stations and 10 demonstration stations, of which 2 stations were awarded the title of "Hundred Thousand demonstration project". We paid attention to the training of safety management personnel, trained 465 company-level auditors, and 350 certified national registered safety engineers. In 2021, there were no fatalities in production safety accidents, and zero fire, explosions or traffic accidents.



QHSE audit meeting by senior management



Management Measures

Risk Control

In 2021, Kunlun Energy continued to strengthen quality and safety risk control and hidden hazards management, further promoted the "2 + 5" Three-Year Action Plan for Special Remediation of Safety Production. We strengthened the investigation and management of hidden hazards of hazardous chemical storage and loading and unloading facilities, urban gas pipeline networks and old fire-fighting equipment facilities. We organised 394 treatment projects with an investment of RMB 272 million. The Company conducted in-depth safety risk assessment on large oil and gas storage bases, implemented full coverage of safety supervision on high-risk operation sites, and strengthened the risk control throughout the whole process of hazardous operation.



Case: Promoting the investigation of hidden hazards for old facilities and accelerating comprehensive treatment



In order to prevent gas flaring accidents, Kunlun Energy focused on the investigation and remediation of hidden hazards of old pipe networks in Yunnan, Harbin and other provinces, and carried out online training and on-site investigations. The Company strictly implemented remediation for the hidden hazards found in the investigation. This work was also carried out on a large scale across the country. Sites in Jiangsu, Shandong, Hebei, Hubei, Hunan have completed the replacement of old and ineffective pipelines with a total of 62.3 kilometres.

Strengthening Quality Management

In 2021, Kunlun Energy implemented the "Guidelines for Product Quality Inspection" according to different products and sales terminals, and comprehensively strengthened the quality management of the whole process of product purchase, sales, storage and transportation. The inspection of measuring instruments was strictly carried out, and the delivery rate of the compulsory inspection on measuring instruments reached 100%. There were 532 product quality inspections and tests throughout the year, with a completion rate of 100%. At the same time, we helped contractors to build the quality system and carried out supervision and inspection. The Company strengthened the investigation and management of quality hazards, incorporated the investigation of quality hazards into the specific requirements of target verification, and formed a top-down quality management mechanism. The Company organised activities to improve quality awareness, a total of 6,200 people participated in quality management knowledge contests and other activities to promote the quality awareness of all employees.

 Delivery rate of compulsory inspection
100%

 Number of product quality inspections
532

 Completion rate
100%

 Participants in quality management knowledge contests
6,200



Staff filling up the vehicle



The gas station operator filling up the vehicle



Technician operation and debugging



Technician operation and debugging

Fully promote "technology-based safety"

Kunlun Energy empowers safety management with digital means and comprehensively improves safety management level and efficiency. The Company attaches great importance to the construction of production safety management system, achieving a digital pipeline rate of over 80% and a digital emergency response plan rate of 100%. The system also provided a powerful tool for the efficient implementation of integrity and refined management of important equipment and facilities. During the reporting period, all online monitoring data of major hazard sources were connected to the monitoring and early warning system. All hazardous chemical transportation vehicles were connected to the vehicle management system. In addition, the digital management and unmanned pilot projects for branch pipelines in Chaozhou and Jieyang were completed. The application of essential safety technologies such as smart gas metres, stainless steel corrugated pipes and self-closing valves at the user end is steadily advancing. The safety management system driven by intelligent technology has achieved initial success.

Improving emergency response capabilities

In order to enhance the ability of emergency disposal, Kunlun Energy has established a more comprehensive crisis prevention system by conducting emergency capacity assessment and emergency drills for subsidiaries to identify emergency weaknesses. In addition, the Company has continued to strengthen fire safety supervision, carried out fire safety assessment and formulated improvement plans.

Case: CNG tube bundle trailer traffic accident emergency drill



In order to strengthen the ability to respond to emergencies, Kunlun Energy organised a comprehensive emergency drill for the emergency road traffic accidents of CNG tube bundle trailers in Urumqi. This emergency drill not only tested the scientificity and practicality of the emergency plan system, but also tested the emergency rescue capability of hazardous chemical accidents and the ability of enterprise-local cooperation. Through this drill, we accumulated practical experience in rescue, and further improved the safety awareness, responsibility awareness and overall awareness of employees.



Safety Management KPI

Indicators	Unit	2020	2021
Number of general Class A accidents (or above)	Case	0	0
Number of residential users inspected	10,000 households	707	826
Safety inspection rate of residential users	%	90	90
Number of non-residential users inspected	10,000 households	21.8	12.2 ¹
Safety inspection rate of non-residential users	%	100	100
Number of video monitoring inspections at major field stations	-	2,200	13,226 ²
Monitoring rate of important production operations rate	%	100	100
Incident information delivery rate	%	100	100

¹The safety inspection standard for non-residential users is not less than once a year. In 2020, in accordance with the requirements of the national and local governments for conducting gas safety inspections, the frequency of safety inspections for non-residential users increased significantly. In 2021, it was conducted in accordance with the inspection standards, with a year-on-year decrease.

²During the reporting period, Kunlun Energy strengthened the digitalisation of all stations and increased safety inspections, so the number of video surveillance inspections increased significantly.

Target Setting and Achievement

Indicators	Unit	2021 Target	2021 Achievement
Number of fatalities in production safety accidents	Person	0	✓
Number of general Class B accidents (or above)	Case	0	✓
Incidents of violations (from government, superiors)	Incident	0	✓

CUSTOMER SERVICES

Customer Services Management

Kunlun Energy adheres to the service concept of “starting from customer needs, striving for customer satisfaction, and exceeding customer expectations”, and continues to improve the customer services to provide high-quality customer service experience. In 2021, we issued the “Customer Standardised Service Guidance Manual” to improve customer service standards, unify customer service processes and standardise service staff etiquette. The Company initiated the research on “Urban Gas Customer Development and Service Process Optimisation” and formulated standardised procedures for terminal city gas enterprise sales management and customer service. All levels of units combined business procedures in alignment with the requirements of local governments to save time and costs for customers.



Customer Services Centre

Customer Satisfaction Management

Kunlun Energy has established a comprehensive customer complaint handling system. After receiving a customer complaint, the customer service personnel will invite the customer to fill in the complaint handling form, record the complaint in detail, and transfer the complaint handling form to the relevant responsible department for investigation and resolution. After the complaint is handled, the customer service staff will pay a return visit to the customer. In 2021, we organised customer satisfaction surveys covering 27 provinces, with customer satisfaction reaching 99%. During the reporting period, Kunlun Energy received 2,286 complaints about products and services, representing a decrease of 20.5% as compared to 2020, and the complaint resolution rate remained at 100%.



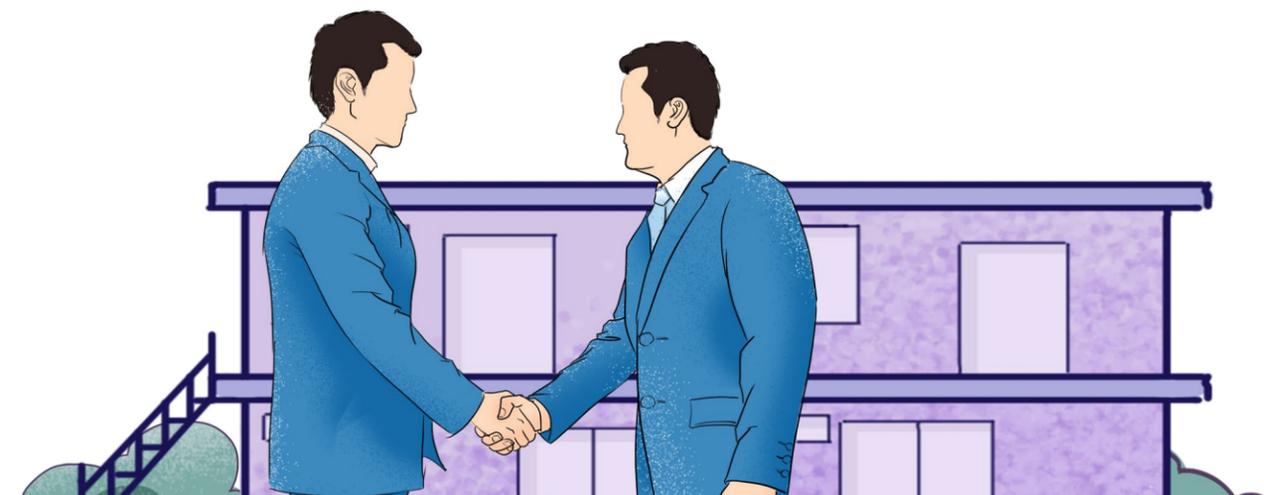
Customer Service KPI

Indicators	Unit	2020	2021
Total number of customers	10,000 households	1,235.8	1,384.5
Customer satisfaction rate	%	98	99
Number of customer complaints of products and services	-	2,874	2,286
Resolved rate of customer complaints	%	100	100

Case: New ideas for optimising customer service in different subsidiaries



- In Wuwei, the business hall sticks to hold morning meetings and standardises the service procedure, including hand signs, zero distance from users, apology for waiting, and improve customer's perception. Through the above measures, we continuously improved customer satisfaction.
- In Huangshi, Hubei, the subsidiary has implemented the “1 + 9” service commitment for gas installation, which means 1 form approval and 9 work measures, which has been recognised by customers and local governments.
- In Zhuozhou Hebei, we assigned safety personnel in the village, and established a “gas housekeeper” working model to achieve grid-based overall management of gas services, value-added services and safety supervision.
- In Dalian Changxing in Liaoning, the subsidiary has implemented the “one-stop housekeeper” service for the key customer, and assigned special personnel to connect with customers, which enabled 24-hour communication, and actively helped users solve resource supply problems.



SUPPLY CHAIN MANAGEMENT

Supply Chain Management System

Suppliers and contractors are indispensable partners of Kunlun Energy, and also important promoters of Kunlun Energy to extend social responsibility and achieve sustainable development. In strict compliance with the abides by the "Bidding Law of the People's Republic of China" and has formulated the "Administrative Measures for Contractors' Safety Supervision" to continuously improve the management level and achieve a win-win situation with suppliers. In 2021, the Company organised and revised seven management systems, including the "Administrative Measures for bidding" and the "Management Protocol for Material Procurement".

Supplier Qualification Management

Kunlun Energy has formulated and strictly implemented the "Management Protocol for Market Access of Kunlun Energy", continuously reviewed and evaluated the compliance of suppliers admitted every year, and organised supplier qualification evaluation, covering aspects including quality, occupational health, safety, environmental management. For suppliers with serious violations of laws and regulations, seeking benefits by improper means such as bribery, or conducting serious dishonesty announced on the official websites of national authorities, the annual evaluation results will be determined to be unqualified and removed out of the supplier pool.

Kunlun Energy attaches great importance to the business ethics of suppliers. The Company strictly inspects the anti-corruption and non-compliance of suppliers and contractors during the access stage, and integrates whether to establish an anti-commercial bribery system as an entry-level review condition. Any bribery is immediately blacklisted and its bidding qualifications are cancelled. 100% of the Company's suppliers have signed the "Supplier Qualification Commitment", which includes anti-corruption and professional ethics. In addition, the Company also strictly examines whether suppliers have formulated internal anti-corruption policies in the supplier access bidding process, and includes them into the evaluation criteria. Kunlun Energy regularly revises the access management measures in combination with national policies and the annual review of suppliers' anti-corruption to ensure timely and effective supervision of business ethics.

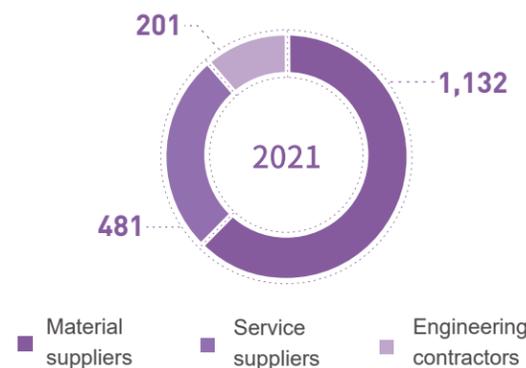
In terms of bidding, the Company continued to promote the standardisation of the bidding process in 2021, and issued 18 standard documents of the Company for bidding of engineering, materials and services. The Company strengthened the process supervision of key bidding projects to achieve transparent procurement in compliance with laws and regulations. At the same time, we promote the Company's bidding management system, continuously optimise the electronic management of bidding to improve efficiency. In 2021, there were 88 new entrants, all of which were completed by public tender.

 Percentage of suppliers signing the "Supplier Qualification Commitment" 100%	 Number of standard documents for bidding of engineering, materials and services 18	 Number of new entrants in 2021 88
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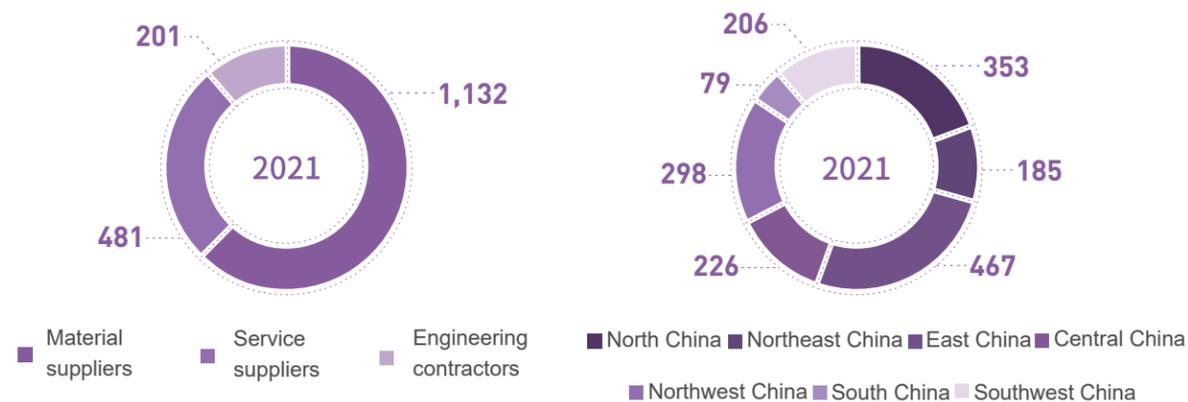
Supplier KPI



Number of material suppliers



Number of suppliers by geographical region

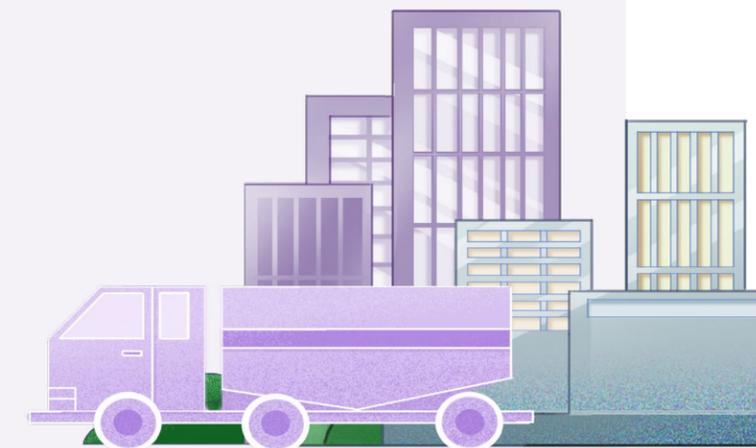


Case: Kunlun Energy 2021 centralised material procurement supplier on-site inspection

In November 2021, the fourth inspection team of Kunlun Energy's centralised material procurement material suppliers went to Ningbo, Lishui, Taizhou to conduct on-site inspection of 9 suppliers in Zhejiang province, and conducted on-site re-inspection on the suppliers' financial condition, production capacity, research and development capabilities, production process, physical quality and after-sales services.

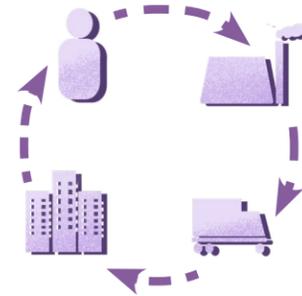


On-site inspections



Supplier Supervision Management

Kunlun Energy carries out daily supervision management of different types of suppliers and contractors through targeted management methods. At the same time, we uses digital systems to continuously improve and standardise processes, strengthen the implementation of responsibilities, to ensure that we have high-quality partners in the long term. The Company continuously prevents and resolves various risks in the supply chain, and give full play to the synergy between the Company and suppliers at all levels.



For material suppliers, we have formulated the “Implementation Guidelines for Material Supplier Management”, which specifies the management requirements for the entire process of material suppliers such as daily management, assessment and exit management. We track and evaluate the performance of suppliers, pay attention to health, safety, environmental protection and compliance operations, prevent and control the occurrence of relevant risks, and removed any material suppliers that fail the quality supervision or have quality problems. Under the same conditions, priority will be given to material suppliers with energy-saving or environmental-friendly products recognised by relevant national departments.

For engineering contractors, the Company strengthened the implementation of the requirements for contractors in the whole process, strengthened the supervision of contractors in all aspects such as contractor access, use, evaluation and result application, and implemented the “blacklist” system for contractors. The Company strengthened the management of performance behaviour, carried out various forms of contractor supervision and inspection, and handled the contractors and personnel involved to control and manage various risks such as quality, environment, compliance and corruption. Kunlun Energy also strengthens the environmental protection requirements for engineering contractors in the construction stage, and urges contractors to implement the energy-saving and environmental protection requirements in every aspect of construction.

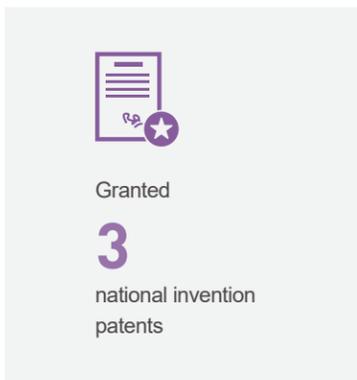
For inspection and maintenance contractors, the Company complied and issued the “Implementation Guidelines for the Annual Evaluation of Inspection and Maintenance Contractors of Kunlun Energy”, which refined the qualification requirements according to the type of inspection and maintenance business, and provided the basis for the selection, use and evaluation of inspection and maintenance contractors.

INNOVATION AND DIGITAL DEVELOPMENT

Innovation and Development

Kunlun Energy regards innovation as one of its development strategies to cope with the competitive landscape and to seize the opportunities arising from industrial reform. Kunlun Energy always attaches great importance to technology accumulation and intellectual property rights protection, strictly abides by the “Patent Law of the People’s Republic of China”, the “Copyright Law of the People’s Republic of China” and other relevant policies, and encourages all subsidiaries to actively apply for intellectual property rights. During the reporting period, a total of 3 national invention patents were granted.

The Company has formulated and issued the “Management Measures for Science and Technology of Kunlun Energy”, which requires the application and ownership of intellectual property rights to strictly implement the management regulations on patents and computer software copyrights, and focuses on increasing the proportion of invention patent applications and authorisations. From 2021, the Company is working on further increasing the proportion of invention patent applications to ensure that invention patent applications accounts for 80% or above.



In 2021, the Company actively carried out a variety of innovative research projects, set up 2 key research projects, namely urban gas pipeline integrity management technology research, and research of integrated development for centralised natural gas power generation and wind and solar power storage. These projects provided technical support for improving the risk management and control capabilities of urban gas pipelines and facilitating the integrated development of natural gas and new energy. In terms of LNG transportation business, the Company continued to deepen research to construct a value chain throughout LNG industry. We compiled the “Special Development Plan for LNG Transportation Sector”, the “Special Research Report on Natural Gas for Vehicles” and the “Technical and Economic Analysis of LNG Power Vessels in Inland River” to comprehensively improve the business development system in LNG transportation sector.



The first LNG ship from the Yamal project to China berthed at the Jiangsu LNG terminal



Jiangsu LNG terminal vehicles carry out clean energy transportation

Case: LNG Reserve Distributed Energy Project



In May 2021, Kunlun Energy’s first demonstration project in Hainan, the “LNG Reserve Distributed Energy Project”, was completed and put into operation. The gas-fired distributed energy business has made substantial progress, and won the first prize of the Outstanding Project of 2021 China Distributed Integrated Energy awarded by the 17th China Distributed Energy Global Forum. As a demonstration project of cooling, heating and electricity supply, after the project is put into operation, the primary energy conversion rate can reach 87%, and the comprehensive energy utilisation rate can reach 81%, achieving efficient allocation of resources. The implementation of the project is expected to reduce electricity consumption by 1,510,000 kWh of standard coal per year, which can replace 532 tonnes of standard coal and reduce carbon dioxide emissions by 590 tonnes, equivalent to planting 4,042 trees per year, which is of great significance to environmental protection.



Expected to reduce electricity consumption of standard coal

1.51 million

kWh per year



Replace standard coal

532

tonnes



Reduce carbon dioxide emissions

590

tonnes



Equivalent to planting

4,042

trees per year

Digital Development

Kunlun Energy adheres to the innovation strategy of digital transformation and intelligent development, commits to the top-level design and pilot construction of digital transformation. In this way, we can enhance the management approach and efficiency, promoting the integrated development of digital economy and real economy, and thus achieve the high-quality development of business.

Digital production management

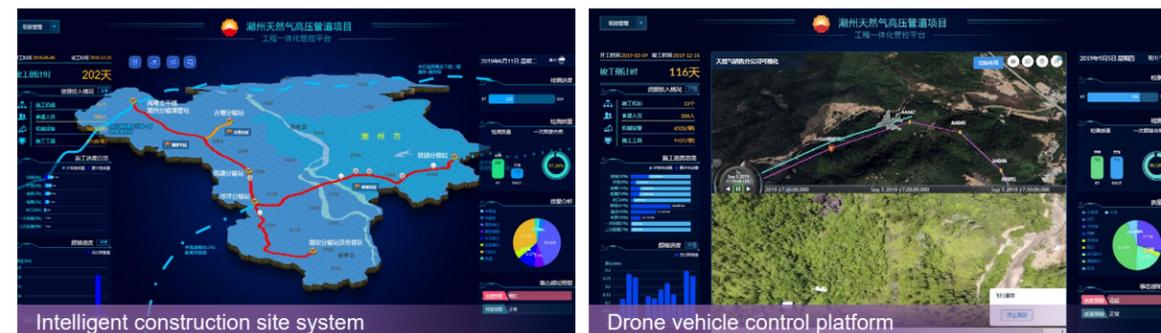
The production management system of Kunlun Energy was officially applied and promoted in 2021. The production management system promotes the digital, information-based and intelligent development of the Company's production safety management and control. In 2021, a total of 80,000 kilometres of digital pipelines were completed, with functions including confined space, pipeline inspection, online monitoring, etc. The system also has risk evaluation tools to achieve hierarchical governance and key control, which enhances the channel integrity management and safety monitoring capabilities. Kunlun Energy's subsidiaries have incorporated the system into the daily work, and gradually realised the transition of production safety-related business from offline to online.



Jingtang LNG terminal intelligent inspection robot "Wali"

Digital construction management

Driven by digitalisation, Kunlun Energy has formulated an intelligent implementation plan for project construction. Based on the characteristics of different types of projects such as branch pipelines and urban gas, we have formulated intelligent work standards including intelligent construction site deployment, visual monitoring and the application of unmanned aerial vehicle. At present, the plan has been piloted in key projects in Chaozhou, Jieyang and Hengyang-Yanling. In addition, the Company has carried out a number of research projects, such as the "Research on Design and Operation Management Technology of Smart Unmanned Stations" and the "Research on Full Digital Coding Standards for Urban Gas Engineering Construction", providing solid theoretical support for promoting the digital development of engineering construction.

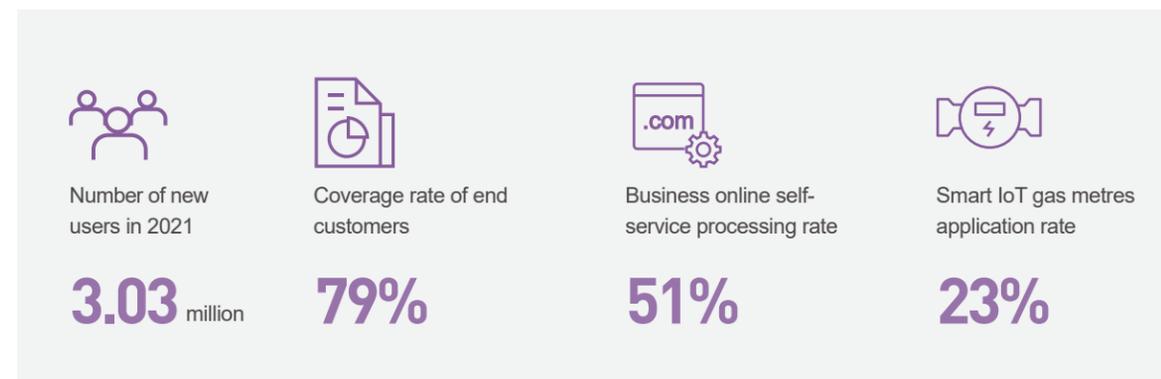


Intelligent construction site system

Drone vehicle control platform

Digital terminal business

Relying on the natural gas sales operation management system, Kunlun Energy has realised the unified management of terminal sales and operation information of more than 460 projects. The natural gas sales operation management system includes natural gas resource balance, sales plan, stable winter energy supply operation, intelligent measurement management and other functions, which effectively improves the precise management capability. In 2021, the system had 3.03 million new users, covering 79% of end customers, with 51% of business online self-service processing rate, and 23% of smart IoT gas metres application rate, which supported the development of natural gas terminal sales business.



Case: Digital transformation and intelligent development pilot project launched

Kunlun Energy launched a pilot project in Shandong, completed the digital transformation planning and scenario design of natural gas sales business, and formed 16 sub-scenarios in 5 transformation scenarios, including production and operation integration, smart pipelines, smart LNG plant/terminal, smart filling station and digital sales. This project promoted the business synergy, digital sales customer service and intelligent production station.

Case: Kunlun Energy promoted digital pipeline in Shanxi

Digitalisation of pipelines is the foundation for the construction of natural gas pipelines with diversified resources, flexible planning and efficient operation. As of November 2021, Kunlun Energy's digital pipeline rate in Shanxi reached 70%, exceeding the annual target of 50%. The current line management module has realised functions such as online receiving tasks, inspection and checking, and generation of inspection trails, achieving a real-time management for inspection personnel.



"Intelligent inspection" station inspection system and recorder



Confined space data collection of RTK equipment around pipelines

03

CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION

Kunlun Energy adheres to the principle of achieving the balance between development and protection, integrates the construction of ecological civilisation throughout the entire process of production and operation. We actively build a long-term mechanism for ecological protection, and promote green, low-carbon and sustainable development to create the harmony between energy and the environment. At the same time, Kunlun Energy actively responds to the challenges of climate change, seizes the historical opportunity of clean energy development, and makes unremitting efforts to achieve the national "dual carbon goals". We are committed to sustainable economic development and the harmonious coexistence of energy transformation and environmental friendliness.



- Climate Change Action
- Environmental Protection
- Emission Management
- Resource Consumption

CLIMATE CHANGE ACTION

Climate Change Risk Analysis

Kunlun Energy realised the profound impact of climate change on human society, and actively conducted climate change risk analysis to scientifically understand and prevent and resolve related risks. The Company continued to deepen its understanding of climate change risks with reference to the analysis framework of TCFD.

Physical risks

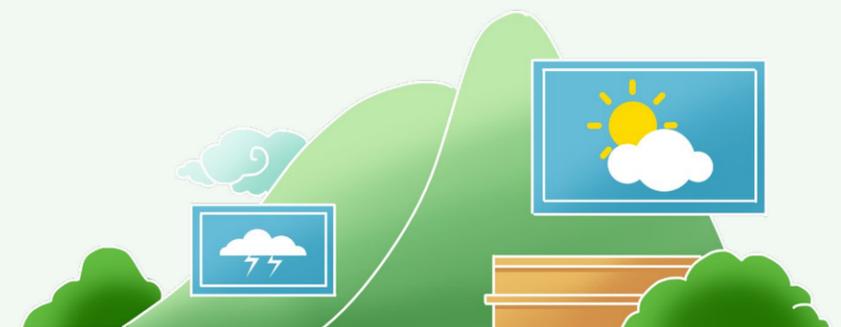
	Risk type	Potential impact
Acute risk	Typhoons and storms	<ul style="list-style-type: none"> • Damage to offshore LNG shipping vessels, coastal LNG receiving terminals • Damage to natural gas transmission and distribution pipeline, filling stations and pressure regulating facilities • Disruption of energy supply • Threat to employee's safety
	Rainstorms and floods	<ul style="list-style-type: none"> • Damage to natural gas transmission and distribution pipeline, filling stations and pressure regulating facilities, etc. • Disruption of energy supply • Increasing the risk of flooding of gas supply facilities in the low-lying areas • Disruption of traffic, causing challenges to repair
	Cold wave	<ul style="list-style-type: none"> • Wind weather affects the unloading of terminals and causes business interruptions • Increase the pressure of equipment operation, and increase maintenance and repair costs • Rapid increase in demand for natural gas and increase pressure on energy allocation • Increase the risk of employees' health
	High temperature and heat wave	<ul style="list-style-type: none"> • Electricity consumption climbs, gas demand of industrial client such as gas power plants increase, which improve the pressure of gas allocation • Increase the risk of employees' health
Chronic risks	Rising sea level	<ul style="list-style-type: none"> • Increase the risk of flooding of coastal stations, facilities and equipment • Affect the lives of coastal customers, which may lead to the migration from coastal to inland cities with the change of market landscape
	Rising temperature	<ul style="list-style-type: none"> • Increase the possibility of high temperature, drought and fire • Increase the risk of employees' health • Increase the cost of maintenance and repair • Change the market demand of natural gas and affect the sales

Transition risk

Risk type	Potential impact
 <p>Policy changes</p>	<ul style="list-style-type: none"> • Under the guidance of the "dual carbon goals", China has formulated a clear action plan for achieving carbon peak and carbon neutrality, and also put forward clear requirements for the formulation of the "dual carbon goals" and path planning of enterprises. The achievement of the "dual carbon goals" may bring certain pressure on the production and operation of enterprises • Energy transformation: China accelerates the pace of energy structure transformation and vigorously develops non-fossil energy, which affects the production and use of natural gas, prompting Kunlun Energy to transform its business development pattern, which may lead to potential profit reduction and increase in costs • Carbon trading: The domestic carbon trading market is gradually standardised, and carbon trading is becoming more and more mature. With the increasingly strict management of corporate carbon emissions by the government, companies may face increased operating costs due to carbon emissions
 <p>Shifts in market preference</p>	<ul style="list-style-type: none"> • Clients seek more low-carbon and environmentally friendly energy and increase the demand for renewable energy, which will reduce the demand for natural gas in the long run and affect the natural gas business of Kunlun Energy
 <p>Technology risk</p>	<ul style="list-style-type: none"> • In the process of implementing low-carbon production and layout of new energy business, enterprises will increase the development of energy-saving and emission-reduction technologies, and increase the investment in human resources and capital costs • Competitors who prioritise key energy-saving and emission-reduction technologies may quickly gain market advantages, leading to Kunlun Energy's loss of market share, which in turn affects the Company's profits

Climate change risks adaptation

Kunlun Energy actively responds to the challenges brought by the physical risks of climate change by revising and improving management measures and special emergency plans. Kunlun Energy has implemented an emergency plan covering high temperature, severe winter, windbreak, and wave, as well as an emergency LPG dispatch plan according to the weather conditions in the local area.



Climate Change Actions

Climate change governance

Adapting to climate change risks has been incorporated into the Company's development strategy and has become an important part of green development. The Board of Kunlun Energy is fully responsible for the formulation of the Company's ESG strategy and determination of material issues. Issues such as climate change risk identification and response, and greenhouse gas emissions are also included in the materiality assessment and are an important part of the Company's ESG management. The Board has authorised the Sustainability Committee to take full responsibility for ESG management. In particular, issues such as climate change risk response, greenhouse gas emission target setting and emission reduction actions are reviewed by the Sustainability Committee on a regular basis.

Action Plan for Carbon Peak and Carbon Neutrality

In 2021, Kunlun Energy carried out the research on the "Action Plan for Carbon Peak and Carbon Neutrality". By conducting on-site surveys of all the business sectors, we analysed and verified the composition of carbon emissions. Ultimately, the Company released the "Action Plan for Carbon Peak and Carbon Neutrality", and formulated our emission reduction paths, targets and action plans in the future.



Target setting

By 2030

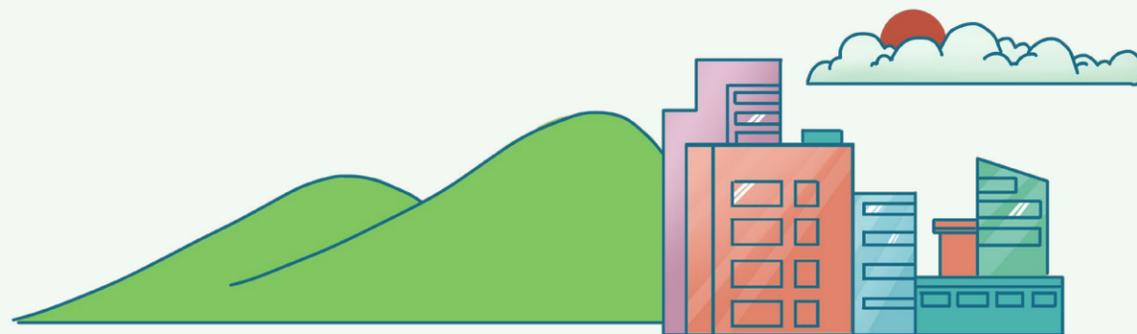
Carbon dioxide emission will reach peak, with methane emission intensity decreasing by 20% compared with 2020. Energy efficiency level will improve significantly, and will realise the transformation from a single natural gas distributor to an integrated green energy supplier.

By 2040

Carbon dioxide emission intensity will decrease by 40% compared with 2020, and methane emission intensity will decrease by 40% compared with 2020. New energy business will become an important pillar for Kunlun Energy, and breakthroughs will be made in the green transformation of the industry.

By 2050

To achieve zero emissions, and to promote energy conservation and carbon reduction throughout the entire industry chain, forming an efficient green energy system.



Action plan

Energy conservation and emission reduction to improve quality and efficiency

- Gradually eliminate the inefficient and high-energy-consuming process equipment, increase the application and integration of new energy-saving equipment, new technologies and new materials. Optimise the mutual energy supply between regions, the integration of devices, and the comprehensive utilisation of residual heat and cooling energy to improve the energy efficiency of the system. The Company will strengthen operation management and optimise operation control, accelerate the digitalisation of energy management, and improve the level of informatisation, digitisation and intelligence.
- By 2030, LNG plants will fully realise BOG recycling and eliminate flaring under normal operating conditions. We will also strengthen methane emission monitoring and continue to promote methane LDAR technology. We will improve the construction of emission control facilities for abnormal operating conditions in the pipeline network.

Low-carbon transformation of energy structure

- Accelerate the integration different types of energy from supply side, and optimise the business layout of gas-fired power, wind power, photovoltaic, etc. We will also develop the integration of multi-types of energy terminal side, explore the comprehensive energy service terminal with distributed natural gas as the core. At the stations, the Company will promote the photovoltaic power, wind power and differential pressure power generation at distribution stations supplement the daily electricity consumption for production and living, striving to build green power facilities at 20%-30% of stations by 2030.
- In 2025, we will not use any new fuel vehicles. By 2030, we will eliminate all the diesel vehicles and all our vehicles will switch to new energy sources, with renewable energy such as hydrogen energy and biomass fuels encouraged.

Establishing a Green Enterprise Brand

- Cultivate a green and low-carbon culture and promote this concept into the whole process of corporate operation.
- Promote energy conservation in the office, promote energy-saving renovation of existing buildings and energy-saving design of new buildings, and to reduce energy consumption of office buildings by 20% by 2030. Advocate green travel and cultivate the concept of environmental-friendly working and lifestyle.
- Conduct energy consumption and carbon emission evaluations for new and acquired projects, and actively participate in negative carbon projects such as CCUS technology and carbon sinks. We will continue to pay attention to carbon emissions trading and policy trends, and explore the internal carbon trading model. We will also provide cooperative opportunities with green suppliers to build clean energy sales and service system, and jointly build a green and low-carbon supply chain with upstream and downstream.
- Actively discuss and communicate with government agencies, industry enterprises and research institutes, and participate in high-end forums on energy transformation to strengthen domestic and foreign exchange and cooperation on low-carbon technology, and thus create a joint force to promote the Company's low-carbon transformation. The Company will promote cooperation between enterprises and local institutions, strengthen communication with stakeholders and media to enhance information disclosure. We will also promote the corporate open day, actively participate in public welfare activities of constructing ecological civilisation to establish a green brand image with green action.

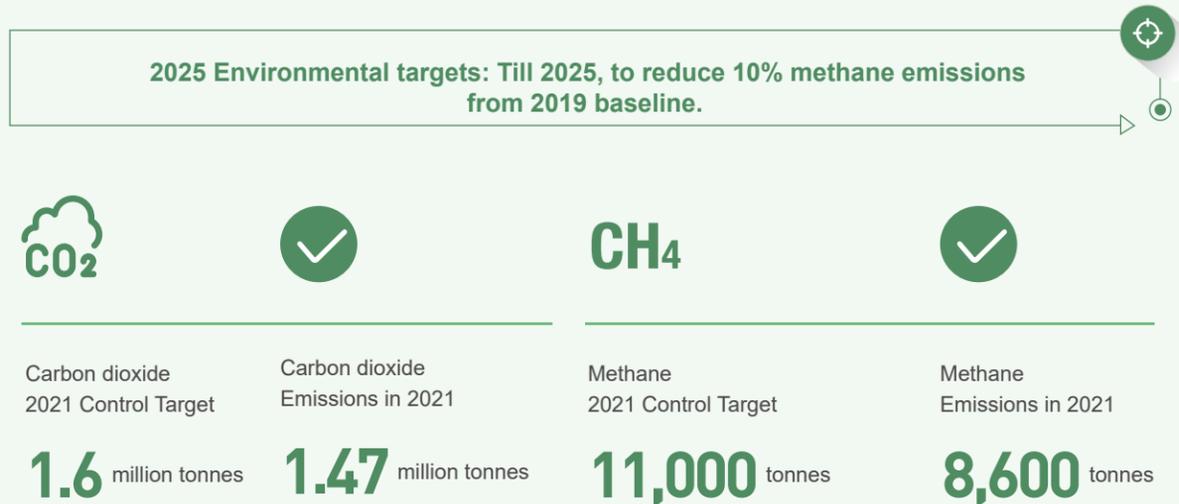


Safeguard measures

- Improve the low-carbon management system and enhance governance capability. Strengthen the research and development of science and technology and reserve key technologies. Highlight the role of example and leaders, encourage diverse investment and set up a special fund for dual-carbon development. Increase investment in low-carbon projects and demonstration projects.

Greenhouse gas management

In 2021, Kunlun Energy actively carried out greenhouse gas emission reduction, joined the China Oil and Gas Methane Alliance, and undertook the research task of urban gas methane emission. The Company has also achieved the annual methane emission reduction target through measures such as optimising LNG tanker scheduling and equipment transformation to improve efficiency. At the same time, through process measures, the BOG generated by the process system could be recycled and utilised to reduce the emissions caused by BOG, and the amount of BOG recycling and utilisation in 2021 was 550 million cubic meters.



Greenhouse Gas KPI

Indicators	Unit	2020	2021
Total GHG emissions ³	Tonne CO ₂ -e	1,495,676	1,467,678
GHG emissions intensity	Tonne CO ₂ -e/ 10,000 cubic metres	0.40	0.35
Direct GHG emissions (Scope 1)	Tonne CO ₂ -e	470,667	480,112
Direct GHG emissions intensity (Scope 1)	Tonne CO ₂ -e/ 10,000 cubic metres	0.12	0.11
Indirect GHG emissions (Scope 2)	Tonne CO ₂ -e	1,025,009	987,566
Indirect GHG emissions intensity (Scope 2)	Tonne CO ₂ -e/ 10,000 cubic metres	0.27	0.24
Methane emissions ⁴	Tonne	8,125	8,578
Reduced BOG emissions by optimising process measures and process control	Tonne	6.1	5.5
Greenery coverage percentage in plants	%	14	14
Number of trees planted in plants	-	86,156	92,013

³The calculation of GHG emissions is based on the emission factors in the "Methodology and Reporting Guidelines for Accounting for Greenhouse Gas Emissions from Oil and Gas Producers in China (Trial)".

⁴Including methane emissions from gas station process.

Seizing Climate Change Opportunities

Kunlun Energy implements the green development strategy, grasps the development opportunities of clean energy brought by the "dual carbon" transformation, and accelerates the pace of becoming a comprehensive green energy supplier. The Company continued to promote the integration of gas power and renewable energy, and expanded the business of peak-shaving gas power and photovoltaic and wind power. Based on the urban gas distribution network, we actively develop distributed comprehensive energy supply business and use resources to replace resources and prioritise the development of photovoltaic, wind power and hydrogen energy businesses. At the same time, the Company actively carries out research on new energy technology to continuously enhance its competitiveness in new energy area.

Kunlun Energy actively develops wind power, photovoltaic power and the integration project of wind, solar and gas energy, while proactively seeking project cooperation opportunities. In 2021, the Company has promoted the integrated development projects of natural gas and renewable energy, and actively negotiated with partners on the construction of natural gas combined heat and power, photovoltaic, offshore wind power and distributed energy projects. In terms of photovoltaic, wind power projects and distributed energy projects, the feasibility analysis of rooftop photovoltaic business has been carried out at the Company's stations, and the pilot projects have commenced. At the same time, the Company also conducted feasibility study and negotiation on projects such as photovoltaic project acquisition, distributed energy and differential pressure power generation.

Kunlun Energy also continues to promote new energy-related technology research, integrates information technology with production and operation, and deepens the theoretical and applied research of new energy. The Company participated in the research project of the "Hydrogen Production Technology and Comprehensive Utilisation of Hydrogen Energy in the Chemical Chain of Low-Carbon Natural Gas", and compiled the "Manual for the Development of Natural Gas Distributed Energy Projects", the "Manual for the Development of Photovoltaic Projects and the Manual for the Development of Wind Power Projects". These projects studied the current status of natural gas hydrogen blending, the national carbon trading market, the utilisation of LNG cooling energy, the status of gas turbines, the trend of domestic hydrogen energy utilisation, etc.

Case: Study on the Energy Supply of Offshore Island Micro-Grid

Kunlun Energy conducted research on the existing micro-grid system for offshore islands, the supply difficulties of Xidao and the difficulties in LNG logistics on islands. To address the issues including high energy cost, heavy pollution, high carbon emission and unstable supply caused by the use of diesel generators in islands, Kunlun Energy proposed gas micro-grid energy system. This system uses LNG distributed energy as the main source, and solved the difficulties of energy consumption in offshore islands, which created a precedent for LNG logistics on islands.



In addition, Kunlun Energy actively carried out popularisation of new energy to improve employees' knowledge and business sense in new energy. In 2021, 8 training sessions on new energy were held, covering topics such as carbon peak and carbon neutrality, high-quality development of oil and gas enterprises, development of new energy projects, development of domestic wind power and photovoltaic projects, with a total of 1,730 participants



Number of training on new energy

8



Total participants of new energy training

1,730



ENVIRONMENTAL PROTECTION

Environmental Management System

Kunlun Energy actively implements the concept of green development and adheres to the coordination between economic development and environmental protection. The company abides by the "Environmental Protection Law of the People's Republic of China", "Atmospheric Pollution Prevention and Control Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes", "Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise", and "Water and Soil Conservation Law of the People's Republic of China", and other regulations.

The Company continues to improve the environmental management system, and has established the QHSE Committee as the decision-making body, with environmental management agencies at all levels to be responsible for the implementation of ecological and environmental protection. The Company also established an environmental management system and passed the GB/T24001 (ISO 14001) environmental management system certification. We formulated and implemented the "Kunlun Energy Management Measures of Environmental Protection", the "Three Simultaneities' Management Procedures for Safety, Environmental Protection and Occupational Health in Construction Projects", and carry out ecological and environmental protection in compliance with laws and regulations. In 2021, the "Management Measures of Environmental Protection" and "Management Measures of Environmental Incident" were revised, and the management requirements for environmental incidents and environmental risks were further improved. At the same time, we continued to improve the environmental protection responsibility system by conducting the performance evaluation based on the "Safety and Environmental Protection Responsibility Statement". We also optimised the evaluation's details and linked the results with performance. In addition, the Company has strengthened process control through environmental audits, inspections, special supervision to ensure the effective operation of the environmental management system.

In 2021, we continued to carry out the investigation and management of hidden hazards in ecological environment protection, eliminating 122 hidden hazards. We carries out special investigations on ecological protection red lines and environmental sensitive areas, and formulated risk management and control measures for 46 projects. Based on the target to achieve full coverage within three years, Kunlun Energy carried out environmental protection assistance and supervision, provided on-site guidance to help subsidiaries to investigate risks, guide the formulation of improvement plans, and promote the improvement of management performance. At the same time, the Company actively planned the establishment of green enterprises. Based on the premise of compliance with laws and regulations, with energy conservation and carbon reduction as the core, the Company has set basic and incentive indicators, and drafted a work plan for the establishment of green enterprises.

On World Environment Day in 2021, Kunlun Energy focused on the theme of "harmonious coexistence of human and nature", and organised employees to learn about ecological civilisation, strengthened the publicity and education of environmental protection law and knowledge. To enhance employees' environmental protection awareness, we carried out environmental protection training throughout the year for 606 times, with a total of 14,536 people trained.



Number of risk control projects formulated **122**



Number of risks eliminated through inspections **46**



Number of environmental training year-round **606**



Participants in environmental training **14,536**

EMISSION MANAGEMENT

Waste Gas Management

Process waste gas mainly comes from inspection, maintenance, discharge of gas dissipation, flare burning, boiler or heating furnace combustion, etc. The escaped or combusted gas is methane. The Company actively promotes the recycling of process waste gas, through optimisation of operating conditions, technical adjustment, low-nitrogen upgrade and other measures to reduce fuel gas consumption and waste gas dissipation. We used gas pipe network detection vehicles to carry out regular gas pipeline leakage detection, taking internal anti-corrosion and other relevant measures to reduce leakage emissions for the aging pipelines. We also took surveillance equipment at flare stacks to allow real-time monitoring of flares.

Target setting and achievement of waste gas

Indicators	2021 Control target	Emissions in 2021	2022 Targets	Unit
SO ₂	41	40.8	38	Tonne
NO _x	1,005	980	900	Tonne

Solid Waste Management

Hazardous wastes of Kunlun Energy mainly contain solid wastes generated during production, including molecular sieves, filter elements, compressor lubricating waste oil, generator/air compressor oil, waste hydraulic oil, waste dyes and coatings, waste charge batteries of generators, as well as mainboards of waste refuelling and liquid-filling machines, the centralised treatment of which was outsourced to qualified local organisations. Non-hazardous wastes mainly include inorganic wastewater and sludge in the production process, waste steel pipes generated during inspection and maintenance, as well as slag generated during construction, water stable layer solid waste and other waste that cannot be backfilled, which are all treated in accordance with the relevant provisions.

Targets and achievement of solid waste

	2021 Target	2021 Achievement	2022 Target
Waste disposal rate	100%	100%	100%

Solid Waste KPI

Indicators	Unit	2020	2021
Hazardous waste discharge	Tonne	337	379 ⁴
Hazardous waste intensity	Tonne/100 million cubic metres	0.89	0.90
Non-hazardous waste discharge - production	Tonne	11	10
Non-hazardous waste intensity - production	Tonne/100 million cubic metres	0.03	0.02
Non-hazardous waste discharge - construction	Tonne	47,937	11,481 ⁵
Non-hazardous waste intensity - construction	Tonne/100 million cubic metres	127	27

⁴ The increase in hazardous solid waste in 2021 was related to the replacement of molecular sieves in LNG plants and large-scale maintenance projects.

⁵ In 2021, the amount of construction solid waste decreased due to the decrease of construction projects.

Other Pollution Management

The wastewater discharged by Kunlun Energy includes the production and domestic wastewater. Production wastewater was treated by local qualified organisations, who would conduct centralised treatment or adopt environmentally friendly process equipment to reach relevant standards before discharge, and ensure the legal compliance. For domestic wastewater, the Company has installed an integrated domestic sewage treatment device with a domestic cesspool, after which the water will be discharged through the municipal pipeline network to make sure the compliance with regulatory standard. For wastewater that generated under accident conditions, the Company established environmental protection facilities such as firefighting pools in strict accordance with the national standards, and strictly prohibits uncontrolled wastewater discharge.



Industrial wastewater discharge compliance rate

Industrial wastewater discharge compliance rate

2021 Target

2021 Achievement

100%

100%

In terms of noise pollution management, our construction projects assess the impact of noise pollution and propose prevention and control measures during the environmental impact assessment stage. The noise control measures proposed in the environmental impact assessment are integrated in the designing and strictly implemented during the construction and operation. The noise control facilities would be put into operation simultaneously with the main project, and noise monitoring is carried out every year according to the standards and specifications.

Wastewater Discharge KPI

Indicators	Unit	2020	2021
Entrusted treatment volume of industrial wastewater	10,000 tonnes	40	35
Industrial wastewater recycled	10,000 tonnes	7.3	7
Domestic wastewater discharge	10,000 tonnes	74	81
Domestic wastewater recycled	10,000 tonnes	1.48	1.60

RESOURCE CONSUMPTION

Resource Consumption Management System

Kunlun Energy strives to reach the balance between development and conservation and prioritise resource conservation. The Company has set up a leading group on energy and water conservation, established a dedicated office and position for energy and water conservation management. The office strictly implements the "Energy and Water Conservation Management Measures of Kunlun Energy", and "Energy and Water Conservation Statistic Management Regulation of Kunlun Energy". During the reporting period, the Company implemented 9 investment and renovation projects for energy and water conservation, resulting in an annual energy-saving capacity of 1,167 tonnes of standard coal and a water-saving capacity of 57,400 tonnes, with an expected annual increase of RMB 4,162,000.



Water-saving capacity
57,400 tonnes



Expected annual increase
RMB **4.162** million

Water Consumption Management

Kunlun Energy focuses on green development with a synergic development of economy and society. The Company has established a sound water-taking and water-saving process, continuously strengthening water resource management and supervision and improving the utilisation rate of water resources through new technologies, processes and equipment. The Company's total water consumption in 2021 was 4.805 million tonnes, the vast majority of which was supplied by municipal water, with a small amount of groundwater (self-drilling wells). Kunlun Energy obtained a water collection permit issued by the authorities for groundwater collection and carried out water quality testing in accordance with the law to ensure that water collection and consumption would not affect local areas. During the reporting period, there was no issues with access to water or damage to the local ecological environment.



Water saving
2021 Target

Water saving
2021 Achievement

5,000 tonnes

9,000 tonnes

Water Resource KPI

Indicators	Unit	2020	2021
Total water consumption	10,000 tonnes	485.5	480.5
Water consumption intensity	Tonnes/RMB 10,000 of added value	1.89	2.35

Energy Consumption Management

Under the guidance of "dual carbon" strategy, the Company coordinates and promotes the development of energy utilisation and environmental protection. Our subsidiaries signed energy-saving target performance contracts to fully take the accountability of achieving the target. At the same time, based on the characteristics of production and energy consumption, the Company established a 5-level energy consumption benchmark index covering natural gas and LPG businesses across all the energy-consuming facilities at the stations. This index enhanced the trackability and analysis of energy and water consumption and the progress of achieving relevant targets. In addition, the Company supported the monitoring of energy-saving indicators and promoted the online prediction and early warning of significant energy consumption. We also conducted a research project of energy control technology for natural gas sales business. During the reporting period, the annual energy-saving target has been achieved through various energy-saving investment and renovation projects.



Energy saving
2021 Target

Energy saving
2021 Achievement

1,000

tonnes of standard coal

2,460

tonnes of standard coal



Energy Consumption KPI

Indicators		Unit	2020	2021
Total energy consumption		MWh	5,883,440.22	2,609,795.62
Energy consumption intensity		MWh/RMB 10,000 of added value	2.28	1.28
Direct energy consumption	Gasoline	Tonne	4,592	3,916
	Diesel	Tonne	546	495
	Natural gas	10,000 cubic metres	29,546	9,458 ⁷
	LPG	Tonnes	119	148
Total direct energy consumption		MWh	3,260,414.89	1,079,495.78
Direct energy consumption intensity		MWh/RMB 10,000 of added value	1.26	0.53
Indirect energy consumption	Purchased electricity	MWh	2,623,025.10	1,530,299.84 ⁸
	Purchased heat	MWh	0.23	- ⁹
Total indirect energy consumption		MWh	2,623,025.33	1,530,299.84
Indirect energy consumption intensity		MWh/RMB 10,000 of added value	1.01	0.75



Total amount of energy saving in 2021

2,500 tonnes of standard coal



Total value of energy saving in 2021

RMB **8,598,500**

In addition, Kunlun Energy actively promotes photovoltaic power generation projects at stations with suitable conditions to reduce the use of fossil fuels. In 2021, 229,000 kWh of electricity was generated at four stations throughout the year.

⁷In 2021, the statistical caliber of natural gas consumption changed, and the energy consumption of Beijing Pipeline Company was not included in the statistical scope of this reporting period.

⁸In 2021, the statistical caliber of purchased consumption changed, and the energy consumption of Beijing Pipeline Company was not included in the statistical scope of this reporting period.

⁹In 2021, the statistical caliber of purchased heat changed, and the energy consumption of Beijing Pipeline Company was not included in the statistical scope of this reporting period.

Management of Other Resources

Kunlun Energy adheres to both ecological protection and restoration. Following relevant national laws and regulations, Kunlun Energy implements environmental impact assessment, environmental protection facilities "Three Simultaneities", ecological supervision, soil and water conservation supervision, environmental protection acceptance upon completion, post-environmental impact assessment system and environmental protection management and inspection system for construction projects. It carries out relevant work in strict accordance with the environmental impact assessment approval.

Kunlun Energy also attaches great importance to the protection of biodiversity. In the construction projects, we strengthen the management of construction personnel and minimise the impact on terrestrial organisms, aquatic organisms, local vegetation and their living environment. During the project's operation, we also promote natural ecological resources protection and conduct dynamic monitoring and necessary rescue of local organisms.

Case: Biodiversity protection for the Lvdong energy project in Jingmen, Hubei



To reduce the damage to forest land caused by pipeline construction, the Lvdong energy project in Hubei Jingmen organised the design institutions to conduct an on-site survey. And by optimising the design for five times, the project effectively avoided forest land, protected more than 1,500 trees with a chest diameter of 15-20 centimetres, and effectively protected local biodiversity.



Optimised the design for

5 times



Number of protected trees with a chest diameter of 15-20 centimetres

1,500





04

BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY

Based on the people-oriented concept, Kunlun Energy effectively protects the labour rights and provides development opportunities for employees. We also undertake the responsibility as a corporate citizen, actively responds to the national development strategy and the requirements of people by volunteering activities, to realise a harmonious development for the society.

- Labour Rights Protection
- Build a Comprehensive Health Landscape
- Talent Growth and Development
- Social Contribution

LABOUR RIGHTS PROTECTION

Equal Employment and Labour Rights Protection

Kunlun Energy strictly abides by the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China" and other relevant laws and regulations. We formulated the "Labour Contract Management Measures", "Staff Turnover Management Measures" and "Remuneration Management Measures", etc., fully guaranteeing the rights and interests of employees.

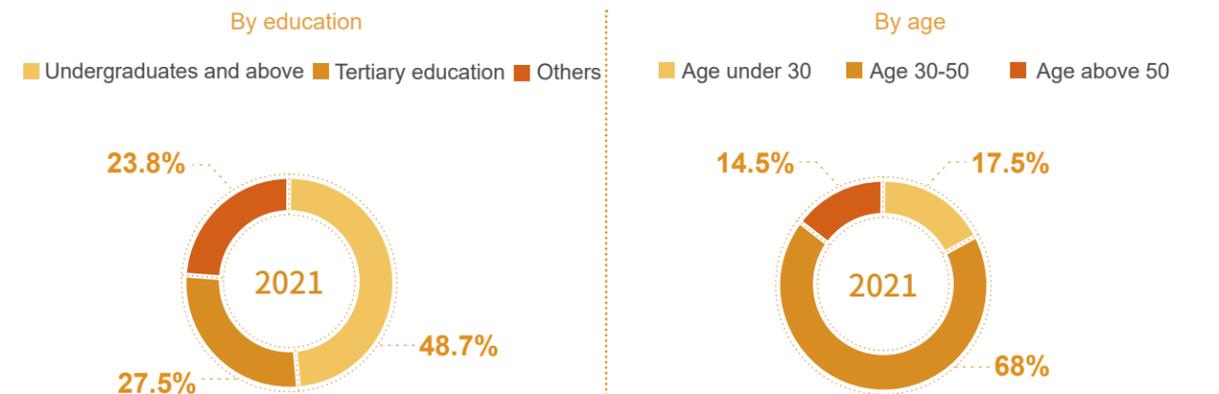
Kunlun Energy advocates an equal, diverse and non-discriminatory employment environment. The Company addresses in the "Employee Code of Conduct" that, any form of discrimination, violence and disrespect of employees is prohibited, which covers: prohibition of discrimination in respect of nationality, gender, age, ethnicity, race, religious belief and education; prohibition of discrimination against employees with mental and physical disability. Meanwhile, the Company also upholds the principle of localising labour forces, hiring more local residents, women, ethnic minorities and university students, striving to improve employment opportunities in local communities.

In terms of avoiding illegal employment such as child labour and forced labour, Kunlun Energy strictly abides by national laws and regulations, fully respects and protects the rights and interests of each employee, having established a handling and self-investigation mechanism for child labour employment. This Year, the Company did not have any instances of child labour or forced labour.

Kunlun Energy continues to increase the introduction of high-quality talents, optimising the talent management structures to form a superior platform in where would be able to provide talent support for high-quality development. Among all the new graduate hires in 2021, 65% are college graduates with master's degrees, and 40% are "double first-class" university graduates.



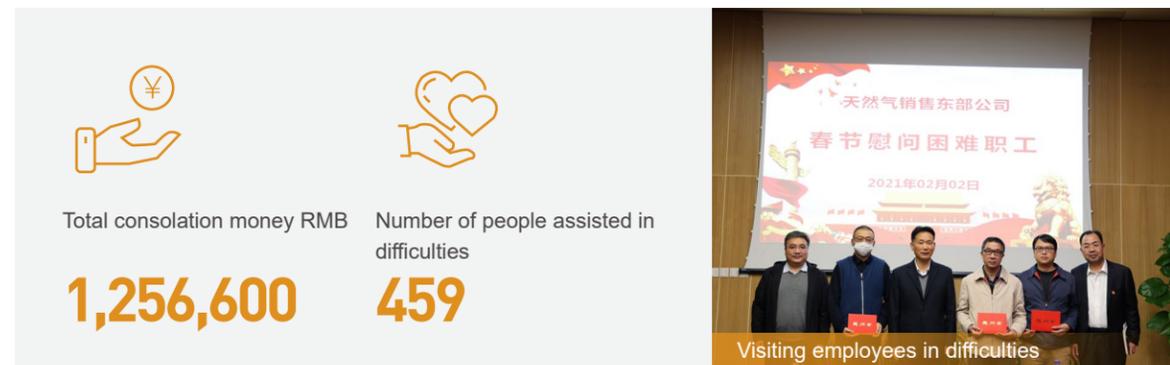
Employment KPI



Care and Support for Employees

Kunlun Energy has a comprehensive and competitive remuneration and welfare system to protect employee's rights and interests. The Company has formulated the "Employee Leave Management Measures" and "Enterprise Annuity Implementation Measures" to fully protect employees' entitlement of "five social insurances and one housing fund", paid holidays, personal protection equipment and other statutory benefits. Moreover, The Company offers multiple welfare guarantees such as enterprise annuity, supplementary medical insurance, and critical illness protection to employees, effectively improving employees' sense of happiness.

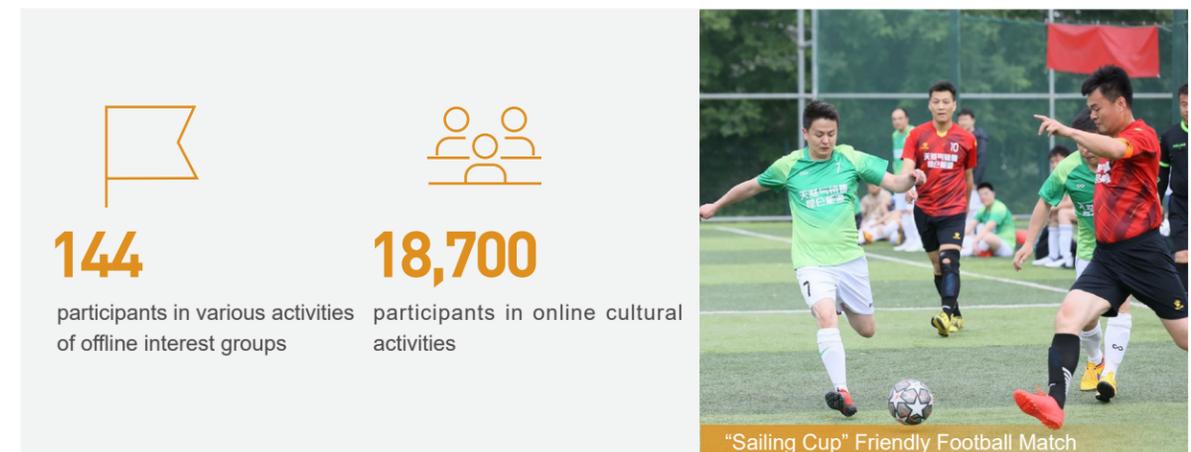
The Company takes multiple measures to improve employee benefits effectively so that employees could fully feel the warmth of the Company. In 2021, the Company allocated a total of RMB 1,256,600 of consolation money and assisted 459 people in difficulties. The Company properly handled the condolences, compensation and claims of employees who died due to illness. In addition, we actively improve the equipment and facilities in the workplace for employees. For example, Qinghai and other sites upgraded their employee dormitories that are in the faraway stations.



The Company pays attention to employees' growing and living needs, aiming to build a corporate culture of mutual growth of employees and the Company. We carried out six projects, including "targeted assistance", "health care", "solicitude", "team cohesion", "employee development", and "rights and interests protection". Relevant activities include caring for employees that are not local based, education consultation for employees' offspring, targeted medical care for employees with serious illness, "Kunlun Kangjian" express channel for medical treatment, health lectures, etc. In 2021, the Company resolved difficulties for a total of 2,449 employees.



Kunlun Energy encourages employees to cultivate their hobbies with diverse development, so as to nurture the spirit of friendship and cooperation. We organise plenty of cultural and sports activities and interest groups, such as sports matches, singing and dancing competitions, hiking, walking, reading, etc. A total of 144 people participated in various activities of offline interest groups throughout the year, and 18,700 people participated in online cultural activities.



Democratic and Open Communication

Employees are essential partners of Kunlun Energy along the way to achieve sustainable development. The Company attaches great importance to democratic communication and actively protects employees' right of participation, information, expression and supervision. The Company has set up various communication channels for employees, such as discipline inspection mailbox, general manager mailbox, reasonable suggestion channel, online group mailbox, etc., to ensure unimpeded channels for employees' demands. At the same time, we listen to employees' appeal and adjust the work accordingly and timely.

Kunlun Energy encourages employees to participate in corporate management, holds annual meetings, staff representative meetings and workshops every year to listen to employees' opinions and suggestions. Before introducing new initiative and plans, the company shall seek advices from relevant departments, grassroots units and staff representatives, to have a thorough communication and achieve consensus. In response to the introduction of significant decisions involving the interests of employees, we gather opinions from the representative meetings. Meantime, the Company has established feedback and complaint mechanism to strengthen the protection of employees' rights and interests.

BUILD A COMPREHENSIVE HEALTH LANDSCAPE

Response to the Outline of the "Healthy China 2030" Plan

Kunlun Energy adheres to the people-oriented development concept, protects the occupational health rights of employees follow by the law, and continues to pay attention to the overall health and safety of employees. We have formulated and implemented the "Healthy China 2030" Plan, established the concept of "comprehensive health". We prioritise the integration of prevention and treatments to improve health protection and create a healthy environment, while strengthening occupational disease prevention and health promotion, to effectively enhance the health and well-being of employees.

The QHSE Committee takes the full lead for employee health management, each department has their assigned duties. All units arrange occupational health management institution and allocate qualified hygiene personnel abide by the "Law of the Prevention and Control of Occupational Diseases" and relevant internal regulations, establishing a comprehensive occupational health responsibility mechanism. Health management is also an essential part of the audit of the QHSE management system and is closely integrated with the standardisation of grassroots stations to ensure clear responsibilities and proper supervision.



Target setting

By 2022, the working hour system will be fully implemented. The work-related injury insurance will cover all employees. The reporting rate of occupational disease hazards will reach **100%**. The employees' awareness rate of significant risks and protection knowledge regarding their positions will reach **100%**. The number of deaths due to cardiovascular and cerebrovascular diseases (CCVDs) will fall below **10**.

By 2030, employees' occupational health examination rate will reach **100%**, and the detection rate of occupational disease hazards in the workplace will reach **100%**. The risk of occupational diseases and chronic diseases such as obesity, hypertension, diabetes, and hypercholesterolaemia will continue to decrease, and employees' health management will reach the advanced level among the global peers.

Case: "Health Escort" project



In 2021, Kunlun Energy launched the "Health Escort" project to provide employees with comprehensive health services. Through 9 specific measures, such as organising activities for cardiovascular and cerebrovascular health and oral health, providing precise medical insurance for employees suffering from significant diseases, increasing supplementary medical insurance, opening express medical channels for employees, optimising employee physical examination, employee psychological counselling, health lectures, etc., The measures above resolved the demand of physical and mental health of employees and promote their physical and mental health.

Occupational Health

Kunlun Energy continues to improve its occupational health management system to provide practical protections for the health of the employees. The Company strictly abides by the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases", "Regulation on Work-Related Injury Assurance", "Convention concerning Occupational Safety and Health and the Working Environment" and other laws and regulations related to occupational health. The Company has formulated a series of management systems such as the "Administrative Measures for the Detection of Occupational Hazards in the Workplace", "Administrative Measures for Occupational Health Monitoring", and the "Three Simultaneities' Management Rules for Occupational Disease Protection Facilities for Construction Projects". The Company's health and safety management system has passed the GB/T28001 (OHSAS18001) certification.

In 2021, Kunlun Energy further improved the overall level of occupational health management, organised all units to establish a list of occupational disease hazards and related positions, and arranged occupational health examinations for 7,320 personnel throughout the year. The detection rate of occupational disease hazards was 100%, and the same for the health examination rate. We strengthened the management of personal protection equipment, revised its catalogue and standards, and completed the distribution of labour protections equipment for all employees throughout the year. This Year, Kunlun Energy actively carried out the establishment of a healthy enterprise. The affiliated enterprises have formulated 25 employee health work policies and actively established employee health stations and other facilities following the standards.

Occupational Health KPI

Indicators	Unit	2019	2020	2021
Number of work-related fatalities occurred in the past three years	Person	0	0	0

Indicators	Unit	2020	2021
Number of lost day due to work-related injuries during the reporting period	Day	318	287
Total Lost Working Rate (TLWR) ¹⁰ due to work injuries during the reporting period	-	33.8	29.9
Rate of occupational health examination	%	100	100
Rate of occupational health hazard inspection	%	100	100

Newly added occupational diseases:

0

Rate of occupational site hazard inspection:

100%

Qualified rate of occupational site hazard inspection:

100%

Rate of occupational health examination:

100%

Qualified rate of occupational health examination:

100%

¹⁰Total lost working rate (TLWR) represents the lost time injury rate per million man-hours worked. The calculation formula is: Lost time working rate (TLWR) = Total lost working time / Actual total working hours × 10⁶.

Mental Health

Kunlun Energy incorporates mental health as an essential part of the "comprehensive health" system, and guides employees to have a health mental state. Each unit is required to set up a mental health counselling room and set up a mental health service team to provide employees with health publicity, psychological assessment, training, counselling and other services, to relieve their stress and help them to recognise the common mental disorders and deal with psychological behaviour problems. Meanwhile, we make full use of platforms such as mass media and social networks to deliver the healthy concept of self-esteem, self-confidence, optimism with mental health knowledge, to adjust the working status of employees and ensure safe production.

Normalised Pandemic Prevention

In 2021, in the face of multiple pandemic outbreaks, Kunlun Energy adhered to normalised epidemic prevention and control, conscientiously implemented the state and local governments' epidemic prevention and control policies at all levels and formulated dynamic prevention and control strategies. The Company timely updates the work and contingency plan for normalised epidemic prevention and control, including emergency drills. We also strengthened personnel management, monitored the trace of employees and their families, and applied strict control to the personnel in medium and high-risk areas. We organised employees to receive vaccination orderly, and the vaccination rate reached 96.41%. The Company formulated and strengthened inspection and examination measures for prevention and control. No epidemic cases were found within the workplace.

In the face of the epidemic prevention and control pressure brought by the overseas divisions and foreign-related work, Kunlun Energy quickly took action to build a solid barrier for epidemic prevention and control. For foreign-related unloading operations such as LNG and LPG, the Company has formulated specialised unloading action plans followed by principles of "one ship, one policy" and "one vehicle, one policy" to ensure the prevention of imported materials.

Vaccination rate
96.41%

LNG ship completed the berth and cable rope mooring on time

TALENT GROWTH AND DEVELOPMENT

Employee Growth and Training

Kunlun Energy fully mobilises the initiative and creativity of employees. By establishing a comprehensive training mechanism and human resources system, we maximise employees' potential and provide a smooth promotion path so as to build a learning enterprise and a high-quality team. In 2021, Kunlun Energy completed the "14th Five-Year" plan for Human Resources and the "Implementation Plan for the Action of Empowering the Enterprise with Talents", which clarified the goal and action plan of talent team building.

In 2021, Kunlun Energy formulated a specific training plan for different types of talents. To promote the team of the senior technical experts, we composed the "Expert Team Building Plan". For skilled talent, we published the "Work Plan for Building a Skilled Talent Team -the 'Rainbow Plan'", which contains the specific measures for building an intelligent training system for natural gas talents. The Company revised "the Administrative Measures for High-Skilled Talents", "the Administrative Measures for Skills Innovation Studios", "the Frontline Innovation and Benefit Reward Measures" and "the Administrative Measures for the Recognition of Vocational Skills Level", forming a complete system for the development of skilled talents. The Company strengthened the strategic conservation of talents, and issued the "Kunpeng Programme for Young Management Personnel Training", formed a tracking management mechanism for attraction, cultivation, examination, and employment of university graduates.

In terms of training, we actively carried out various forms of special training and arranged online and offline training through multiple channels such as CNPC E-learning, training institutions and cooperation with colleges and universities, which improved the professional ability and comprehensive quality of all employees. At the same time, we insisted on holding training courses for outstanding young and middle-aged management personnel to strengthen the reservation for talent team .

Integration media training session

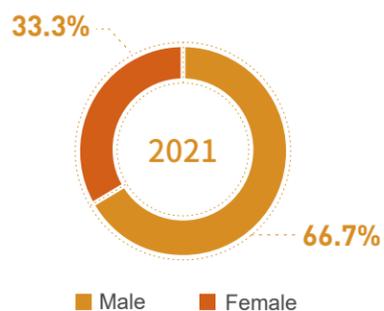
Integration media training competition session



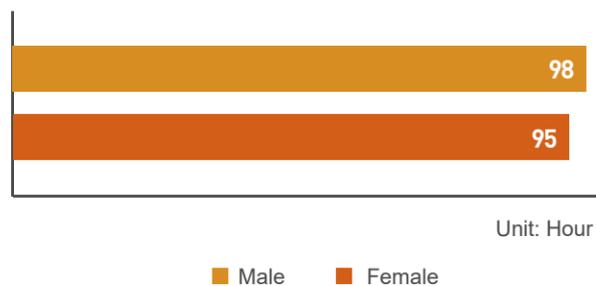
Employee Training KPI



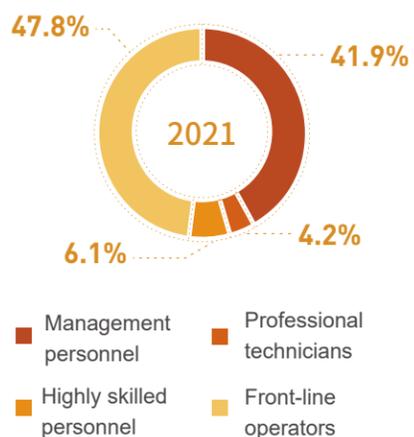
Percentage of employees trained by gender



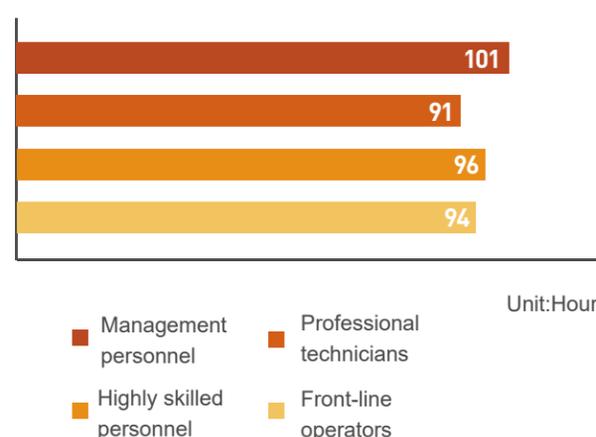
Average training hours by gender



Average percentage of employees trained by employee type



Average training hours by employee type



Indicators	Unit	2020	2021
Training rate of first-level employees	%	100	100
Number of training projects at company level	-	27	43
Number of employees trained at company level	Man-time	3,592	6,931
Number of training projects at PetroChina level	-	36	88
Number of employees trained PetroChina level	Man-time	112	716

Talent Development Channel

Kunlun Energy provides employees with smooth promotion channels and fair development opportunities. In 2021, Kunlun Energy promoted three-level unit and position management reform in some pilots. By building a value assessment model, the Company established a hierarchy in regard to the positions level. It linked the results of the performance evaluation with promotion and remuneration, which underlined the value of the position and fully stimulated the internal motivation of employees and the vitality of enterprise development.

SOCIAL CONTRIBUTION

Response to Social Development Strategy

Kunlun Energy always takes the social responsibility of contributing to community and people as our commitment. We actively respond to national strategies by supporting the rural revitalisation strategy, and contributing to the social and economic development and the realisation of people's well-being.

Upon the competition of poverty alleviation in 2021, Kunlun Energy continued to consolidate its outcomes by contributing rural revitalisation in various forms. We launched targeted assistance in the communities and villages in Guizhou, Hunan and Yunnan. By infrastructure construction, industrial support and charity donations, we devoted to resolve the actual problems of the people and raise their incomes. In 2021, RMB 233,000 was invested in rural revitalisation, with 3,970 beneficiaries.



Kunlun Energy fully supports local social and economic development and actively implements national development strategy. Lhasa is located on the snowfield plateau with more than 3,600 metres altitude. Due to the economic and energy foundation, Central heating is not applicable in Lhasa and surrounding areas. Thanks to Kunlun Energy's natural gas supply, Lhasa City has gradually started the natural gas heating transformation, and cleaner energy is available for local residents. Since 2010, this livelihood project has supplied 304 million cubic metres of gas to local areas, providing warm to more than 120,000 households in Lhasa. Kunlun Energy has overcome the challenges such as the long winter duration of the Qinghai-Tibet transportation line, wind and snow blowing, as well as the ice and snow pavement. In the past ten years, we have achieved a safety record of zero accidents of long-distance road transportation of Lhasa and surrounding areas. The supply of natural gas promotes the social and economic development of the Tibet and helps reduce carbon dioxide and dust emissions by approximately 1.1 million tonnes, which achieved a harmonious development between the environment and society.



Contribution to Social Welfare

Kunlun Energy encourages employees to contribute to society, cultivates employees' volunteerism and carries out public welfare volunteer services. In 2021, a total of 2,134 employee volunteers participated in various volunteer service activities such as blood donation, afforestation, community beautification, gas safety publicity, and assistance to people in difficulties, with a total of approximately 7,346 hours of volunteer service this Year.



Caring for the elderly



Gas safety publicity in the village



Donating winter clothes



Supporting local fire brigades

Case: Volunteer service to promote gas safety in Zoucheng



To ensure safe use of gas in winter, on December 11, the Qilulan volunteer service team of Zoucheng went to Xinzhuang Village, Beisu Town, to carry out gas safety activities during weekends. Volunteers answered questions about the daily use of gas for villagers and conducted on-site safety inspections for the elderly living alone, eliminating potential gas safety hazards. Residents' awareness of gas safety and prevention has been effectively enhanced through close communication with the volunteers.



Photo of Qilulan volunteers

Case: Thailand project launched overseas community public welfare activities



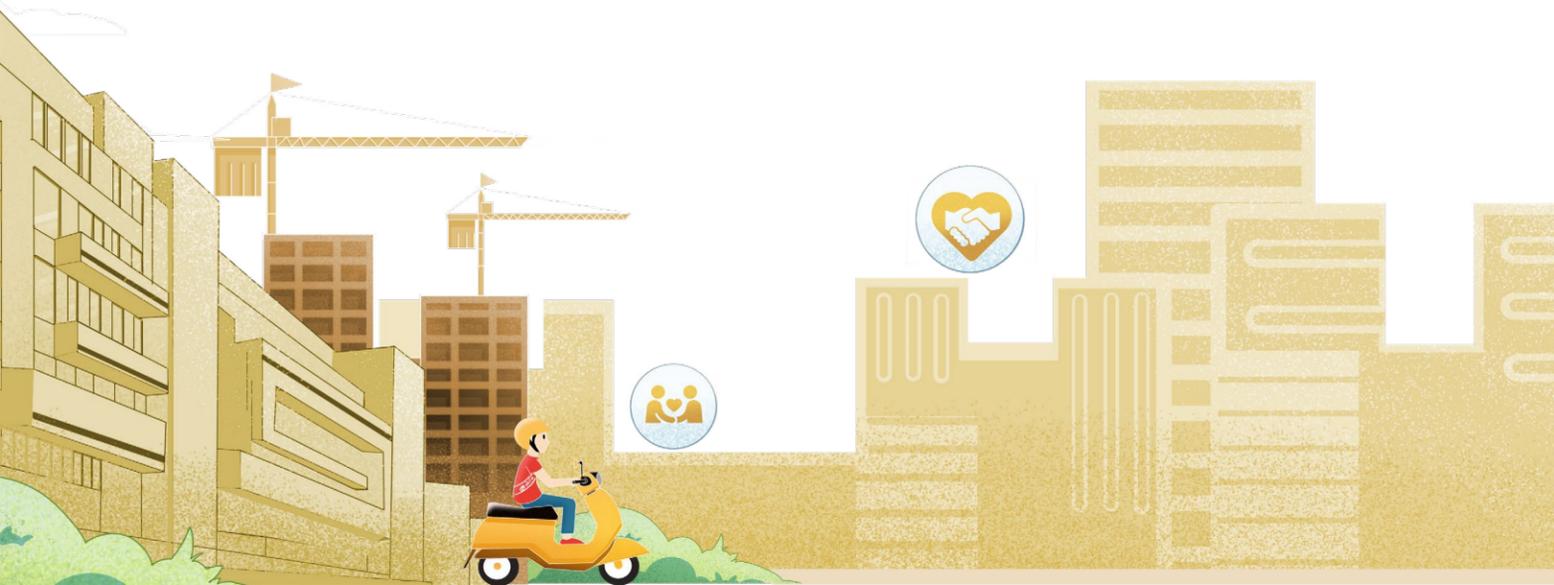
The Thailand project activities carried out cultural, educational and sanitary social activities in the local area. They took the initiative to provide assistance and offer donations to the local area affected by flood and pandemic, which won praise from all walks of life and established a good social image of Kunlun Energy overseas.



Giving gifts to local schools on Children's Day



Visiting the people affected by flood



Community Contribution KPI



Public welfare service hours:
7,346



Number of public warfare service participants:
2,134



Public welfare donation: RMB
1,560,000



Total amount of consumption assistance: RMB
10,322,200

APPENDIX

Expert Review

Kunlun Energy Company Limited 2021 Environmental, Social and Governance (ESG) Report provides detail information about responsible performances and achievements of Kunlun Energy in sustainable development, which reflects Kunlun Energy's commitment to shouldering social responsibility and creating value for the society.

The Report responds to the expectations and concerns of various stakeholders. Following the principle of materiality, the Report fully considers the key issues concerned by stakeholders and comprehensively discloses the performance of Kunlun Energy in economic, environmental and social aspects. The Report covers the content of stable energy supply, quality and safety management, environmental conservation, employee rights protection, supply chain management, community contribution, etc., which fully responds the Company's responsible practice to its stakeholders, such as customers, government, employees, suppliers, communities and shareholders.

Kunlun Energy has established a comprehensive KPI system, with good accuracy and balance. The Report contains hundreds of quantitative indicators in terms of economy, environment and society, and is rich with information. It also discloses the annual quantitative targets and achievement, and the data for two consecutive years, presenting adequate traceability and comparability. Regarding balance, the Report discloses negative information during the Reporting Period, including employee turnover rate, lost days due to work injury etc., providing an unbiased picture of overall performance of Kunlun Energy.

This Report has an international perspective with response to the global and domestic sustainable issues. Kunlun Energy's commitment and actions to the United Nations Sustainable Development Goals (UNSDGs) have been described in detail. Integrating sustainable development into UNSDGs, the Company shows a global perspective. Meanwhile, the Report also responds to the material issues at home and abroad, including climate change, energy supply and rural revitalisation. Through the reporting of Kunlun Energy's participation in these topics, the Report presents the Company's role as a responsible corporate citizen.

This Report is well-structured and friendly to readers. The content structure is clear with proper and concise discretion. The layout is very comfortable and contains a number of graphics and data to highlight key elements. In addition to the word description, the Report has various cases and pictures to demonstrate the content in a vivid way. The Report also includes English abbreviation table and responsibility performance table, which facilitates readers' access to relevant contents.

As the sixth ESG Report released by Kunlun Energy, the Report's structure and content organisation has achieved remarkable progress. However, the level of reporting is closely related to the corporate's management. Looking forward, I sincerely wish Kunlun Energy to have continuous improvement in sustainability management and disclosure, so as to practice the Company's responsibility and continue to reward to the society.

Liu Xuexin

Dean of College of Business Administration,
Capital University of Economics and Business
Executive Dean of China ESG Research Institute,
Capital University of Economics and Business

RESPONSIBILITY PERFORMANCE TABLE

Economic Performances

Indicator Category	Indicators	Unit	2020	2021
Economic Performance	Revenue	RMB 100 million	1,092.5	1,385.5
	Profit attributable to shareholders of the Company	RMB 100 million	60.6	230.2
	Earnings per share (basic)	RMB in cent	70.0	265.8
	Total assets	RMB 100 million	1,549.9	1,325.8
	Sales volume of natural gas	100 million cubic metres	377.6	420.0
	Sales volume of LPG	10,000 tonnes	521.2	598.6
	Number of users	10,000 households	1,235.8	1,384.6

Environmental Performances

Indicator Category	Indicators	Unit	2020	2021
Emissions	Emissions of SO ₂	Tonne	41	40.8
	Emissions of NO _x	Tonne	1,005	980
	Amount of recycled associated gas in oil field	100 million cubic metres	1.58	2.10
	Discharged amount of industrial wastewater	10,000 tonnes	40	35
	Recycled amount of industrial wastewater	10,000 tonnes	7.30	7.00
	Discharged amount of domestic wastewater	10,000 tonnes	74	81
	Recycled amount of domestic wastewater	10,000 tonnes	1.48	1.60
	Production solid waste discharge	Tonne	11	10
	Production solid waste discharge intensity	Tonne/100 million cubic metres	0.03	0.02
	Construction solid waste discharge	Tonne	47,937	11,481
	Construction solid waste discharge intensity	Tonne/100 million cubic metres	127	27
	Hazardous solid waste discharge	Tonne	337	379
	Hazardous solid waste discharge intensity	Tonne/100 million cubic metres	0.89	0.90

Indicator Category	Indicators	Unit	2020	2021
Climate change	Direct GHG emissions (Scope 1)	Tonne CO ₂ -e	470,667	480,112
	Indirect GHG emissions (Scope 2)	Tonne CO ₂ -e	1,025,009	987,566
	Methane emissions	Tonne	8,125	8,578
	Reduced BOG emissions by optimising process measures and process control	100 million cubic metres	6.1	5.5
	Total GHG emission	Tonne CO ₂ -e	1,495,676	1,467,678
	GHG emission intensity	Tonne CO ₂ -e/10,000 cubic metres	0.4	0.35
	Greenery coverage percentage in plants	%	14	14
	Number of trees planted in plants	-	86,156	92,013
Resource use	Total amount of water consumption	10,000 tonnes	485.5	480.5
	Water consumption intensity	Tonne/RMB 10,000 of added value	1.89	2.35
	Total amount of energy conservation	10,000 tonnes of standard coal	0.60	0.25
	Total value of energy conservation	RMB10,000	1,706.07	859.85
	Total amount of water conservation	10,000 cubic metres	1.13	0.90
	Total value of water conservation	RMB 10,000	2.36	1.94
Energy use	Total energy consumption	MWh	5,883,440.22	2,609,795.62
	Energy consumption intensity	MWh/RMB 10,000 of added value	2.28	1.28
	Gasoline	Tonne	4,592	3,916
	Diesel	Tonne	546	495
	Natural gas	10,000 cubic metres	29,546	9,458
	Liquefied petroleum gas	Tonne	119	148
	Total direct energy consumption	MWh	3,260,414.89	1,079,495.78
	Direct energy consumption intensity	MWh/RMB 10,000 of added value	1.26	0.53
	Purchased electricity	MWh	2,623,025.10	1,530,299.84
	Purchased thermal energy	MWh	0.23	—
	Total indirect energy consumption	MWh	2,623,025.33	1,530,299.84
	Indirect energy consumption intensity	MWh/RMB 10,000 of added value	1.01	0.75

Social Performances

Indicator Category	Indicators	Unit	2020	2021
Anti-corruption	Number of concluded legal cases regarding corrupt practices brought against the Company	Case	0	0
	Number of concluded legal cases regarding corrupt practices brought against the Company's employees	Case	0	0
Production Safety	Number of fatalities in production safety accidents	Person	0	0
	Number of lost days due to work injuries	Day	318	287
	Total Lost Worktime Rate (TLWR) due to work injuries	-	33.8	29.9
	Number of general Class A accidents (or above)	-	0	0
	Safety promotion information desks set up	-	539	746
	Accident case education	-	1,574	1637
	Participates in watching warning videos	Man-time	—	26,486
	Press releases	Piece	215	301
	Safety skills competition	Session	146	192
	Safety knowledge lectures	Session	813	1,821
	Number of employees participated in safety training	Person	21,317	138,110
	Emergency drills held by the Company	-	1,330	1,018
	Participants in the emergency drills	Man-time	—	11,765
	General hours of safety-related training	Hour	176	92,259
Products Quality	Equipment integrity rate	%	Over 99	Over 99
	Length of pipeline with internal inspection conducted	Kilometre	986	806
	City gas pipeline integrity coverage rate	%	Over 99	100
	Branch pipeline integrity coverage rate	%	100	100
	Branch pipeline high impact zone identification rate	%	100	100
	Branch pipeline flood prevention and geological hazard protection coverage rate	%	100	100
	Number of household users inspected	10,000 households	707	826
	Safety inspection rate of household users	%	90	90
	Number of non-household users inspected	10,000 households	21.8	12.2
	Safety inspection rate of non-household users	%	100	100
	Number of video monitoring inspections at major field stations	-	2,200	13,226
	Monitoring rate of important production operations	%	100	100
	Incident information delivery rate	%	100	100

Indicator Category	Indicators	Unit	2020	2021
Supplier Management	Total number of suppliers	-	1,996	1,814
	Number of material suppliers	-	1,249	1,132
	Number of services contractors	-	441	481
	Number of engineering contractors	-	306	201
Customer Service	Number of customer complaints of products and services	-	2,874	2,286
	Resolved rate of customer complaints	%	100	100
	Customer satisfaction rate	%	98	99
	Total number of customers	10,000 households	1,235.8	1,384.5
Employment	Total number of employees	-	37,852	33,284
	Proportion by gender — male	%	67.6	67.7
	Proportion by gender — female	%	32.4	32.3
	Proportion by region — China	%	99.3	99.3
	Proportion by region — Oversea	%	0.7	0.7
	Proportion by employment type — full-time	%	99.5	99.7
	Proportion by employment type — part-time	%	0.5	0.3
	Proportion by education — undergraduates or above	%	45.2	48.7
	Proportion by education — tertiary education	%	28.9	27.5
	Proportion by education — others	%	25.9	23.8
	Proportion by age — under 30	%	16.6	17.5
	Proportion by age — aged 30–50	%	70.2	68.0
	Proportion by age — above 50	%	13.2	14.5
	Employee turnover rate	%	2.10	1.9
	Proportion by gender — male	%	2.05	1.9
	Proportion by gender — female	%	2.20	2.0
	Proportion by region — China	%	—	1.8
	Proportion by region — Oversea	%	—	9.1
	Proportion by age — under 30	%	2.10	2.2
	Proportion by age — aged 30–50	%	2.48	2.0
Proportion by age — above 50	%	0.10	0.9	

Indicator Category	Indicators	Unit	2020	2021
Occupation Health	Rate of occupational health examination	%	100	100
	Qualified rate of occupational health examination	%	—	100
	Rate of occupational health hazard inspection	%	100	100
	Qualified rate of occupational site hazard inspection	%	—	100
Employees' Training	Frontline staff training ratio	%	100	100
	Training projects at Company level	-	27	43
	Employee trained at Company level	Man-time	3,592	6,931
	Training courses at PetroChina level	Session	36	88
	Employees trained at PetroChina level	Man-time	112	716
	Total employees trained	Person	27,012	27,208
	Total employees trained by gender — male	Person	18,260	18,145
	Total employees trained by gender — female	Person	8,752	9,063
	Rate of employees trained by gender — male	%	67.6	66.7
	Rate of employees trained by gender — female	%	32.4	33.3
	Average training hours of each employee by gender — male	Hour	—	98
	Average training hours of each employee by gender — female	Hour	—	95
	Total employees trained by employment type — Management talent	Person	—	11,405
	Total employees trained by employment type — Professional and technical personnel	Person	—	1,133
	Total employees trained by employment type — Highly skilled personnel	Person	—	1,670
	Total employees trained by employment type — Frontline personnel	Person	—	13,000
	Rate of employees trained by employment type — Management talent	%	—	41.9
	Rate of employees trained by employment type — Professional and technical personnel	%	—	4.2
	Rate of employees trained by employment type — Highly skilled personnel	%	—	6.1
	Rate of employees trained by employment type — Frontline personnel	%	—	47.8
Average training hours of each employee by employment type — Management talent	Hour	61	101	
Average training hours of each employee by employment type — Professional and technical personnel	Hour	52	91	
Average training hours of each employee by employment type — Highly skilled personnel	Hour	56	96	
Average training hours of each employee by employment type — Frontline personnel	Hour	56	94	
Community Investments	Public welfare service hours	Hour	27,103	7,346
	Number of public welfare service participants	-	3,081	2,134
	Public welfare donation	RMB 10,000	1,455	156
	Rural revitalisation through consumption	RMB 10,000	266	1,032

INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE ISSUED BY THE HONG KONG STOCK EXCHANGE

A.Environment

General Disclosure & KPI	Indicator description	Corresponding disclosed chapter or explanation
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Environmental Protection
KPI	A1.1 The types of emissions and respective emissions data.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Emission Management
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Emission Management
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Emission Management
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Emission Management
	A1.5 Description of emission target(s) set and steps taken to achieve them.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Emission Management
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Emission Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Resource Consumption
KPI	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Resource Consumption
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Resource Consumption
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Resource Consumption
	A2.4 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.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Resource Consumption
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	The Company's business rarely involves product packaging, therefore the KPI is not applicable.

General Disclosure & KPI	Indicator description	Corresponding disclosed chapter or explanation
Aspect A3: The Environmental and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Resource Consumption
KPI	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Resource Consumption
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Climate Change Action
KPI	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	CONSTRUCTION OF ECOLOGICAL CIVILISATION WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION-Climate Change Action
B.Social		
General Disclosure & KPI	Indicator description	Corresponding disclosed chapter or explanation
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Labour Rights Protection
KPI	B1.1 Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Labour Rights Protection
	B1.2 Employee turnover rate by gender, age group and geographical region.	APPENDIX- RESPONSIBILITY PERFORMANCE TABLE
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Building A Comprehensive Health Landscape
KPI	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Building A Comprehensive Health Landscape
	B2.2 Lost days due to work injury.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Building A Comprehensive Health Landscape
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Building A Comprehensive Health Landscape

General Disclosure & KPI	Indicator description	Corresponding disclosed chapter or explanation
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Talent Growth and Development
KPI	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Talent Growth and Development
	B3.2 The average training hours completed per employee by gender and employee category.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Talent Growth and Development
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Labour Rights Protection
KPI	B4.1 Description of measures to review employment practices to avoid child and forced labour.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Labour Rights Protection
	B4.2 Description of steps taken to eliminate such practices when discovered.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Labour Rights Protection
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION-Supply Chain Management
KPI	B5.1 Number of suppliers by geographical region.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION-Supply Chain Management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION-Supply Chain Management
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION-Supply Chain Management
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION-Supply Chain Management

General Disclosure & KPI	Indicator description	Corresponding disclosed chapter or explanation
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION-Management of Quality and Safety
KPI	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Company's business rarely involves recalls of products, therefore the KPI is not applicable.
	B6.2 Number of products and service related complaints received and how they are dealt with.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION--Customer Services
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION-Innovation and Digital Development
	B6.4 Description of quality assurance process and recall procedures.	INNOVATIVE APPROACH TO RESPONSIBLE OPERATION-Management of Quality and Safety
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	CONSOLIDATE GOVERNANCE TO BUILD A FIRST-CLASS ENTERPRISE -Information Security Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	CONSOLIDATE GOVERNANCE TO BUILD A FIRST-CLASS ENTERPRISE - Compliance and Risk Management
KPI	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	CONSOLIDATE GOVERNANCE TO BUILD A FIRST-CLASS ENTERPRISE - Compliance and Risk Management
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	CONSOLIDATE GOVERNANCE TO BUILD A FIRST-CLASS ENTERPRISE - Compliance and Risk Management
	B7.3 Description of anti-corruption training provided to directors and staff.	CONSOLIDATE GOVERNANCE TO BUILD A FIRST-CLASS ENTERPRISE - Compliance and Risk Management
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Social Contribution
KPI	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Social Contribution
	B8.2 Resources contributed (e.g. money or time) to the focus area.	BENEFIT PEOPLE'S LIVELIHOOD AND COHESIVE SOCIAL RESPONSIBILITY-Social Contribution



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