

2022

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT



中石化冠德控股有限公司

SINOPEC KANTONS HOLDINGS LIMITED

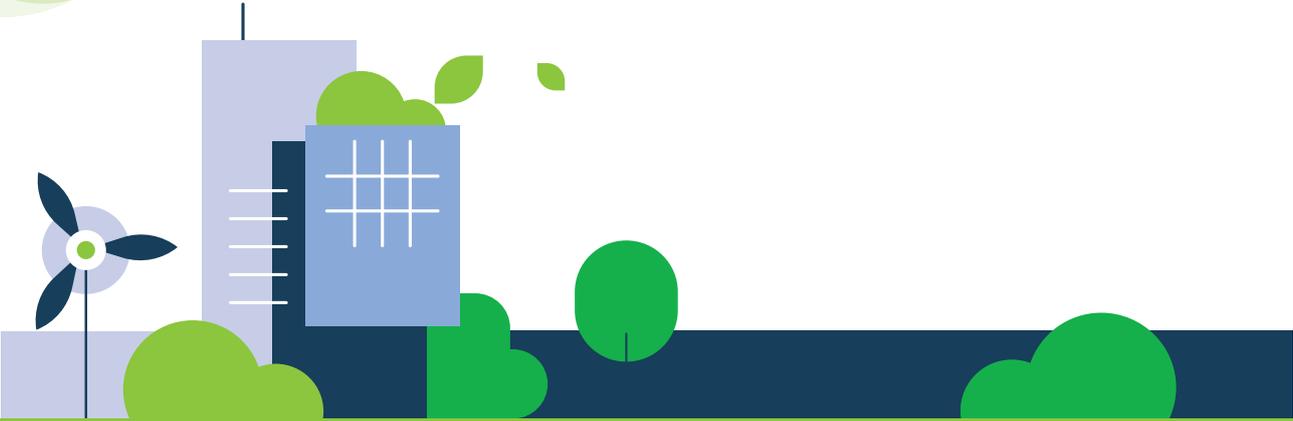
(Incorporated in Bermuda with Limited Liability)

Stock Code: 0934.HK



Sinopec Kantons Holdings Limited (Stock Code : 0934.HK) was established in Bermuda in March 1998 and successfully listed on the Stock Exchange in June 1999. As at 31 December 2022 and as at the date of this report, the direct holding company of Sinopec Kantons was Sinopec Kantons International Limited, holding 60.33% equity interest in the Company, and the ultimate holding company of the Company was China Petrochemical Corporation (“Sinopec Group”). The Group strives to become a world class international petrochemical storage and logistics company with its principal activities comprising crude oil jetty and storage services and vessel chartering and transportation services.





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ABOUT THE REPORT



Reporting Scope

This report covers Sinopec Kantons Holdings Limited (“**Sinopec Kantons**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**” or “**We**”), namely the Group’s Hong Kong headquarter (the “**Hong Kong Office**”) and Huade Petrochemical Co., Ltd. in Huizhou Daya Bay (“**Huade Petrochemical**”), a wholly-owned subsidiary of the Company^{Note}. Besides, this report covers the year ended 31 December 2022, which is in line with the Company’s 2022 Annual Report.

Preparation Reference

The Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) set out in Appendix 27 to the Listing Rules of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reporting Principles

Materiality: The Group has conducted a materiality questionnaire survey with its stakeholders, and identified material environmental, social and governance (“**ESG**”) issues based on the results to facilitate the establishment of focus of this report. Please refer to the section headed “Materiality Analysis” in this report for details.

Quantitative: The Group regularly collects key performance indicators related to environmental, social and governance issues and follows up on the Group’s performance in relevant aspects. Where applicable, the Group compares data for each year and discusses relevant trends and impacts.

Consistency: Unless otherwise indicated, this report presents a fair comparison of the Group’s historical performance by adopting a methodology consistent with its previous reports.

Balance: We undertake that the material information disclosed in this report is true, objective, without exaggeration and factual, and objectively and fairly reflects its performance.

Statement of the Board

The board of the Company (“**Board**”) is solely responsible for the Group’s environmental, social and governance strategy and reporting. This report has been reviewed and approved by the Board.

Contact and Feedback

Your valuable opinions on the content of this report and other matters related to the sustainable development of the Company are most welcomed. Please contact us via, among others, email at ir.skts@sinopec.com. This report is available in both English and Chinese versions. In case of discrepancies, the Chinese version shall prevail, the English version is a translation reference. You can download the information from the website of the Stock Exchange and the Company’s website at <http://www.sinopec.com.hk> under “Investor Relations-Environmental, Social and Governance Report”.

*Note: As the Company’s subsidiary in Indonesia, PT. West Point Terminal (“**PT. West Point**”), had not commenced construction during the reporting period and as disclosed on the websites Stock Exchange and the Company on 23 December 2022, the Group has decided to cease to proceed with the Batam Project, therefore this report does not include PT. West Point. The Company’s associates and joint ventures are not included in the scope of this report.*

ABOUT THE COMPANY

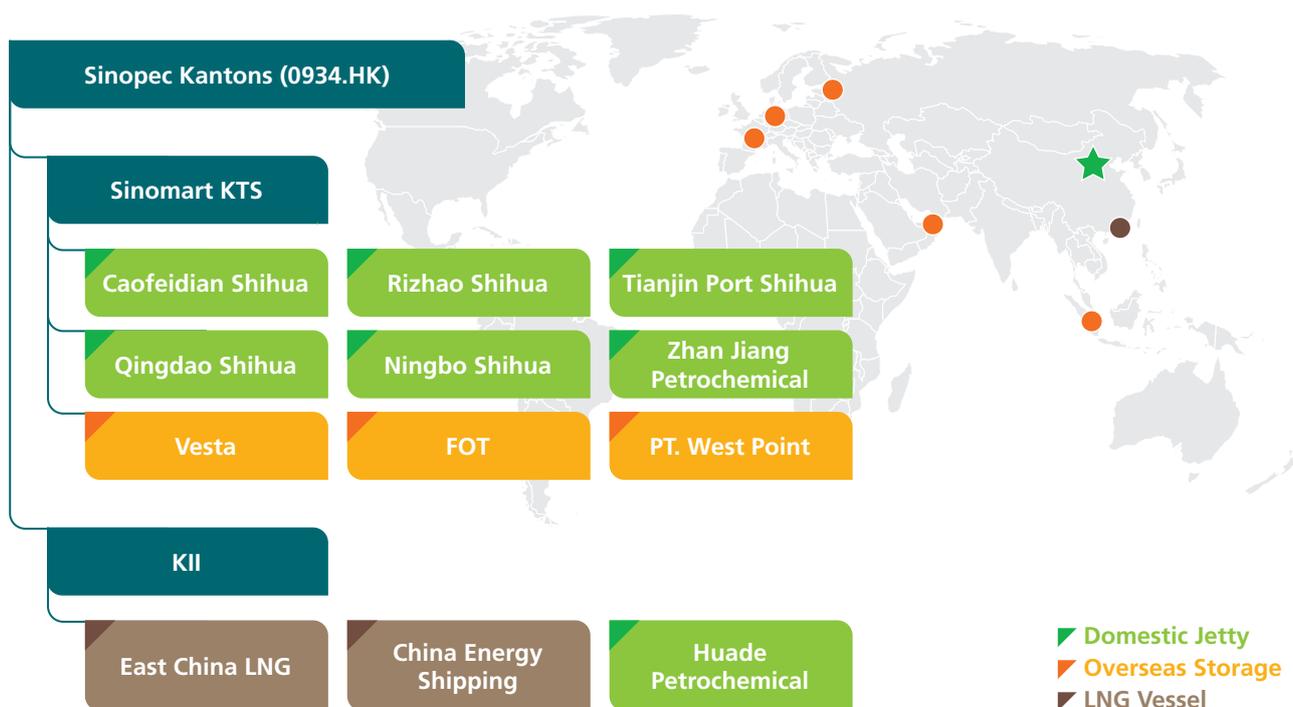
About the Company

After years of efforts and development, Sinopec Kantons has successfully deployed and invested in storage terminal projects in the Bohai Bay region, the Yangtze River Delta region and the Pearl River Delta region, as well as investing and operating storage projects overseas, namely in the Antwerp-Rotterdam-Amsterdam region in Europe and in Fujairah, United Arab Emirates in the Middle East. In addition, the Company is also involved in the LNG vessel transportation business, operating eight LNG vessels. As at 31 December 2022 and as at the date of this report, the Company had seven storage terminal operating entities in the PRC, three overseas storage operating entities and two LNG vessels transportation operating entities.

Philosophy of Sustainable Development

In 2022, the Group continued to focus on its logistics and storage business of oil products and liquefied natural gas to ensure the smooth supply of energy and petrochemical products to customers. In this regard, we adhere to the corporate mission of "Satisfying customers, benefiting employees, bringing returns for shareholders, and contributing to the society", thereby creating value for various stakeholders to grow together with the Group. During the year, the Group continued to develop various businesses based on our five strategies for sustainable development:

1. Operating Legally
2. Respecting Stakeholders
3. Developing Together
4. Valuing HSSE
5. Improving Continuously

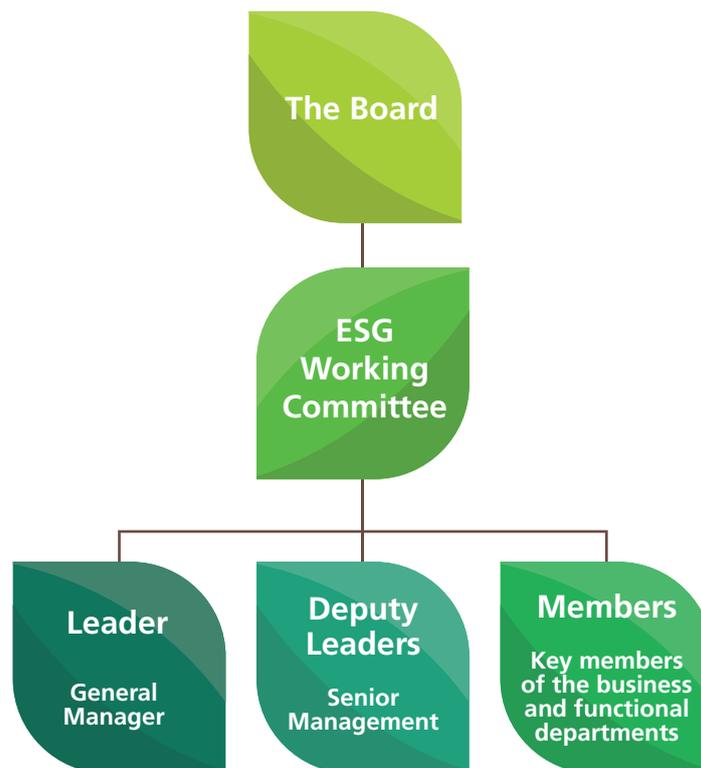




Structure and Management of Environmental, Social and Governance Issues

Our Board and senior management are accountable for ensuring the relevance and effectiveness of our ESG strategy and activities. The Group established its Environmental, Social and Governance Working Committee (the “**ESG Working Committee**”) in 2020 to strengthen the management of corporate sustainability as the Company strived to expand its operations.

The governance structure of the ESG Working Committee is as follows:



The main responsibilities of the ESG Working Committee:

In line with our development plan, we expect to further increase the scale of the Group’s operations by 2025 and strive to achieve the Group’s environmental protection targets in the areas of gas emissions, water conservation, energy efficiency and waste reduction set by the Group in 2020 through the adoption of various conservation and emission reduction measures.

The Board has delegated the day-to-day responsibility for ESG-related matters to the ESG Working Committee. In 2022, the ESG Working Committee continued to assist the Board in formulating, implementing and evaluating environmental, social and governance visions, objectives, strategies and structures in the light of the Group’s actual circumstances and overseeing their implementation; facilitated communication with key stakeholders; identified key issues, ESG trends, climate risks and opportunities, etc.; set targets for carbon emissions, energy and water consumption and adopted appropriate measures to address them, and reported regularly to the Board on their implementation to ensure that the Board is aware of the progress of the Group’s targets and related climate issues. In case of necessity, the Board would review and make recommendations on the Group’s environmental, social and governance policies and strategies, assess the effectiveness of relevant objectives.

Communication with Key Stakeholders

The Group is committed to maintaining communication with stakeholders through different channels to understand their views or suggestions on the sustainable development of the Group. The key stakeholders of the Group include the local governments and regulatory bodies, investors, employees, suppliers, customers and the community where we are located. After receiving feedback from stakeholders, we try our best to incorporate their opinions into the Group's long-term development plan to contribute to our future corporate development.

Local governments and regulatory bodies



- Compliant operations
- Production safety
- Economic contribution
- Corporate governance

- Reporting to relevant authorities regularly
- Arranging representatives from governmental authorities to conduct on-site inspection of production units or office premises
- Participating in evaluation and selection activities held by governmental authorities

Employees



- Remuneration and benefits
- Career development and training
- Occupational health and safety

- Conducting appraisals and providing feedback regularly
- Collecting the views from employees directly by the management
- Providing various types of training
- Organizing team building activities
- Organizing sports and leisure activities
- Holding regular work meetings
- Setting up labour union
- Setting up employee letter boxes

Investors



- Corporate strategy of long-term development
- Profitability
- Dividend policy
- Level of corporate governance

- Publishing results announcements and holding results briefing regularly
- Disclosing the operational condition of the Company under the Listing Rules
- Actively participating in investor summits and appointments with institutional investors
- Holding general meetings, interacting with investors on-site
- Formulating, disclosing to the public and reviewing the Company's dividend policy from time to time

Suppliers



- Stable partnership
- Win-win cooperation

- Implementing a stringent, standardised, fair, just and open selection mode
- Business negotiations
- Industry exchanges

Customers



- Service safety
- Price
- Quality assurance and management

- Business negotiations
- Visiting clients
- Daily communication and interflow of ideas

Public & Community



- Provision of support to community development and public welfare projects
- Environmental and community impacts of our operation

- Actively participating in and organizing public welfare activities
- Saving energy and reducing energy consumption during production and in office
- Participating in energy saving and waste reduction plan



Materiality Analysis

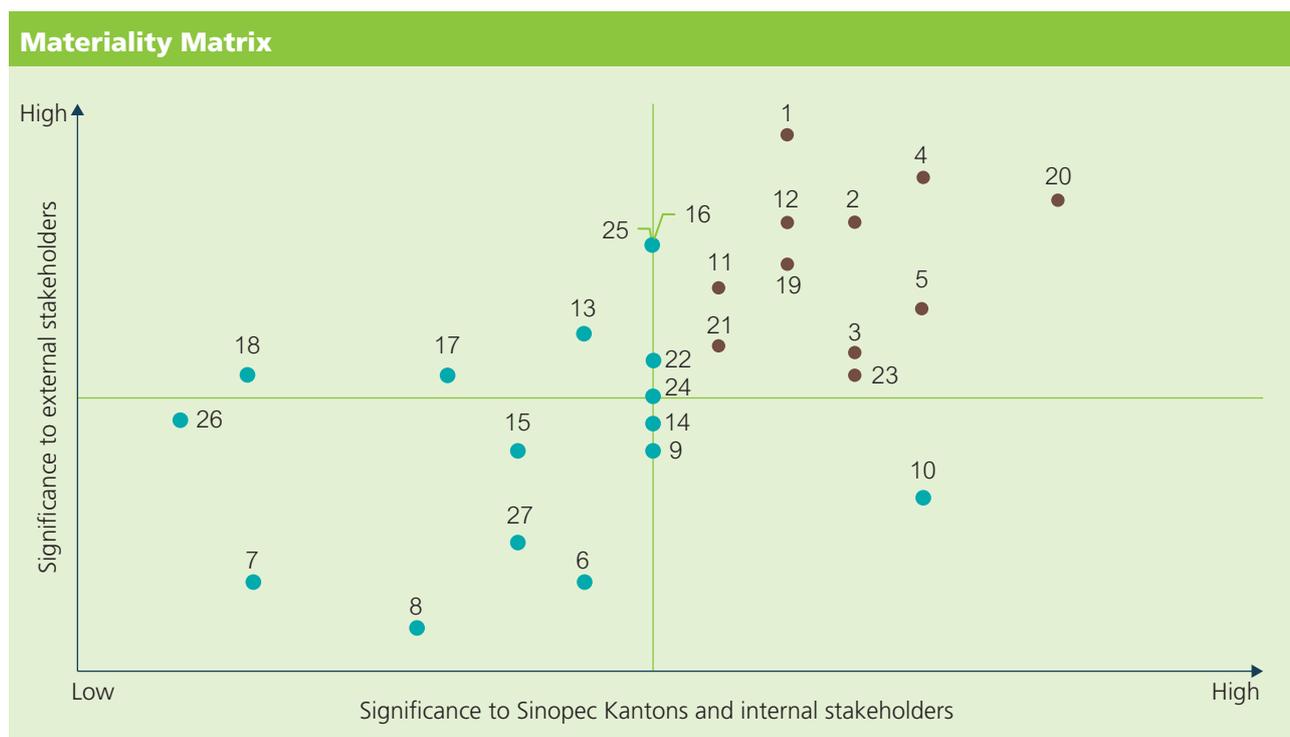
The Group has high regard for the expectations of stakeholders such as investors, customers, suppliers, and the public on our environmental and social performance. Feedback from stakeholders is of great importance to the Group and enables the Group to make the right decision, thereby strengthening its business development and fulfilling its commitment for corporate social responsibility. The ESG Working Committee has reviewed material issues on environmental, social and governance related matters for the year, and completed the review using the following process:



The Group has interacted with internal and external stakeholder groups by conducting questionnaire surveys, and recorded and reviewed the process and results of the questionnaire surveys for stakeholders. Internally, we distributed questionnaires to directors, management, department heads, staff and the management of our subsidiaries; while externally, questionnaires were sent to investors, suppliers and customers. We invited participants to rate the materiality of different environmental, social and governance issues. The results of the questionnaire surveys help the Group to collect feedback from stakeholders regarding its environmental, social and governance performance, and to prioritize issues for future operation with reference to the data collected.

ABOUT THE COMPANY

Based on the results of the questionnaire surveys on materiality, the Group noted that the most material issues of concern to internal and external stakeholders include: corporate governance, economic performance, current condition and prospects of the industry, production safety, risk management, environmental policy/management system, waste gas emission management, legal compliance, occupational health and safety, labour relations and staff recruitment. The next questionnaire survey on materiality will include the issue of renewable energy development in response to the increasing demand and concern for clean energy from stakeholders and examine the geopolitical implications. For details of the Group's policies and measures on most of the above-mentioned material issues, please refer to the corresponding sections of this report.

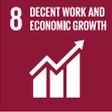


| Operating Legally | Respecting Stakeholders | Developing Together | Valuing HSSE | Improving Continuously |
|---|---|---|---|--|
| 1 Corporate governance | 20 Occupational health and safety | 26 Community | 2 Economic performance | 3 Current condition and prospects of the industry |
| 5 Risk management | 21 Labour relations | 26 Community engagement and charity work | 4 Production safety | 12 Waste gas emission management |
| 19 Legal compliance | 23 Staff recruitment | 27 Communication with external stakeholders | 11 Environmental policy/Management system | 9 Energy Conservation |
| 6 Privacy policy | 22 Rights of employees | | | 13 Greenhouse gas emission |
| 7 Supply chain management | 24 Education and training for employees | | | 14 Energy management |
| 8 Service quality/Technology research and development | 25 Welfare and salary of employees | | | 15 Control of use of water |
| 10 Anti-corruption | | | | 16 Control of discharge of wastewater |
| | | | | 17 Control and recycling of wastes |
| | | | | 18 Impact of climate change on the Company and countermeasures |

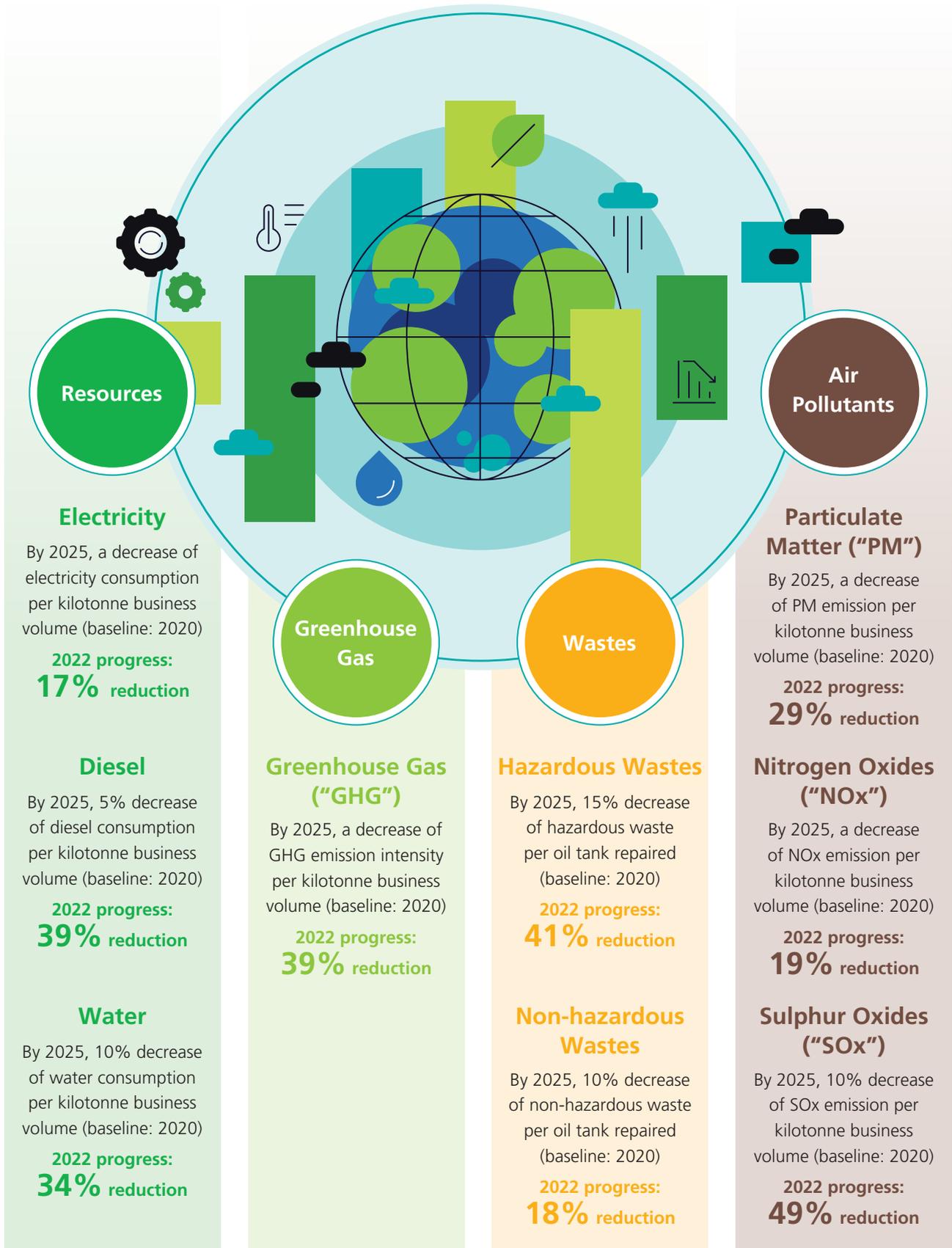


Sustainable Development Goals of the United Nations and Sinopec Kantons

When comparing the sustainable development policies of the Group with the Sustainable Development Goals of the United Nations, it is found that a total of 12 specific goals which match with those of the United Nations. Details are set out in the table below:

| Sustainable Development Goals of the United Nations | Actions | Corresponding sections in this report |
|---|---|---|
|   | <ul style="list-style-type: none"> ● Participated in the “Better Life”, a youth and children caring programme ● Visited the underprivileged and donated gifts | <ul style="list-style-type: none"> ● Developing Together |
|  | <ul style="list-style-type: none"> ● Provided epidemic prevention supplies ● Provided employees with allowance for medical examination ● Provided stress exposure training | <ul style="list-style-type: none"> ● Respecting Stakeholders |
|   | <ul style="list-style-type: none"> ● Adhered to the principle of “meritocracy” for human resources management and elimination of all kinds of discrimination | <ul style="list-style-type: none"> ● Respecting Stakeholders |
|  | <ul style="list-style-type: none"> ● Used an online monitoring instrument for discharging wastewater externally ● Used water saving toilets ● Installed water meters | <ul style="list-style-type: none"> ● Improving Continuously |
|  | <ul style="list-style-type: none"> ● Offered attractive remuneration and benefits | <ul style="list-style-type: none"> ● Respecting Stakeholders |
|  | <ul style="list-style-type: none"> ● Carried out regular inspection of production facilities to ensure safe operation ● Conducted regular safety training and emergency drills | <ul style="list-style-type: none"> ● Valuing HSSE |
|  | <ul style="list-style-type: none"> ● Continued to improve service quality to provide safe and stable services, thereby creating value for customers ● Implemented green procurement | <ul style="list-style-type: none"> ● Operating Legally |
|  | <ul style="list-style-type: none"> ● Strengthened ability in combating against and being adaptable to climate-related and natural disasters by conducting drills and developing contingency plans ● Implemented energy saving and emission reduction measures | <ul style="list-style-type: none"> ● Improving Continuously |
|  | <ul style="list-style-type: none"> ● Installed offshore oil spill prevention equipment at the jetties and performed regular inspections ● Organised beach and country park cleanup activities | <ul style="list-style-type: none"> ● Improving Continuously ● Developing Together |
|  | <ul style="list-style-type: none"> ● Continued to provide anti-corruption trainings and set up whistleblowing channels ● Prohibited child labour and forced labour | <ul style="list-style-type: none"> ● Operating Legally ● Respecting Stakeholders |

PROGRESS ON 2025 TARGETS



FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

1. Operating Legally

1.1 Operating Practices

Although the Group mainly provides oil products and liquefied natural gas storage and logistics services which do not involve product recycling, we still attach great importance to the quality of our services. With our management expertise in storage and logistics, we strive to continuously optimize our services and improve our operational efficiency under the philosophy of sustainability, so as to create value for our customers and grow together

1.1.1 Customer Satisfaction

Feedback from customers on our services is of paramount importance. Therefore, through daily business communication, visits, annual questionnaire surveys and other channels, customers are invited to rate the Group's services based on the four dimensions of service quality, delivery capability, technical capability and price competitiveness, from which customer satisfaction analysis reports and follow-up action plans are prepared.

1.1.2 Handling Customer Complaints

The Group has measures in place to respond to customer complaints. In particular, when providing loading and unloading services, Huade Petrochemical needs to be punctual, timely and accurate to avoid any accident. Therefore, the staff in the dispatching position are required to be on duty around the clock with the contact telephone number kept open. They are responsible for the communication and feedback on production planning

1.2 Compliance

Operating in compliance with laws and regulations is fundamental to a company. The Group has always been committed to operating in compliance with laws and regulations and has improved its business compliance management system to effectively prevent and control compliance risks in its operation. The Group and its operating entities have to deal with a wide range of laws and regulations in different countries and regions, and due to the nature of their business, local governments have set different requirements on their business scope, pricing and

with them. During the year, the Group had not received any service-related complaints and had complied with the applicable laws and regulations.

In addition, as the Group's principal business operations do not involve the provision of products, matters relating to recall procedures, product advertising and labelling have no relevance to the Group.



and other situations during production. Through regular daily business training and technical guidance, Huade Petrochemical has enhanced the dispatching ability of the employees to deal with emergency situations and complex situations, and response guidelines are formulated according to different business situations. During the year, the Group had not received any customer complaints.

environmental protection measures. Therefore, the Group's Risk Control Department regularly keeps track of legal and regulatory updates in different jurisdictions and formulates corresponding response plans and policies based on the latest requirements and developments, in order to ensure that all business operations are conducted in a compliant manner and to reduce the risk of non-compliance.

At the same time, as the Group's business is closely related to that of Sinopec Group, the Company strictly complies with

FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

the requirements of the Listing Rules of the Stock Exchange in respect of connected transactions and strictly enforces the disclosure standards. Detailed background checks are conducted on the counterparties. This year, the Group renewed the continuing connected transactions in accordance with the requirements under the Listing Rules and obtained the approval of the shareholders in general meeting. For the Company's directors, management and staff, a Conflicts of Interest Compliance Guide was established to provide timely compliance training on conflicts of interest. For the Company's securities transactions, the Company's directors, management and staff strictly comply with the Model Code for Securities Transactions in Appendix 10 of the Listing Rules. The Company's Listing Compliance Guidelines clearly stipulate that unauthorised use of confidential or inside information is strictly prohibited and that employees in possession of inside information are prohibited from using such information for trading, leaking inside information and using inside information to advise others to trade in securities and other improper acts. Please refer to the "Corporate Governance

1.2.1 Anti-corruption Training

Anti-corruption training is one of the highlights of the Group's annual training programme to instil relevant compliance requirements and integrity awareness. In 2022, the Group organised a total of 265 person-times (including directors and staff) to attend 601 hours anti-corruption training sessions. During the year, there was no concluded legal cases regarding corrupt practices brought against the Group or our employees.

1.2.2 Whistleblowing Policy

The Group has established reporting channels to prevent and identify violations in a timely manner. The Group encourages employees, business partners, suppliers and other third parties to report relevant misconduct, fraud and violations directly to the Company via email or other channels. The Risk Control Department of the Company is responsible for handling relevant reports, there is also a Compliance Committee to ensure that there is no retaliation against the whistleblower

Report" section of the 2022 annual report of the Company for the management of inside information.

In the day-to-day operations, the Group adopts a zero-tolerance approach to bribery, extortion, fraud and money laundering. The Group has designed a series of anti-corruption and anti-commercial bribery compliance guidelines, business hospitality guidelines and other related policies. All staff are prohibited from obtaining improper benefits through their positions and at the same time, relevant training is provided to all staff each year for the building of a clean workforce.

In 2022, the Group continued to comply strictly with the laws and regulations in relation to bribery, extortion, fraud and money laundering of the places in which it operates in all material aspects, including the Law against Unfair Competition of the People's Republic of China and the Prevention of Bribery Ordinance of Hong Kong. There were no corruption litigation cases during the year.

In October 2022, the Hong Kong Office invited the Independent Commission Against Corruption (ICAC) to conduct an integrity management seminar to strengthen staff education and awareness of integrity.

During the year, Huade Petrochemical promoted integrity education through training meetings, educational videos and SMS reminders, and encouraged staff to sign a pledge of integrity and self-discipline.

and that the confidentiality of the whistleblower in real name is strictly maintained. If the reported case is substantiated and prevents the Company from suffering significant economic losses, the whistleblower will be rewarded. During the year, the Group received zero reported cases.

For information on the whistleblowing policy, please refer to the "Corporate Governance Report" section of the 2022 annual report of the Company.



1.3 Supplier Management

The Group not only attaches great importance to creating value for its customers, but also concerns much about the interests of its suppliers, contractors and other partners and the quality of their services and has therefore established the Supplier Management Measures.

The Group has incorporated the concept of sustainable development into its procurement system. In addition to regulating the requirements and procedures of procurement, the Group has also introduced green management in the procurement process and taken into account factors such as environmental protection, environmentally friendly materials and resource conservation, so as to promote the joint implementation of environmental protection and energy saving by our partners.

At the same time, we also pay attention to production safety of our suppliers and contractors. In order to ensure that operators and their staff are well informed and aware of safety, in addition to requiring them to possess relevant certificates and licenses, the Group also provides safety training to our contractors according to the actual situation. The Group has zero tolerance for on-site violations by

contractors. If violations are found, they must be rectified in a timely manner and, depending on the seriousness of the incident, points may be deducted or penalties imposed and the supplier may even be blacklisted.

During the year, Huade Petrochemical implemented an electronic procurement system, utilising the benefits of big data to facilitate product comparisons and stock-keeping, thereby reducing procurement prices by approximately 50% and shortening the supply cycle by approximately two months.



1.3.1 Supplier Selection

The Company has established and refined procedures for the selection of suppliers. Background checks have been conducted and the suppliers have to undertake in writing to comply with the Supplier Code of Conduct established by the Company before they enter the selection process.

The selection process is open and transparent, and a special selection expert committee is generally set up to examine and evaluate different aspects such as the quality of service, professional competence and quotation of suppliers.

1.3.2 Supplier Assessment

Once a supplier has been engaged to provide services, the relevant business unit will conduct an assessment of the supplier's services. In addition, each year, a series of compliance controls, including annual review and audit management, are performed each year to fully understand and critically review the supplier's qualifications and decide whether to continue working with the supplier. Suppliers with poor or unacceptable performance will be removed

from the supplier list and will need to go through a re-selection process before they can be added to the supplier list in the future. In 2022, the Group conducted an assessment in accordance with the above requirements and no suppliers and working partners were removed from the list due to poor or unqualified performance.

The five main areas in which suppliers are assessed:

FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY



Compliance with laws and regulations

- Compliance with applicable local laws and regulations, regulatory rules, industry standards, international treaties, etc.



Labour rights

- No child labour
- Not to discriminate against any employee on the grounds of sex, race, religion, nationality, location, etc.
- Not to restrict the personal freedom of employees in any unlawful manner and to eliminate forced labour for any reason
- Comply with local labour laws and ensure that employees' wages, benefits, working hours, overtime hours, workplace hygiene and safety conditions comply with the applicable local laws and regulations
- Pay social insurance and meet tax obligations in accordance with the law



Health and safety

- Develop and implement relevant safety and health protection policies and management systems to ensure that the safety and health of its employees, counterparties and the public are not exposed to unnecessary risks as a result of its operations
- Provide a safe and healthy working environment for its employees, take active and effective preventive measures to prevent potential accidents and injuries, and effectively prevent occupational safety accidents and health hazards for its employees



Environmental protection

- Comply with all applicable environmental protection laws and regulations, regulatory rules and standards
- Fulfill its responsibilities and obligations for environmental protection and take measures to save energy and reduce emissions
- Give priority to the use of raw materials, products and services that contribute to environmental protection, such as energy saving, water saving, material saving and health maintenance
- Preference will be given to those who voluntarily apply for and pass the certification of their environmental management system, quality management system and energy management system



Business ethics

- Be compliant, honest and law-abiding and shall not engage in or permit any form of corruption, bribery or other improper conduct
- Protect the information security of employee and customer and protect the trade secrets of our partners



1.4 Information Security

The Group holds in high regard for the protection of privacy and commercial secrets of customers, business partners and other related parties, and is committed to protecting personal data and privacy and commercial secrets involving business partners and customers in compliance with the relevant laws and regulations in the places where it operates, and prohibits unauthorised use of information and commercial secrets of others or use of such data beyond the permitted scope in accordance with our internal Compliance Management Manual. In addition, the Group requires those who have access to personal data to sign confidentiality agreements to prevent the risk of disclosure.

In 2022, the Group continued to strengthen information safety management by formulating the Regulations on the Construction, Application and Operation and Maintenance of Information Technology and the Contingency Plan for Information System Emergencies to reduce the risk of hacking and leakage of personal data or commercial secrets through inadvertent use of computers or electronic devices. We also implemented information security measures and upgraded the email security system to automatically identify and block unknown emails to enhance network security. During the year, Huade Petrochemical had conducted training on network security management.

1.5 Respect for Intellectual Property Rights

Although intellectual property is not a material issue to the Group's stakeholders according to our materiality survey, the Group respects and protects intellectual property rights, complies with the laws, regulations and regulatory requirements for intellectual property rights protection in the

PRC and the places where its businesses are located, upholds a zero-tolerance attitude towards infringement and that the infringement of creative work of others and our own rights should be avoided. The Group has established an internal management system for the proper use, authorisation, permission, trading and disposal of patent rights, trademarks and copyrights.



2. Respecting Stakeholders

The Group upholds the principle of “people-oriented” and “staff are the cornerstone for success of a corporation”, protects the interests and welfare of employees and ensures that all staff are treated fairly and equitably, regardless of gender, nationality, family status or physical condition.

2.1 Policy on Human Resources and Welfare

We have always abided by the relevant employment laws and regulations in places where our operations are located, including issues on recruitment, salary, working hours, holidays, promotion, dismissal and retirement, such as The Labour Law of the People’s Republic of China, Provisions on Prohibition of Child Labour, Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance in Hong Kong. Meanwhile, the Group continues to improve its human resource-related management system to protect the interests of employees, to attract talent and build a diverse and talented employee team.

The Group has a sound remuneration and promotion mechanism. It carries out annual appraisals on employees’ daily work performance, ability and attitude, with the results forming the key basis of determining basic salary adjustment, bonus, promotion, adjustment of job position, and selection for training of the employees. As such, employees are encouraged to make greater contribution to the Group. Furthermore, the Group sets basic salary levels and ranking specification in respect to the employee’s job position and duties with the intention of building a “talent development gateway” for staff members to grow through rank advancement, and to achieve sustainable development together with the Group.

Meanwhile, we support the career development of our staff through the provision of diversified training to ensure that all employees can grow with the company and share the fruits of its development, and share the weal and woe with the Company.

We support diversity and equal opportunity for our employees, oppose discrimination and strictly comply with anti-discrimination legislation, refrain from employing child labour, respect employees’ rights to personal freedom in accordance with the law and eliminate forced labour for any reason. The Group has a targeted approach to understanding the situation during the recruitment process and will take immediate remedial actions in accordance with the relevant human resources management practices and regulations if relevant aforementioned irregularities (including but not limited to child and forced labour) are identified.

During the year, there were no violations of laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours and equal opportunities, anti-discrimination and other treatment and benefits that had a significant impact on the Group. The Group was not aware of any reports of human rights violations and the use of child labour and forced labour is always prohibited.

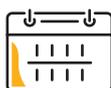


Highlights on Human Resources Policy:



Remuneration and Welfare

- Consider the local labour market conditions, trends on human resources costs and employee's contribution in the determination of remuneration and welfare
- Make contributions to social insurance for pensions, medical, unemployment, work-related injury, maternity and housing provident funds
- Make contributions to Mandatory Provident Fund on time



Protecting the Right to Take Leave

- Formulate the Management System of Attendance and Leave-taking for Employees
- Offer staff annual, personal, official, sick, marital, maternity/paternity, breastfeeding and compassionate leaves, etc.



Recruiting Talent

- Adhere to the principles of diversity, fairness and non-discrimination in the workplace
- Consider objective factors such as candidates' skills and experience through a fair, open and competitive selection process when recruiting staff
- Selection and promotion of talent and treat employees equally disregard of their gender, nationality, race, religious and cultural backgrounds
- Promote gender and cultural diversity by giving due consideration to employing local staff



Labour Standards

- Zero-tolerance policy towards child and forced labour
- Discourage staff from working overtime



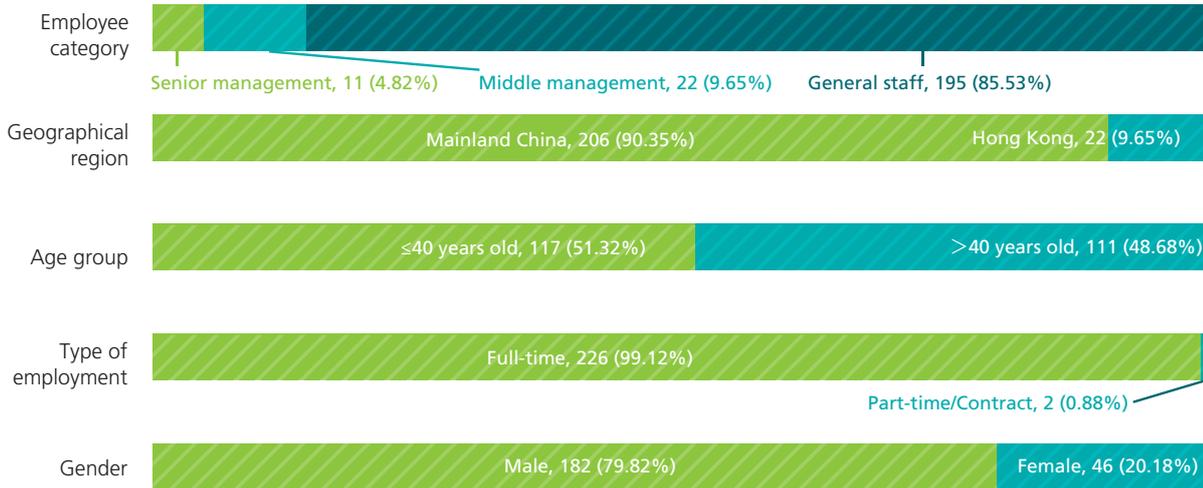
Other Benefits

- Subsidies for medical expenses
- Maintain accident insurance
- Free lunches for employees
- Provide training opportunities and appropriate support for employee continuing education
- Offer a variety of recreational and cultural activities

FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

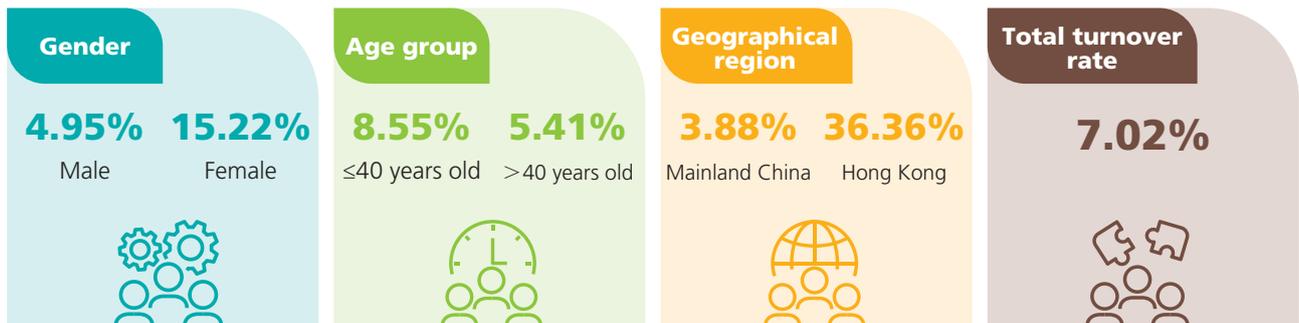
Employee distribution

Total number of employees for 2022: 228



The Group upholds the concept of equal opportunities in staff recruitment to ensure that the number of staff of different genders meets the development needs as far as possible.

Employee turnover rate



The higher employee turnover rate in the Group's Hong Kong Office during the year was due to the lower base of staff in the Hong Kong Office, and the reason for job change was to pursue better personal career development.



2.2 Labour Union

The Group's subsidiary, Huade Petrochemical has a labour union, the Labour Union of Huade Petrochemical Company Ltd. ("Huade Labour Union"), of which all employees are members. Members of Huade Labour Union are protected by the Labour Union Law of the People's Republic of China and enjoy various rights in accordance with the law. During the year, Huade Labour Union collected staff views and suggestions through staff representatives, such as promoting the implementation of an online approval system, suggesting further improvement of the staff psychological counselling mechanism and exploring the feasibility of establishing a linkage mechanism with a professional counselling organisation. Huade Labour Union provided benefits to staff, such as providing medication to staff suffering from COVID-19 and installing exercise equipment such as treadmills, exercise bikes and dumbbells in public spaces.



In August 2022, Huade Labour Union invited Daya Bay psychological counsellors to the start station in Mabianzhou to launch the "Caring for Employees" training programme.

2.3 Health and Safety

2.3.1 Occupational Disease Checking

Staff are at risk of contracting occupational diseases if they are not equipped with adequate protective equipment in the course of their work. The Group attaches great importance to occupational health and safety of our staff and strictly complies with the policies and regulations on occupational health and occupational disease prevention and control in the places of operation, including the Law of Prevention and Treatment of Occupational Diseases of the People's Republic of China, and has incorporated the Occupational Health Supervision Procedures into the health, safety, security and environment ("HSSE") system to control and eliminate occupational disease factors to ensure the health of staff, providing a solid foundation for a safe and healthy working environment. Huade Petrochemical also arranges medical check-ups and provides medical allowances to its staff for early detection of diseases every year.

Noise can lead to irritation, mental stress and hearing loss. It can also impact the quality of life and interfere with daily activities. As such, during the year, Huade Petrochemical has formulated Noise Pollution Prevention and Control Management Measures, selected low-noise equipment or installed noise reduction measures, conducted regular monitoring of noise pollution sources, grasped the noise pollution situation in a timely manner, and commissioned a third party to conduct monitoring on a regular basis and kept proper records.

In March 2022, Huade Petrochemical organised training on individual labour protection and occupational health knowledge.

FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

In July 2022, Huade Petrochemical organised employees to participate in the annual occupational health check-up. Relevant personnel from Huade Labour Union organised a special occupational health check at the oil depot during the high temperature season, focusing on emergency drugs, supplies, epidemic prevention and control, and work sites.

In 2022, the number of work-related fatalities and major injuries suffered by the Group was nil. The number of working days lost due to work-related injuries was nil.

2.3.2 Daily Epidemic Prevention

In 2022, the Group did not slacken its efforts in COVID-19 prevention and control. In response to the pandemic situation in the locality, the Group updated its response plan during the pandemic, enhanced the disinfection and cleaning of workplaces, and actively stocked up on pandemic prevention supplies. At the same time, the Group adjusted the work schedule of staff, provided suitable assistance for infected employees, distributed supplies and adjusted working hours to allow employees to have enough time to rest and recuperate. For close contact and

2.4 Green Office

The Group actively promotes the concept of green office and encourages our employees to practice environmental recycling. Apart from the recyclable items produced in the office, we also encourage our employees to bring recyclable items such as mooncake containers, red pockets and aluminium cans from home to our Hong Kong Office for recycling as an additional recycling location for our employees. When accumulated to a certain amount, the items will be taken to the Green Community stations.

2.5 Staff and Business Growing Together

The Group is committed to nurturing a talented workforce and regards highly the career planning and development of every staff, providing them with the necessary learning and training opportunities. The Group has developed and continuously improved its human resources management system to provide a platform for growth and career advancement for our staff, with the hope of enhancing their

Work-related fatalities of the Group

| |  Work-related fatalities and serious injuries | |  Lost days due to work injury | |
|------|--|-------|---|-------|
| | No. of persons | Ratio | Working days | Ratio |
| 2022 | 0 | 0% | 0 | 0% |
| 2021 | 0 | 0% | 0 | 0% |
| 2020 | 0 | 0% | 0 | 0% |

high risk employees, nucleic acid testing were organised for them when necessary, and measures were taken to encourage employees to receive vaccination when vaccines were available. As a crude oil terminal operator, Huade Petrochemical often has overseas tankers berthing at the terminal, so it adhered to the principle of “preventing external importation and internal spread” and promptly set up a pandemic prevention office and issued emergency measures to protect production while maintaining highest alert in epidemic prevention.

The Hong Kong Office continues to implement conservation measures, participate in Earth Hour and No Air Con Night, and continues to be awarded the Hong Kong Green Organisation certificate by the Environmental Campaign Committee, as well as the Wastewi\$e Certificate and Energywi\$e Certificate under the HKGO Certification Scheme.

personal capabilities and job satisfaction to facilitate the growth of both the Company and its staff.

Through a combination of departmental assessments and staff’s own requests, the Group formulates a staff training programme each year covering areas such as business, safety and compliance, and staff care activities are organised on a non-regular basis.



3. Developing Together

In 2022, the Group continued to exert influence and fulfill its responsibility as a corporate citizen by integrating with the society in its development. We actively encourage our staff to participate in community service activities and devote to doing charity work to help those under-privileged children and families as well as the elderly and youth in the community. At the same time, we are also keen to organise environmental protection activities and do our best to clean the surrounding environment.

3.1 Community Care

The Group has been organising festive activities in the surrounding community for many years. The Siu Sai Wan Day Care Centre for the Elderly is a recreational center for the elderly in the community. In view of this, we regularly organise staff visits to the Siu Sai Wan Day Care Centre for the Elderly to deliver gifts to the elderly during festive seasons.

During the year, the Group organized 93 person-times for volunteer activities, donated 234 hours of community services and donated more than HK\$250,000 to support new arrivals, ethnic minorities, the elderly and other disadvantaged groups.



Mid-Autumn Greetings in September 2022

3.2 Community Programme

In August 2022, the Group assisted in organising the “Better Life” youth and children caring program, which was led by China Petroleum & Chemical Corporation and matched by the Partnership Fund for the Disadvantaged from the Social Welfare Department. The two-year project aims to provide academic support, arrange STEM-themed activities for children and youths aged 6-18 from low-income families, and assign a staff member to interact with them and keep in touch with them on a regular basis. Following the launch of the project, staff members regularly report on the progress of the recipients.

In response to Sinopec’s “Sinopec Helps Revitalize Villages Programme”, during the Spring Festival in 2023, Huade Petrochemical visited Lanzhou, Gansu for the first time to help the poor by purchasing products from the local people at a reasonable price to alleviate the sales problem and the products (lamb chops, beef, dates and lilies, totaling over RMB150,000) were sent as gifts to the staff who stayed behind during the Spring Festival.



FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

3.3 Community Protection

The Group continues to make every effort to protect the environment of the communities around us. During the year, the Group organised beach clean-ups and country park clean-ups as far as possible in compliance with the COVID-19 prevention policy.



Lamma Island Beach cleaning in May 2022



Lau Shui Heung Country Park cleaning in August 2022



Lung Kwu Tan Beach cleaning in September 2022



4. Valuing HSSE

4.1 Safety and environmental Culture

The Group is engaged in the oil products and liquefied natural gas storage and logistics business, and as oil products and liquefied natural gas are flammable and explosive in nature, it may lead to serious economic loss and casualties if not handled properly. As such, the Group believes that safety culture is an inseparable element of production, and that productivity is guaranteed and accidents can be eliminated only under a safe environment.

The Group has always complied with the laws and regulations relating to production safety, including the Production Safety Law of the People’s Republic of China, and has established a health, safety, security and environment management committee (“HSSE Management Committee”) to develop a health, safety, security and safety management system as the basis for safety management. The Group has always adhered to the safety management policy of “safety first, prevention-focused”, adhering to the principle of “plan, do, check and act” to continuously strengthen our safety management system and environmental management system. As for safety management, we strive to minimise safety risks through safety inspections, rectification and safety drills. In terms of environmental management, the HSSE Management Committee conducts energy management, data tracking of natural resource use, identification of various environmental pollutants, control of

environmental pollutant at source, monitoring of relevant environmental pollutant emissions and regular analysis of environmental data in accordance with the environmental management guidelines. The HSSE Management Committee is also responsible for establishing the Company’s emergency management mechanism, to study material accident hazards and management plans, to approve technical transformation projects such as safety production and occupational health, to co-ordinate the management of emergency resources and work, and to approve emergency plans.

At the same time, the Group’s management and relevant staff regularly study the latest legal and regulatory developments, assess the impact on the Company’s production, revise and improve the HSSE management system, hold regular HSSE management meetings and promote the participation of all staff in safety training and activities to improve the knowledge, skills and overall quality of the management and operation staff in safe production. Besides, the Group actively promotes the HSSE system to the operating entities to strengthen the safety management.

The Group has not had any work-related fatalities during the past three years (including the current year) and will continue to strive to maintain our goal of zero work-related injuries.

HSSE Management System



FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

| | | Training Hours | | | % of Trained Employees | Average Training Hours |
|-------------------|-------------------|---------------------|------------------|--------|------------------------|------------------------|
| | | Huade Petrochemical | Hong Kong Office | Total | | |
| Gender | Male | 10,331 | 1,202 | 11,533 | 100% | 63 |
| | Female | 1,595 | 828 | 2,423 | 100% | 53 |
| Employee Category | Senior Management | 390 | 294 | 684 | 100% | 62 |
| | Middle Management | 596 | 530 | 1,126 | 100% | 51 |
| | General Staff | 10,940 | 1,206 | 12,146 | 100% | 62 |
| Overall | | | | 13,956 | 100% | 61 |

4.2 Safe Production and Services

In 2022, Huade Petrochemical achieved 100% accuracy in its crude oil transportation, unloading approximately 12.37 million tonnes of crude oil and transmitting approximately 11.31 million tonnes of crude oil respectively, thus ensuring the supply of raw materials to its downstream customers and end users. Huade Petrochemical's ability to provide reliable service is dependent on the regular inspection of the stable operation of its production facilities.

In August 2022, the construction of a thunder and lightning monitoring and warning system was completed at Huade Petrochemical's Mabianzhou start station, effectively enhancing the thunder and lightning safety defense capability. With the monitoring and warning system in operation, Huade Petrochemical can receive precisely "point-to-point" thunder warning 30 minutes in advance, which greatly enhances the safety level of production and protects the safety of employees.

4.3 Safety Inspection and Training

Each of the Group's operating entities conducts annual internal safety inspections and is subject to regular and/or spot checks by the government authorities and external

industry management departments in the places where it operates, from which possible safety hazards are identified and rectified based on the inspection results.



In June 2022, Huade Petrochemical organised a training seminar for its employees on the newly implemented Production Safety Law of the People's Republic of China. In November, Huade Petrochemical conducted safety training on the management of temporary electricity to enhance the management standard and emergency response capability of staff on the safety of temporary electricity for on-site construction. In December, a special training on internal gas analysis and testing was conducted for the technicians of Huade Petrochemical.



In September 2022, Huade Petrochemical carried out an on-site training of pipeline inspection in conjunction with a third party during the inspection and clearance of the submarine pipeline in the Mabianzhou-Nanbianzao section.



4.4 Safety Drills

The Group’s operating entities conduct annual safety drills exercise, which is continuously adjusted and optimised according to the actual situation to test the command and coordination, on-site rescue, evacuation and rescue response capabilities, and to further enhance the emergency response capability.

In April 2022, Huade Petrochemical launched a joint exercise on the security of port facilities and cross-harbour firefighting response on Mabianzhou in Huizhou. A total of 8 teams, totalling more than 150 people, participated in the

drill. The exercise further strengthened the emergency rescue mechanism on Mabianzhou.

In August 2022, Huade Petrochemical conducted an integrated anti-terrorist attack and fire-fighting drill at the Nanbianzao oil depot. In December, Huade Petrochemical and Huizhou Maritime Bureau jointly conducted a comprehensive emergency drill on port facility security and oil spill at the start station in Mabianzhou, which enhanced the ability of relevant departments to work together in the emergency rescue process and the ability to handle emergency situations.



In December 2022, two tugboats of Huade Petrochemical were awarded the “National Maritime Search and Rescue Award 2021” by the China Maritime Rescue Co-ordination Centre.



In December 2022, the Hong Kong Office participated in a fire drill.

4.5 Environmental Management System (EMS) Certification

During the year, Huade Petrochemical initiated the triennial EMS system certification, and the on-site audit conducted by Zhongjian Certification Company Limited confirmed that

the system was operating effectively and obtained the ISO 14001 certification (Certificate No. E-2022-1279).

5. Improving Continuously

Although the Group's business mainly comprises the provision of logistics and storage services for natural gas and petrochemical products and it is not considered as a polluting or carbon-intensive enterprise, we firmly believe that reducing global warming requires the concerted efforts of the whole community. As such, the ESG Working Committee of the Group has formulated a five-year emissions target plan in 2020 to strengthen the monitoring of the Group's use of resources and the impact of its business operations on the surrounding environment, to continuously implement energy saving and emission reduction measures, and to

review the Group's environmental performance. In terms of resource usage, the Company's subsidiary has established management measures and usage targets in relation to energy and water resources.

During the year, there were no violations of laws and regulations relating to emissions of exhaust gases, waste water and solid waste emissions, and disposal of hazardous waste that would have a significant impact on the Group.

5.1 Energy Saving

The Group complies with laws and regulations such as the Law of the People's Republic of China on Energy Conservation and has established internal guidelines such

as the Company's Energy Conservation Management Regulations and the Energy Conservation Supervision and Management Rules.

5.1.1 Energy Saving Targets

The energy consumption of Sinopec Kantons and its subsidiaries are mainly related to electricity and diesel consumption. In particular, the electricity consumption of Huade Petrochemical is mainly for crude oil transmission; while diesel consumption is for boilers and tugboats. Besides, both the Hong Kong Office and Huade Petrochemical consume gasoline for vehicles.

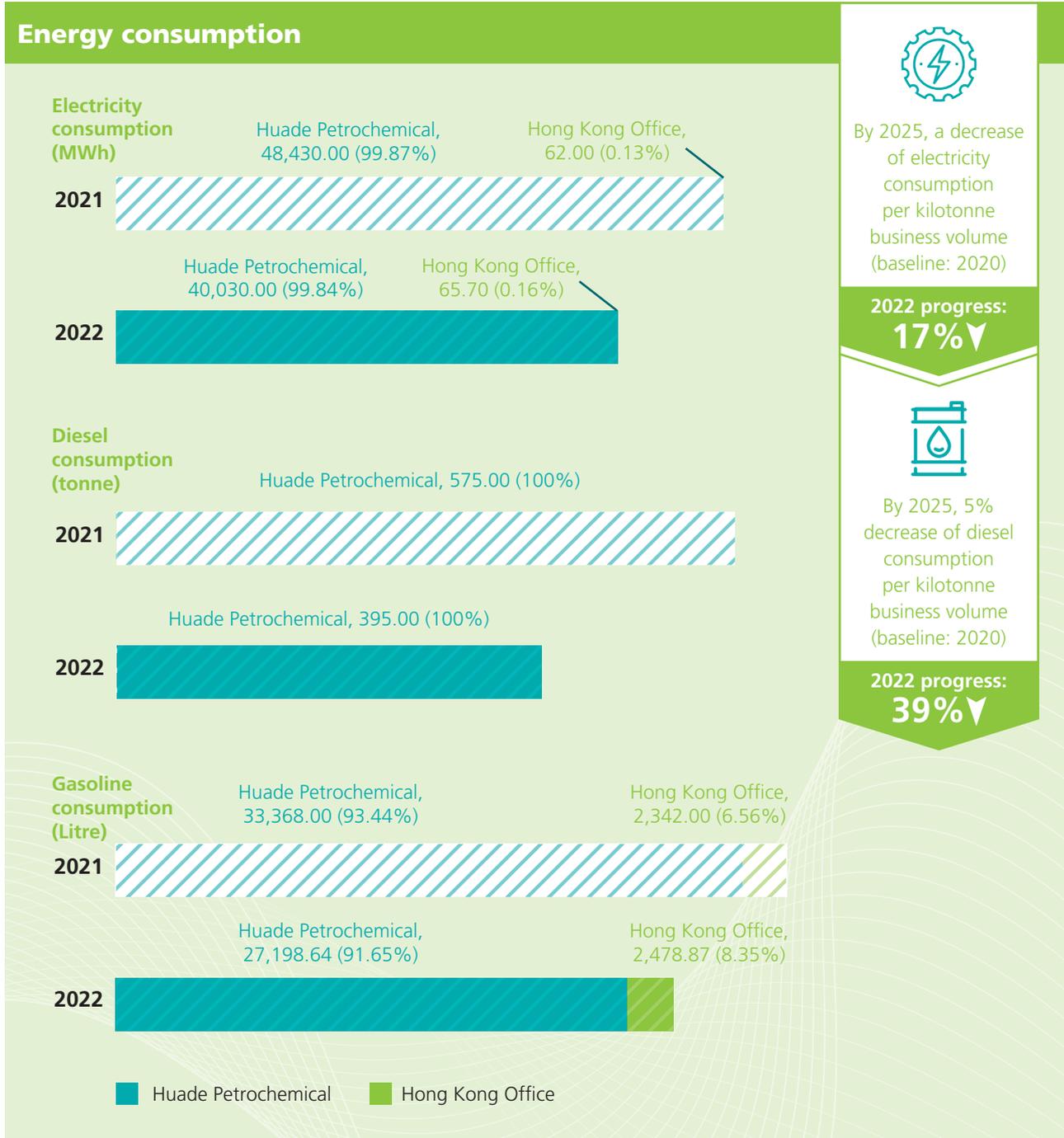
As the major unit of energy consumption of the Group in 2020, Huade Petrochemical has set its emission reduction

goals for 2025. Indicators for annual energy consumption are reviewed every year and have been included for indicator assessment, and the performance of which are followed up every month and every quarter, aiming to analyse energy consumption; meanwhile, it has adjusted the operation of machines and equipment according to the business and actual operating conditions, and more environmentally friendly energy has been used to minimise energy consumption, air pollution and greenhouse gas emissions.

5.1.2 Energy Saving Measures

During the year, Huade Petrochemical strictly controlled the operating hours of the steam boilers at the start station in Mabianzhou and scheduled the testing of boiler emission monitoring to coincide with the commissioning of the equipment, thus reducing the number of boiler start-ups and significantly reducing diesel consumption. Meanwhile, during the year, Huade Petrochemical has fully migrated to the use of the cleanest diesel in China to reduce the generation of air pollutants. In addition, Huade Petrochemical has tried its best to integrate the vehicle arrangement to reduce the use of vehicles.

Apart from taking various measures to reduce energy use and greenhouse gas emissions in our production operations, we also continue to promote energy conservation awareness and aim to deliver the concept of energy saving and emission reduction to our staff through various activities. To reduce paper consumption, the Group established an online workflow system during the year to replace the traditional paper workflow and improve efficiency and convenience.



During the year, the Group's electricity usage and diesel consumption decreased significantly year-on-year, mainly due to the reduction in business volume and the implementation of optimisation measures.

FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

5.2 Protecting the Environment

5.2.1 Management of Solid Wastes

The solid wastes of the Group mainly come from the daily operation of Huade Petrochemical, while the daily operation of the Hong Kong Office also produces a few municipal solid wastes.

The Group has reduced hazardous and non-hazardous wastes by making efforts in procurement, reducing wastes from source and recycling. In particular, Huade Petrochemical has strictly complied with the Environmental Protection Law of the People's Republic of China, The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Administrative Regulations of Sinopec on the Prevention and Control of Pollution by Solid Wastes and other relevant laws and regulations in material aspects, and has formulated the Administrative Regulations of Huade Company on the Prevention and Control of Pollution by Solid Wastes to strengthen the supervision of all aspects of solid wastes and effectively prevent and control environmental risks. At the same time, the Group keeps abreast of the latest laws and

regulations and communicates closely with stakeholders to obtain the latest information to meet the increasingly stringent environmental laws and regulations.

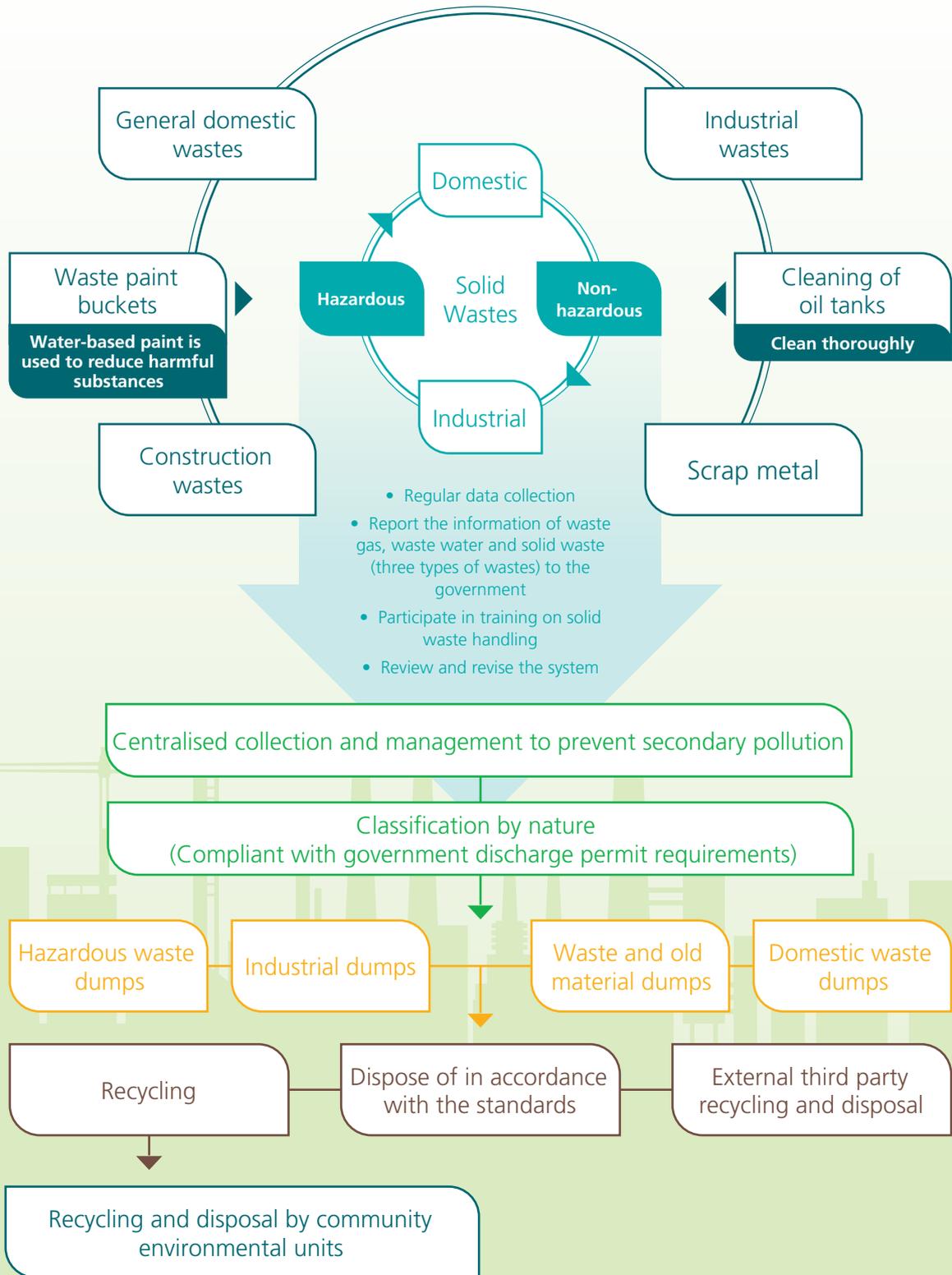
The Hong Kong Office has set up recycling bins for plastics, metals, fluorescent tubes, battery cells, etc. The bins are collected and delivered to the Green Community stations collection point to reduce the amount of waste disposed of at landfills and to promote environmental awareness on a monthly basis.



The solid wastes data includes only Huade Petrochemical as separate solid wastes data is not available for the building where the Hong Kong Office is located. The increase in solid wastes volumes during the year was due to an increase in the number of oil tanks being repaired and cleaned.



Solid Waste Treatment Process of Huade Petrochemical



FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

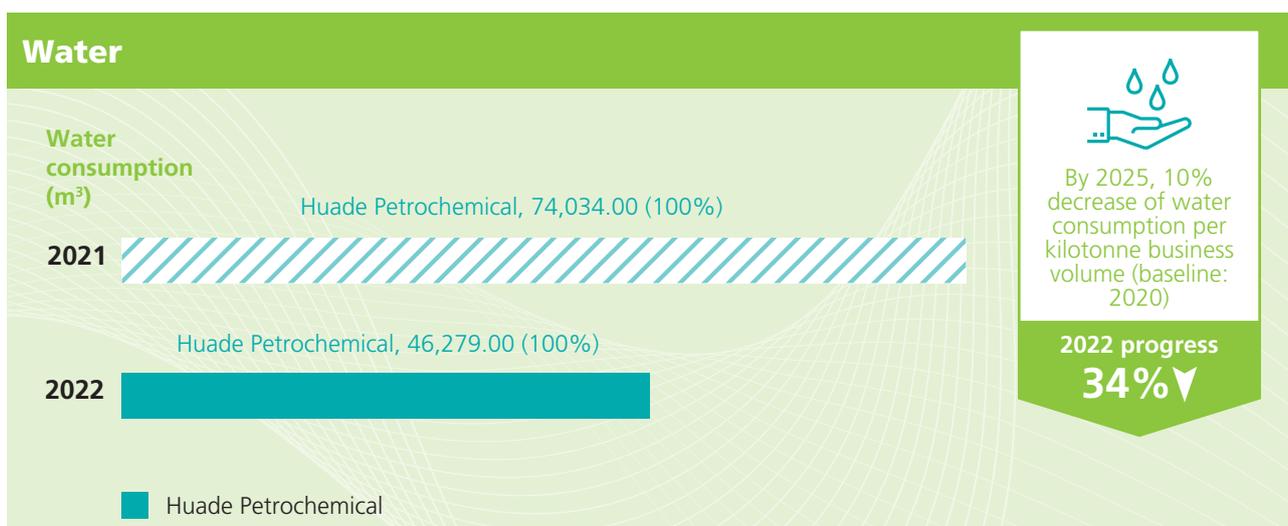
5.2.2 Management of Water Resources

In respect of wastewater discharge, the Group has strictly complied with the laws and regulations and internal system requirements, such as the Prevention and Control of Water Pollution Law of the People's Republic of China, Integrated Sewage Discharge Standard, Pollutant Discharge Standard for Petroleum Refining Industry, Measures for the Administration of Environmental Protection of Sinopec, and Regulations for the Administration of Wastewater Pollution Prevention and Control of Sinopec in order to strengthen and regulate the management of wastewater pollution, to achieve wastewater discharge in compliance with the standards.

The waste water from Huade Petrochemical is mainly generated from the sedimentation of crude oil. The waste water is collected in a cesspool and discharged to the government-designated Daya Bay Petrochemical Park Wastewater Treatment Plant after meeting standards. Huade Petrochemical has installed online wastewater monitoring equipment to monitor wastewater discharge in real time and the data is directly uploaded to the local environmental Protection authorities. In 2022, Huade Petrochemical treated 30,578.5 m³ of sewage (2021: 36,175 m³), around a 15% decrease year-on-year due to lower business volume.

The water resources used by the Group are supplied by municipal water authority and can be obtained on demand. In 2022, there was no issue in sourcing water which was fit for purpose. Nevertheless, we have fully implemented sustainable administrative measures for reducing water consumption during operation and the Group has set indicators for annual water consumption. During the year, Huade Petrochemical formulated water conservation management rules for each station, improved the water meters at key water consumption points at each station, carried out inspections for leakage of underground fire service pipes on a non-regular basis, compiled monthly water consumption reports for each station and analysed them to identify the causes of excess water consumption in a timely manner.

As water consumption of the Hong Kong Office is calculated on an apportioned basis by the building in which it is located and does not reflect actual usage, this data only includes Huade Petrochemical. During the year, the Group's water consumption decreased significantly due to the decline in business volume, reduction in water consumption and optimisation of water use segments to tightly control water consumption.



5.2.3 Air Pollutant Management

Huade Petrochemical has strictly abided by the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Standards for Air Pollutant Emissions from Boilers and other regulations. It has also established comprehensive administrative regulations for exhaust

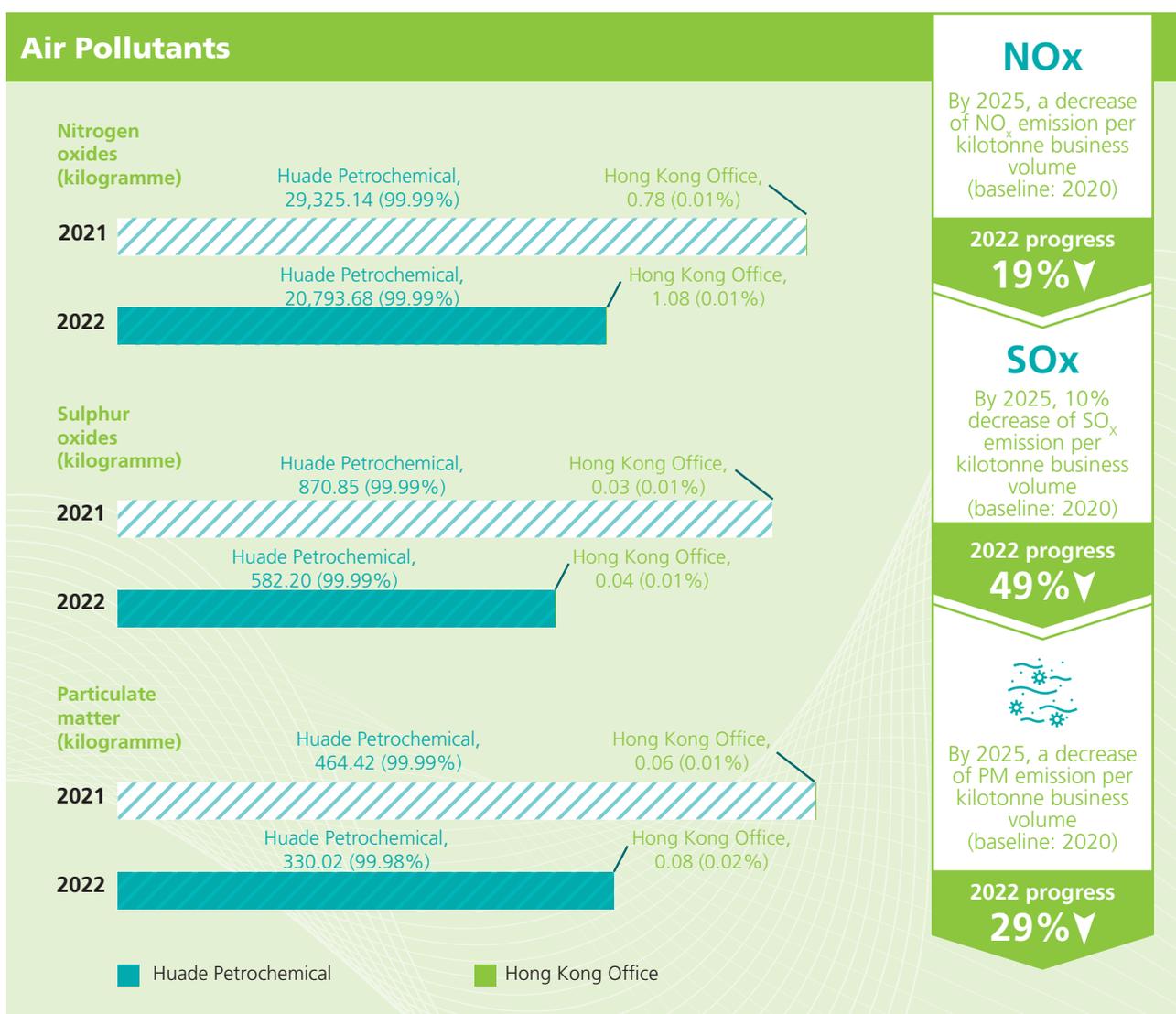
emissions, set up outlets in its production facilities for the discharge of air pollutants, applied for pollutants discharge permits, and carried out environmental monitoring of air pollutant projects as required so that the discharge can meet the standards.



In July 2022, the Guangdong Provincial Academy of Environmental Sciences was commissioned by the Daya Bay Branch of Huizhou Ecological Environment Bureau to conduct an investigation and study of volatile organic compounds (VOCs) at Huade Petrochemical's Mabianzhou Oil Storage Depot. In August, the research team from the Department of Ecology and Environment of Guangdong Province visited the Mabianzhou start station of Huade Petrochemical to conduct a random inspection and assessment of the VOC emission of the enterprises involved in VOCs and the oil depot. Huade Petrochemical successfully passed all the assessments.

By using low sulphur diesel and promoting the use of energy efficient and environmentally friendly fuels, Huade Petrochemical has been able to reduce exhaust emissions from the boilers at the start station at Mabianzhou.

The diesel and petrol used in the Group's day-to-day operations produce non-greenhouse gas air pollutants and therefore data collection and analysis of nitrogen oxides, sulphur oxides and particulate matter is carried out on an ongoing basis and emission targets are set for 2025.



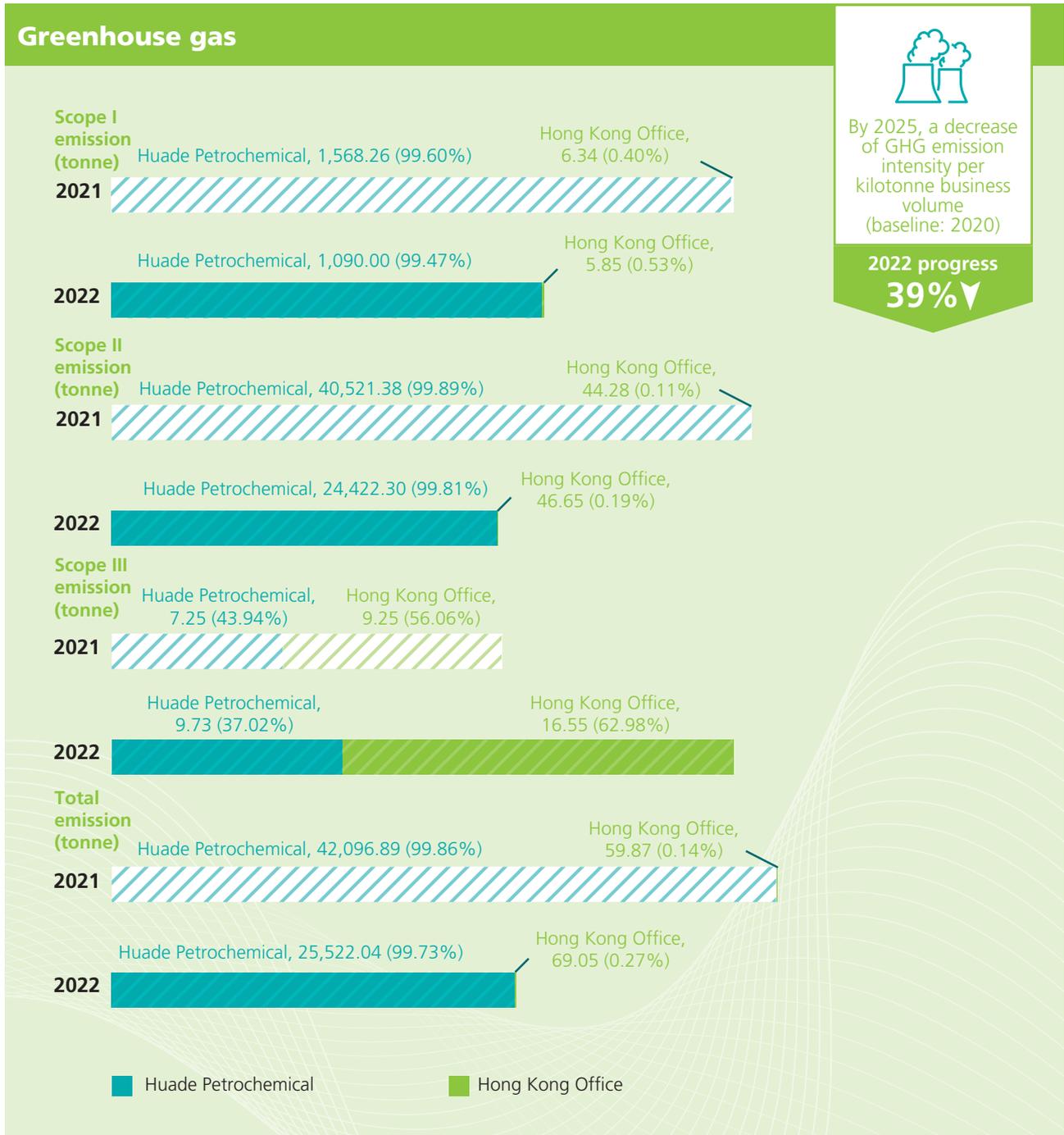
During the year, the Group's air pollutants decreased significantly year-on-year due to lower business volume, reduced use of boilers and tugboats, and full use of low sulphur diesel.

FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

5.2.4 Greenhouse Gas Emissions

As the Group is primarily a service provider, there are not many direct carbon emissions in the course of business operations. The main source of Scope I is the use of diesel and petrol combustion. Scope II is mainly from the use of electricity

for service equipment and office premises. The main sources of Scope III are air travel on business trips and office paper purchases for staff.



During the year, the Group’s greenhouse gas emissions decreased significantly year-on-year due to an adjustment to the Mainland China electricity emission factor, which was combined with a decrease in business volume. This Mainland China electricity emission factor was obtained in accordance with the “How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs” toolkit published by the Stock Exchange in March 2022.



5.2.5 Ecological Monitoring, Evaluation and Emergency Planning

As the oil product jetties of the Group for providing services are located along the coastline, there are potential risks of oil spills which will affect marine life. Huade Petrochemical has formulated an Offshore Oil Spill Emergency Plan and regularly organises offshore oil spill drills to enhance emergency handling capabilities. In addition, engineering construction may also have an impact on the ecological environment of the surrounding waters. Therefore, the Group will conduct statutory environmental assessment before carrying out any engineering construction, and has taken measures in accordance with the requirements in the environmental assessment, such as installing oil spill monitoring devices, oil booms, skimmers, oil absorbent material in the jetties to reduce the impact of oil spill contingency on the environment.

In August 2022, Huade Petrochemical commenced marine ecological environment monitoring and the entrusted monitoring units collected seawater and sediment from the waters around Mabianzhou for analysis of marine organisms, sediments, benthic animals, fish plankton and petroleum, in order to track the ecological environment and water quality of the waters around the reservoir and submarine pipeline. In October, Huade Petrochemical commissioned a third party to complete the autumn environmental assessment tracking and sampling for monitoring. Samples were collected from the start station at Mabianzhou and the Nanbianzao oil depot. The air and seawater quality, underground water quality and noise were analysed for accurate evaluation of the impact of the Company's production on the surrounding environment.

Maintenance dredging of the 250,000-tonne waterway at Mabianzhou was carried out in accordance with the construction procedures of the project, which included sea use certification, environmental impact assessment and nature reserve impact certification. In September 2022, the Natural Resources Bureau of Huizhou City organised an expert review of the project's marine use demonstration report.

During the year, Huade Petrochemical has formulated the Management Measures for Professional Report and Acceptance of Engineering Construction Projects of Huade Petrochemical. According to the needs of engineering construction, units with corresponding qualifications will be entrusted to provide relevant professional evaluations (proof or special article) on site selection, land use (sea use), earthquake, geological hazards, lightning hazards (lightning protection), environment, safety, occupational health, navigation and fire fighting, etc., and will be reported to the corresponding competent department for examination and approval before commencement of construction work to protect the local ecology to the fullest extent, and in the course of construction, environmental samples from the production area will be collected at regular intervals for monitoring any ecological changes.

FIVE PILLARS OF OUR SUSTAINABILITY STRATEGY

5.3 Responding to Climate Change

5.3.1 Climate Change Governance Structure

With the support of our ESG Working Committee and other standing Board committees, the Board monitors climate related issues and risks on a half-yearly basis during Board meetings.

The structure and terms of reference of the ESG Working Committee are detailed under the section “Structure and Management of Environmental, Social and Governance Issues” above. To ensure that the Board is aware of the latest trends in climate related issues, we provide climate competency training to the Board members so that they have the necessary expertise and skills to oversee climate related issues and their management. To better support the decision making process, the Board may also seek external expert advice when required.

5.3.2 Climate Risk Management

In order to mitigate the impact of climate change, the world is moving towards the goal of carbon neutrality. Against this backdrop, energy transition is an important pathway to achieve low carbon development, and the demand for traditional fossil energy will gradually decrease. Although the Company’s business is closely related to the demand for traditional fossil energy, our analysis shows that the current focus of energy transition in mainland China is on coal and the demand for crude oil will not decrease significantly in the near future.

The possible risks associated with climate change are as follows:

| Risks | Risk Description | Response |
|--|--|--|
| Acute Risks – Extreme Weather | <ul style="list-style-type: none"> Sudden climatic hazards caused by climate change, including but not limited to extreme weather such as typhoons, heavy rainfall, flooding and persistent high temperatures, may have an impact on the Company’s assets and production operations | <ul style="list-style-type: none"> Closely monitor climate related data, analyse the impact of climate change, and issue timely warning information Improve safety guidelines for typhoon, flood and tide prevention, conduct annual flood and tide control drills, and establish an emergency response system and contingency plans Regular maintenance and repair of the terminal and related facilities to keep them in good operating condition |
| Long Term Risks – Chronic Natural Disasters | <ul style="list-style-type: none"> Higher temperatures could increase the likelihood of fires, increase maintenance costs for equipment and affect employee health Sea level rise may increase the risk of flooding of company equipment and facilities | <ul style="list-style-type: none"> Strengthen HSSE management, equipment maintenance and improve labour protection conditions for staff Pay close attention to sea level changes and formulate relevant plans |
| Policy Risks | <ul style="list-style-type: none"> More government policies will be implemented to strengthen the control of corporate greenhouse gas emissions, which may increase compliance costs | <ul style="list-style-type: none"> Pay close attention to and strictly comply with relevant laws and regulations Strengthen the Company’s energy saving and emission reduction efforts, and actively explore low carbon development paths |
| Market Risks | <ul style="list-style-type: none"> In the context of decarbonization, the market will reduce the demand for traditional fossil energy, which will put pressure on the Company’s operation | <ul style="list-style-type: none"> Develop diversified businesses, including the provision of chemical products receiving, loading and transshipment services, in order to reduce the impact of the decline in demand for crude oil and refined oil products |
| Technical Risks | <ul style="list-style-type: none"> Energy transition or participation in carbon trading will increase the Company’s costs and demand for relevant talents | <ul style="list-style-type: none"> Pay close attention to the development trend of technologies related to energy transition and strengthen training for employees |
| Reputation Risks | <ul style="list-style-type: none"> Stakeholders are more concerned about the Company’s response to climate change and if the work is not as expected, it may have a negative impact on the Company’s image | <ul style="list-style-type: none"> Adhere to the concept of green and low-carbon development and actively participate in actions to address climate change |

APPENDIX



Note: Some figures in this report may not add up to 100% due to rounding of data.

Sustainability Data Summary – Society

| Description | | Unit | 2022 | | | 2021 | | | 2020 | | |
|---|-------------------------------|------------------------|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|--|
| Number of employees | Total | No. of persons | 228 | | | 233 | | | 232 | | |
| by gender | Male | No. of persons | 182 | | | 187 | | | 190 | | |
| | Female | | 46 | | | 46 | | | 42 | | |
| by age group | 40 or below | No. of persons | 117 | | | 122 | | | 121 | | |
| | Above 40 | | 111 | | | 111 | | | 111 | | |
| by type of employment | Full-time | No. of persons | 226 | | | 229 | | | 232 | | |
| | Part-time/Short-term/Contract | | 2 | | | 4 | | | 0 | | |
| by geographical region | Mainland China | No. of persons | 206 | | | 207 | | | 206 | | |
| | Hong Kong | | 22 | | | 26 | | | 26 | | |
| by employee category | Senior management | No. of persons | 11 | | | 8 | | | 7 | | |
| | Middle management | | 22 | | | 20 | | | 19 | | |
| | General staff | | 195 | | | 205 | | | 206 | | |
| Employee turnover rate | Overall | | 7.02% | | | 3.00% | | | 2.16% | | |
| by gender | Male | | 4.95% | | | 3.21% | | | 1.58% | | |
| | Female | | 15.22% | | | 2.17% | | | 4.76% | | |
| by age group | 40 or below | | 8.55% | | | 3.28% | | | 0.80% | | |
| | Above 40 | | 5.41% | | | 2.70% | | | 3.74% | | |
| by geographical region | Mainland China | | 3.88% | | | 0.97% | | | 1.46% | | |
| | Hong Kong | | 36.36% | | | 19.23% | | | 7.55% | | |
| Work-related fatalities and serious injuries | | No. of persons (Ratio) | 0 (0%) | | | 0 (0%) | | | 0 (0%) | | |
| Lost days due to work injury | | Working days (Ratio) | 0 (0%) | | | 0 (0%) | | | 0 (0%) | | |
| Training for employees | | | Training Hours (hours) | % of trained employees | Training hours per Person (hours) | Training Hours (hours) | % of trained employees | Training hours per person (hours) | Training hours (hours) | % of trained employees | Training hours per person (hours) |
| Overall | | | 13,956 | 100% | 61 | 18,449 | 100% | 79 | 17,500 | 100% | 75 |
| by gender | Male | | 11,533 | 100% | 63 | 15,650 | 100% | 84 | 14,847 | 100% | 78 |
| | Female | | 2,423 | 100% | 53 | 2,799 | 100% | 61 | 2,677 | 100% | 64 |
| by employee category | Senior management | | 684 | 100% | 62 | 603 | 100% | 75 | 471 | 100% | 67 |
| | Middle management | | 1,126 | 100% | 51 | 1,383 | 100% | 69 | 1,126 | 100% | 59 |
| | General staff | | 12,146 | 100% | 62 | 16,463 | 100% | 80 | 15,923 | 100% | 77 |
| Number of suppliers | | Total | 632 | | | 570 | | | 566 | | |
| by geographical region | Mainland China | | 598 | | | 554 | | | 539 | | |
| | Hong Kong, Macau and Taiwan | | 26 | | | 10 | | | 18 | | |
| | Overseas | | 8 | | | 6 | | | 9 | | |

Sustainability Data Summary – Environment

| Description | Unit | 2022 | 2021 | 2020 | |
|---|--|------------------------------|------------|------------|------------|
| Greenhouse gas emissions | Total | tonnes of CO ₂ -e | 25,591.084 | 42,156.760 | 42,204.800 |
| | Hong Kong Office | tonnes of CO ₂ -e | 69.049 | 59.870 | 72.940 |
| | Huade Petrochemical | tonnes of CO ₂ -e | 25,522.035 | 42,096.890 | 42,131.860 |
| | Scope I ¹ | tonnes of CO ₂ -e | 1,095.857 | 1,574.600 | 1,842.690 |
| | Hong Kong Office | tonnes of CO ₂ -e | 5.854 | 6.340 | 5.240 |
| | Huade Petrochemical | tonnes of CO ₂ -e | 1,090.003 | 1,568.260 | 1,837.450 |
| | Scope II ² | tonnes of CO ₂ -e | 24,468.948 | 40,565.660 | 40,338.060 |
| | Hong Kong Office | tonnes of CO ₂ -e | 46.645 | 44.280 | 50.950 |
| | Huade Petrochemical | tonnes of CO ₂ -e | 24,422.303 | 40,521.380 | 40,287.110 |
| | Scope III ³ | tonnes of CO ₂ -e | 26.280 | 16.500 | 24.050 |
| | Hong Kong Office | tonnes of CO ₂ -e | 16.551 | 9.250 | 16.750 |
| | Huade Petrochemical | tonnes of CO ₂ -e | 9.729 | 7.250 | 7.300 |
| | Emissions per kilotonne (kt) business volume | tonnes of CO ₂ -e | 1.966 | 3.350 | 3.240 |
| Electricity consumption | Total | MWh | 40,095.697 | 48,492.000 | 48,214.000 |
| | Hong Kong Office | MWh | 65.697 | 62.000 | 64.000 |
| | Huade Petrochemical | MWh | 40,030.000 | 48,430.000 | 48,150.000 |
| | Consumption per kt business volume | MWh | 3.080 | 3.850 | 3.700 |
| Water consumption⁴ | Total | m ³ | 46,279.000 | 74,034.000 | 60,834.000 |
| | Consumption per kt business volume | m ³ | 3.555 | 5.890 | 4.670 |
| Diesel | Total | tonnes | 395.000 | 575.000 | 632.000 |
| | Hong Kong Office | tonnes | 0 | 0 | 0 |
| | Huade Petrochemical | tonnes | 395.000 | 575.000 | 632.000 |
| | Consumption per kt business volume | tonnes | 0.030 | 0.046 | 0.049 |
| Gasoline | Total | Litre | 29,677.510 | 35,710.000 | 33,163.000 |
| | Hong Kong Office | Litre | 2,478.870 | 2,342.000 | 1,935.000 |
| | Huade Petrochemical | Litre | 27,198.640 | 33,368.000 | 31,228.000 |
| Particulate matter | Total | kilogramme | 330.102 | 464.480 | 451.470 |
| | Hong Kong Office | kilogramme | 0.080 | 0.060 | 0.060 |
| | Huade Petrochemical | kilogramme | 330.022 | 464.420 | 451.410 |
| | Emissions per kt business volume | kilogramme | 0.025 | 0.037 | 0.035 |
| Nitrogen oxides | Total | kilogramme | 20,794.765 | 29,325.920 | 25,748.400 |
| | Hong Kong Office | kilogramme | 1.082 | 0.780 | 0.810 |
| | Huade Petrochemical | kilogramme | 20,793.683 | 29,325.140 | 25,747.590 |
| | Emissions per kt business volume | kilogramme | 1.597 | 2.330 | 1.980 |
| Sulphur oxides | Total | kilogramme | 582.236 | 870.880 | 1,115.010 |
| | Hong Kong Office | kilogramme | 0.036 | 0.030 | 0.030 |
| | Huade Petrochemical | kilogramme | 582.200 | 870.850 | 1,114.980 |
| | Emissions per kt business volume | kilogramme | 0.045 | 0.069 | 0.086 |
| Hazardous wastes⁵ | Total | tonnes | 103.510 | 64.000 | 88.000 |
| | Per oil tank repaired | tonnes | 51.755 | 64.000 | 88.000 |
| Non-hazardous wastes⁶ | Total | tonnes | 220.190 | 97.000 | 134.000 |
| | Per oil tank repaired | tonnes | 110.095 | 97.000 | 134.000 |

¹ Scope I: Direct emissions from fuel combustion from mobile sources (e.g. vessels and vehicles) and stationary sources (e.g. boilers and stoves). Greenhouse gas emissions from both mobile and stationary sources are calculated with reference to the Greenhouse Gas Agreement Calculation Tools

² Scope II: Indirect emissions from electricity purchase. Emission coefficient is made with reference to the website of HK Electric Investments Limited on or before 2021 and the benchmark emission coefficient of the PRC regional grid for emission reduction projects in 2017. Emission coefficient for 2022 refers to the "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange

³ Scope III: Other indirect emissions outside the Company (e.g., business flights and paper waste disposal). Flight emissions are calculated with reference to International Civil Aviation Organization Carbon Emissions Calculator

⁴ Water consumption in the Hong Kong Office is not included as such consumption is insignificant, and since water consumption in the premises where the Hong Kong Office locates is calculated on an apportionment basis, it does not reflect actual usage

⁵ Hong Kong Office did not produce any hazardous waste

⁶ As the non-hazardous wastes produced by the Hong Kong Office were relatively fewer, and there is no separate data regarding the non-hazardous wastes produced in the premises where it locates, therefore, the non-hazardous waste data does not cover the Hong Kong Office



Target Progress for 2025

| | | Unit | Goals for 2025 | Progress for 2022 | 2022 | 2021 | 2020 (Baseline) |
|----------------------|---|--|----------------|-------------------|---------|--------|-----------------|
| Electricity | Per kilotonne business volume | MWh/per kilotonne business volume | Decreased | -16.76% | 3.080 | 3.850 | 3.700 |
| Water | Per kilotonne business volume | m ³ /per kilotonne business volume | Decreased 10% | -34.05% | 3.555 | 5.890 | 4.670 |
| Diesel | Per kilotonne business volume | tonne/per kilotonne business volume | Decreased 5% | -38.78% | 0.030 | 0.046 | 0.049 |
| Greenhouse gas | Per kilotonne business volume | tonne equivalent emissions/per kilotonne business volume | Decreased | -39.20% | 1.966 | 3.350 | 3.240 |
| Particulate matter | Per kilotonne business volume | kg/per kilotonne business volume | Decreased | -28.57% | 0.025 | 0.037 | 0.035 |
| Nitrogen oxides | Per kilotonne business volume | kg/per kilotonne business volume | Decreased | -19.19% | 1.597 | 2.330 | 1.980 |
| Sulphur oxides | Per kilotonne business volume | kg/per kilotonne business volume | Decreased 10% | -48.84% | 0.045 | 0.069 | 0.086 |
| Hazardous wastes | Wastes produced from each oil tank repaired | tonne/oil tank repaired | Decreased 15% | -41.32% | 51.755 | 64.000 | 88.000 |
| Non-hazardous wastes | Wastes produced from each oil tank repaired | tonne/oil tank repaired | Decreased 10% | -17.84% | 110.095 | 97.000 | 134.000 |

Hong Kong Stock Exchange “Environmental, Social and Governance Reporting Guide” Index

| Aspects | Index No. | Content | Page |
|--|--------------------|--|-----------------------------|
| Environment | | | |
| 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 | 25, 27, 29 |
| | A1.1 | The types of emissions and respective emissions data | 9, 26-31 |
| | 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) | 31 |
| | A1.3 | Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility) | 27 |
| | A1.4 | Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility) | 27 |
| | A1.5 | Description of emission target(s) set and steps taken to achieve them | 9, 25, 29, 30 |
| | 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 | 9, 27-28 |
| A2 Use of Resources | General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials | 25, 29 |
| | 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) | 9, 26, 29 |
| | A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility) | 9, 29 |
| | A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them | 25 |
| | 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 | 9, 29 |
| | A2.5 | Total packaging material used for finished products (in tonnes) and (if applicable) with reference to per unit produced | Not applicable to the Group |
| A3 The Environment and Natural Resources | General Disclosure | Policies on minimising the issuer’s significant impact on the environment and natural resources | 25, 29, 32 |
| | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | 25, 30, 32 |
| 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 | 33 |
| | 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 | 33 |



| Aspects | Index No. | Content | Page |
|-----------------------------|--------------------|--|-----------------|
| Society | | | |
| 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 | 15, 16 |
| | B1.1 | Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region | 17 |
| | B1.2 | Employee turnover rate by gender, age group and geographical region | 17 |
| 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 | 18-19, 22-24 |
| | B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year | 19 |
| | B2.2 | Lost days due to work injury | 19 |
| | B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored | 18-19 |
| B3 Development and Training | General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities | 23-24 |
| | B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management) | 24 |
| | B3.2 | The average training hours completed per employee by gender and employee category | 24 |
| 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 | 15-16 |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labour | 15-16 |
| | B4.2 | Description of steps taken to eliminate such practices when discovered | 15 |
| B5 Supply Chain Management | General Disclosure | Policies on managing environmental and social risks of the supply chain | 12 |
| | B5.1 | Number of suppliers by geographical region | 12 |
| | 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 | 12 |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored | 12-13 |
| | B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored | 12-13 |

APPENDIX

| Aspects | Index No. | Content | Page |
|---------------------------|--------------------|--|-----------------------------|
| 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 | 10-11 |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | Not applicable to the Group |
| | B6.2 | Number of products and service-related complaints received and how they are dealt with | 10 |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights | 14 |
| | B6.4 | Description of quality assurance process and recall procedures | Not applicable to the Group |
| | B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored | 14 |
| 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 | 11-12 |
| | 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 | 11 |
| | B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored | 11 |
| | B7.3 | Description of anti-corruption training provided to directors and staff | 11 |
| 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 | 20 |
| | B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport) | 20-21 |
| | B8.2 | Resources contributed (e.g. money or time) to the focus area | 20 |



Index of Recommended Disclosures – Task Force on Climate-Related Financial Disclosures (TCFD)

| Recommended Disclosures for TCFD | | Page |
|----------------------------------|---|------|
| Governance | Disclosure of the organization’s governance in relation to climate related risks and opportunities | 4 |
| | a) Describe the board’s oversight of climate-related risks and opportunities | 4 |
| | b) Describe management’s role in assessing and managing climate-related risks and opportunities | 4 |
| Strategy | Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning (where such information is material) | 33 |
| | a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term | 33 |
| | b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning | 33 |
| | c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios | / |
| Risk Management | Disclose how the organization identifies, assesses, and manages climate-related risks | / |
| | a) Describe the organization’s processes for identifying and assessing climate-related risks | / |
| | b) Describe the organization’s processes for managing climate-related risks | / |
| | c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization’s overall risk management | / |
| Metrics and Targets | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities (where such information is material) | / |
| | a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process | / |
| | b) Disclose Scope I, Scope II, and, if appropriate, Scope III greenhouse gas (GHG) emissions, and the related risks | 31 |
| | c) Describe the targets used by the organization to manage climate-related risks and opportunities and the performance in achieving the objectives | / |