

TL NATURAL GAS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8536



**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**

2018



CONTENTS

About this Report	2
A. Environmental Aspects	4
A1. Emission	4
A2. Use Of Resources	5
A3. The Environment and Natural Resources	5
B. Social Aspects	6
B1. Employment	6
B2. Health and Safety	7
B3. Development and Training	8
B4. Labour Standard	8
B5. Supply Chain Management.	8
B6. Product Responsibility	8
B7. Anti-Corruption	8
B8. Community Investment.	8



PREPARATION BASIS AND SCOPE

TL Natural Gas Holdings Limited (the “Company” together with its subsidiaries, hereinafter referred to as the “Group”) is pleased to present our first Environmental, Social and Governance Report (the “ESG Report”) to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance (“ESG”) issues.

This Report is prepared in accordance with Appendix 20 of The GEM Listing Rules – “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) and summarises the ESG performance of the Group. The Group has complied with the disclosure requirements of the “comply or explain” provisions set out in the ESG Reporting Guide. In view of our first time disclosure of certain key performance indicator (“KPIs”), which is considered as material, the Group will continue to optimize and improve the disclosure of KPIs.

The Board has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. This Report illustrates the Group’s policies and performance regarding the environmental and social aspects during the reporting period from 1 January 2018 to 31 December 2018 (the “Reporting Period”).

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group’s relevant policies. The ESG Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the English version shall prevail.

INTRODUCTION

The principal activities of the Group is engaged in the sale of compressed natural gas in Hubei Province of People Republic of China (the “PRC”). The Group will continue in assessing the impacts of its business on the major environmental, social and governance aspects and to include in the ESG report.

The Group recognises the importance of sustainable development. Sustainability is crucial for the Group’s growth in order to achieve business excellence and enhance long-term competitiveness. The Group has established and implemented various policies to manage and monitor the risks related to environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

STAKEHOLDERS ENGAGEMENT

The Group emphasises the participation of its stakeholders. All of them have a substantial impact on the success of its business or activities.

In compiling the Report, the Group consulted its internal stakeholders, to monitor and manage its impact on all aspects of the environment and society. Besides, the Group has established various engagement channels for its stakeholders to understand their concerns regarding the Group’s operation. The Group believes that stakeholders engagement has significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group’s strategy formulation and decision-making.

Stakeholders	Issues of concern	Engagement channels
Government	To comply with the laws Proper tax payment Promote regional economic development and employment	On-site inspections and check Research and discussion through work conferences, work reports preparation and submission for approval
Shareholders and investors	Low risk Return on the investment Information disclosure and transparency Protection of interests and fair treatment of shareholders	Annual general meeting and other shareholder meetings Annual, quarterly reports, announcements and circulars Non-deal roadshows, investors conference



ABOUT THIS REPORT (CONTINUED)

STAKEHOLDERS ENGAGEMENT *(cont'd)*

Stakeholders	Issues of concern	Engagement channels
Employees	Safeguard the rights and interests of employees Working environment Career development opportunities Occupational health and safety	Training, seminars, briefing sessions Employee activities
Customers	Safe and high-quality products Stable relationship Integrity Reputation, brands and market demands	Emails, phone calls Customer feedback forms Industry exhibitions Site visits
Peer/Industry associations	Experience sharing Corporations Fair competition	Industry conferences Site visits and field trips
Market regulators	Compliance with the law and regulations Information disclosure	Annual and quarterly reports, announcements and circulars and other published documents Seminars
Public and communities	Community involvement Career opportunities Social responsibilities	Volunteering Charity and social investment



A. ENVIRONMENTAL ASPECTS

ASPECT A1: EMISSIONS

To demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environmental protection, the Group endeavors to minimise the environmental impact of the business activities and maintain green operations and green office practices.

Our operations are subject to PRC environmental laws and regulations relating to the construction and operation of natural gas stations. In particular, we are subject to PRC environmental laws and regulations promulgated by both the central and local governments, including but not limited to the Environmental Protection Law (中華人民共和國環境保護法). We consider the protection of the environment to be paramount and have implemented procedures in our gas refuelling stations to ensure our compliance with all applicable requirements. In light of the Environmental Protection Law, the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law of the PRC on Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法), we have adopted measures under our environment management policy, including but not limited to: (i) installation of re-circulation water cooling system; (ii) implementation of greening in the operation premises; (iii) installation of sound reduction measures to avoid noise pollution; (iv) engagement of solid waste collectors to collect, transport and treat refuse and waste products; and (v) minimising the amount of residual gas released to the atmosphere at our dispensers. Our environmental procedures have consistently been in compliance with applicable environment standards in our gas refuelling stations. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection.

During the Reporting Period, the Group generated/consumed no significant hazardous waste, non-hazardous waste, water, paper and packaging materials due to its business nature.

Major air pollutants emission from vehicles during the Reporting Period as follows:

Air Pollutant Emission	
Type of Air Pollutants	Air Pollutant Emission (kg)
Sulphur Dioxide	0.38
Nitrogen Oxides	1.10
Particulate Matter	0.21

During the Reporting Period, the greenhouse gas ("GHG") emission from the operation is set out below:

GHG Emission	
Type of GHG emissions	Equivalent CO ₂ emission (kg)
Scope 1 Direct emissions	11,086.38
Scope 2 Indirect emission	3,466,241.07
Total	3,477,327.45
Intensity (kg/revenue RMB'000)	40.71

Note:

The calculation of the GHG gas is based on the "A Corporate Accounting and Reporting Standard" from The GHG Protocol.

Scope 1: Direct emission from vehicles that are owned by the Group

Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group

Scope 3 is not disclosed as it is an optional disclosure and the corresponding emission is not controlled by the Group



A. ENVIRONMENTAL ASPECTS (CONTINUED)

ASPECT A2: USE OF RESOURCES

The Group places high priority on the efficient use of resources. The major resources used by the Group are electricity. The Group strives to improve the efficient use of natural resources, such as minimising waste/emissions and implementing effective recycling program. Practical measures are implemented as follows.

Electricity

Electricity saving measures are encouraged that electrical appliances are required to be set as energy saving mode where possible. For computers, the idle automatically mode is 20 minutes or less. The room temperature should be set in a range from 20°C to 26°C. Also, power supply should be switched off when they are not in use. Preference will be given to office equipment with relatively high energy efficiency.

Energy consumption by the Group during the Reporting Period is set out below:

Energy Consumption	
Type of energy	Energy consumed (kWh)
Unleaded Petrol	45,180.07
Purchased electricity	4,907,674.00
Total	4,952,854.07
Energy intensity (kWh/revenue RMB'000)	57.98

Water

The impact of freshwater use is relatively insignificant for the Group. The Group did not encounter any problems in sourcing water that is fit for purpose. The Group encourages staff to reduce water wastage, for example, by not running water taps at all time.

Paper

Reduction in paper use indirectly reduces the overall GHG emission. The Group has been taking the following steps to reduce paper consumption:

- Reduce the use of paper by printing or photocopying on both sides of paper, where applicable.
- Encourage the employee to use suitable font size/shrinkage mode to minimise pages, if possible. Besides, electronic media is recommended for circulation/communication, to minimise using paper.

ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES

The Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "Emission" and "Use of Resource", the Group strives to minimise the impacts to the environment and natural resources.



B. SOCIAL ASPECTS

ASPECT B1: EMPLOYMENT

We believe that our employees are important assets to the Group. Our goal is to provide employees with resources and an environment that encourages them to develop careers with us. We have employees through job market recruiting and internal referrals taking into account of the candidates' initiative, attention to detail and work ethic. We provide management personnel and employees with on-the-job training, rotation training and trainings in other formats to improve their skills and knowledge. We believe we have good relationships with our employees and we did not experience any material labour disputes or difficulty in recruiting staff for our operations in past years. The Group's internal control policies include our standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Group entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of the PRC. The remuneration package of the employees includes salary, social insurance funds (including pension insurance, unemployment insurance, medical insurance, work-related injuries insurance and maternity insurance) and housing provident funds for our employees. In addition, we provide various employee benefits to our workers, including but not limited to living quarters.

During the Reporting Period, there were no material non-compliance regarding employment brought against the Group or its employees.

Below is a detailed breakdown of our employees by gender, age group, and employment category as at 31 December 2018:

	Number of staff	% of total
By gender		
Male	27	34
Female	52	66
Total	79	100
By age group		
30 or below	2	3
31-40	16	20
41-50	49	62
51 or above	12	15
Total	79	100
By employment category		
Normal	68	86
Middle	8	10
Senior	3	4
Total	79	100

Below is a detailed breakdown of our employees turnover rate by gender and age group as at 31 December 2018:

Turnover rate by gender	
Male	33%
Female	25%
Turnover rate by age group	
30 or below	100%
31-40	44%
41-50	20%
51 or above	17%



B. SOCIAL ASPECTS (CONTINUED)

ASPECT B2: HEALTH AND SAFETY

Since sale of natural gas involves risks and hazards due to its flammable and explosive nature, we are committed to conducting our operations in compliance with applicable health, work safety, social and environmental protection laws and regulations and we always strive for a high safety standard of our gas station operation and our staff. We have implemented various procedures and systems to reduce the likelihood of accidents and hazards.

As required by PRC laws and regulations, including the Labour Contract Law of the PRC (中華人民共和國勞動合同法) and its accompanying regulations, the Labour Law of the PRC (中華人民共和國勞動法) and Opinions on Several Questions concerning the Implementation of the Labour Law of the PRC (關於貫徹執行中華人民共和國勞動法若干問題的意見), we are required to have health and safety policies to ensure a safe working environment for our employees, and we are also required to provide health and safety training to our employees. We have implemented a comprehensive health and safety system. Our health and safety system primarily focuses on the following aspects:

- **Implementation of precautionary measures:** we take precautionary measures against fire hazards, theft, accidents and machinery damage. Our health and safety system identifies our exposure to potential workplace safety and healthcare hazards and outlines the precautionary measures and arrangements designed to eliminate and control those hazards to ensure that a high standard of health and safety is maintained in the workplace. We have implemented a safety monitoring system along the pipeline network for detection of any leakage or other gas incident and we have also added a readily detectable but harmless odour to our natural gas so that users and the general public can be alerted to gas leakage. We have put up different bulletin boards that set out the operational procedures of dispenser and loading of gas to tanker trucks at our gas refuelling stations for our frontline employees. We also conduct fire drill regularly to promote fire safety knowledge and hazard awareness among our frontline employees.
- **Emergency response, notification and accident handling:** we have an established accident response system. We have issued an internal policy which addresses industry safety, workplace and emergency hygiene and traffic accidents. The measures specify the responsibilities of each department in the event of an accident, including accident notification procedures, investigation, attribution of liability and penalties. The head of our safety and maintenance department shall be responsible for assisting with emergency responses, investigating the cause of accidents and preparing summary reports.
- **Equipment maintenance:** we repair and maintain all our facilities and equipment on a regular basis. We also upgrade our equipment by installing additional safety features to prevent or mitigate future work injuries and accidents.
- **Safety training:** we provide regular safety trainings to all our employees. Newly recruited employees must go through a series of safety training sessions provided by our safety officers. Employees operating key equipment must participate in periodic safety training. Before we employ any new equipment, the operating employees must be specifically trained with respect to the safety issues involved.
- **Risk management:** according to our health and safety system, in order to ensure we are able to provide a safe working environment to our employees, we have a safety officer at each of our gas refuelling stations to conduct daily safety inspections on our production facilities, such as, compressors, dryers, gas cylinders and pipelines, to eliminate potential safety hazards in our production process.

Besides, in light of the occurrence of certain incidents in past years, we have implemented various policies, such as production line inspection system, tanker truck safety management system and accident handling system, to prevent the recurrence of gas leakage. We perform the following measures on a daily basis to prevent and detect gas leakage: (i) our safety officer on duty will inspect all equipment, such as pipes and hoses, valves, filters, compressor, dryer, and meters from time to time to identify any unusual sound or smell and physical wear-and-tear, and to monitor the meter readings on various gas meters installed along the gas pipes, and in cases where gas leakage is detected, the safety officer shall immediately notify the station manager so repair work can be carried out timely; (ii) the keys of the tanker trucks shall be passed to and kept by gas station operator prior to gas refuelling or loading of CNG into the tanker truck; and (iii) the driver of the tanker truck can only ignite the engine after the gas station operator confirms the removal of refuelling nozzle.

We believe that our health and safety system will continue to help us ensure employee health and safety as we continue to expand our operations. During the Reporting Period, there are no work related injuries case. There were no non-compliance cases noted in relation to laws and regulations for health and safety.



B. SOCIAL ASPECTS (CONTINUED)

ASPECT B3: DEVELOPMENT AND TRAINING

In accordance with our human resources policy, new employees at our gas refuelling stations are required to undergo orientation to familiarise themselves with our safety policies and overall daily operations before they commence working for us. After they attend orientation, some of our employees are provided with duties-specific training for their respective post before they are qualified to work or to operate any facility at our gas refuelling stations. We will review our employee performance from time to time. In addition, for some posts which require particular skills or for enhancement of a certain skill or ability, our employees are further provided with professional and specialised training.

ASPECT B4: LABOUR STANDARDS

The Group is fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. The Group strictly complies with applicable labour laws of the PRC. The Group prohibits the use of child labour and forced labour. Employment contracts and other records, documenting all relevant details of the employees (including age) are maintained properly for verification by relevant statutory body upon request.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.

ASPECT B5: SUPPLY CHAIN MANAGEMENT

Due to the nature of our business activities, we had no major supplier other than PetroChina Company Limited (“PetroChina”). To secure a stable, reliable and abundant natural gas supply for our operation, we entered into the master supply agreement for a 25-year term with PetroChina on 10 January 2015.

In selecting general materials or service providers, the Group will screen through bidding process and give priority to suppliers who attained certain types of certification for the management system. The Group will monitor the performance of supplies through different channels and regularly assess whether the supplier’s performance meets the standards. Thus, we believe there are no significant environmental and social risks for our management decision on supply chain management.

ASPECT B6: PRODUCT RESPONSIBILITY

We believe that the quality of our products is crucial to our continued growth. We place great emphasis on quality control and have implemented stringent monitoring and quality control systems to manage our operations. As natural gas is our principal raw material, its quality is fundamental in determining the quality of our services and operation. We source all natural gas directly from PetroChina, a nationwide reputable oil/gas producer in the PRC, which could consistently meet our demand and quality requirements. Prior to 2016 before PetroChina had an electronic system in place, we would send our staff to PetroChina’s Transmission Substation to collect the daily gas composition analysis reports and to review the test result of the natural gas supplied to us. With the PetroChina’s electronic system implemented, our staff will download the daily reports from PetroChina’s website every day. We will also review the sulphur and moisture content of the natural gas and keep record of all daily gas composition analysis reports prepared by PetroChina.

During the Reporting Period, there are no disputes between our Group and our customers in respect of the quality of our products by us.

ASPECT B7: ANTI-CORRUPTION

To ensure operation efficiency and employees’ development in a fair and honest working environment, the Group has formulated anti-corruption policy to avoid suspected corruption and provided channel such as by letter, meeting, email or phone call for employees to report suspected corruption. If there are any suspected case related to corruption, employees are encouraged to report the related cases through the mentioned channels. All these practical actions not only win the trust of customers, but also enhance the sense of belonging and fair play among our employees.

The Group has been in strict compliance with law and regulation related to anti-corruption. During the Reporting Period, there was no any legal case regarding corrupt practices brought against the Group or its employees.

ASPECT B8: COMMUNITY INVESTMENT

As a socially responsible company, the Group is committed to understand the needs of the communities in which we operate. The Group strives to develop long-term relationship with our stakeholders and seek to make contributions to have a positive impact on community development.