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**HENGYANG PETROCHEMICAL LOGISTICS LIMITED**

2019 Sustainability Report

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## CORPORATE PROFILE

Established in 2002, Hengyang Petrochemical Logistics Limited (“**Hengyang**” or the “**Company**”) and its subsidiaries (the “**Group**”) is a leading logistics service provider for the petrochemical industry in the People’s Republic of China (“**PRC**”). The Group provides storage and land transportation services for different types of bulk liquid petrochemicals, gases and oils such as Methanol, Acetic Acid, Phenol, Acetone, Styrene, Ethylene Glycol, Polyether Polyol, Propane, Butane, Gasoline, Diesel, Fuel Oil and Base Oil. The Group’s petrochemical storage business offers whole-tank leasing services for a fixed period of time (typically for one year) and spot leasing services for a period ranging from one month to three months.

The Group has a diverse clientele base of domestic and international customers, a majority of which are petrochemical manufacturers and distributors such as Dow Chemical (Shanghai) Co., Ltd., BASF-YPC Co., Ltd., Sinopec Chemical Products Sales Co., Ltd, China National Offshore Oil Corporation (“**CNOOC**”), CNOOC and Shell Petrochemicals Co., Ltd., Sinochem International Corporation, Mitsui & Co. Ltd., Zhejiang Petroleum & Chemical Co., Ltd., Hengli Petrochemical Co., Ltd., Shaanxi Changqing Energy & Chemical Co., Ltd., Chongqing Carbinol Chemical Industry Co., Ltd. and Jiangyin Golden Bridge Chemical Co., Ltd.

The Group has established five logistics facilities at Jiangyin City and Jingjiang City of Jiangsu Province, Wuhan City of Hubei Province, Yueyang City of Hunan Province and Changshou District of Chongqing City. We devote ourselves to building an integrated logistics network which includes water, land and railway services along the Yangtze River in order to provide an all-inclusive logistics service for our customers.



## ABOUT THIS REPORT

Sustainability has become a critical success factor for companies to ensure long-term value creation. As a responsible corporate citizen, we consider sustainability issues in conjunction with our corporate strategy. This sustainability report articulates our commitment to sustainability and transparency. The report is designed to provide a transparent and balanced view of Hengyang Petrochemical Logistics Limited and its subsidiaries, to reflect the interests of our key stakeholders, and to address those interests pragmatically. This report aims to include comprehensive and accessible information on the company's strategy towards sustainability, key issues as well as data according to recognized standards.

### Report Scope

The report covers the sustainability performance of the Company in financial year 2019 (“FY2019”) from 1 January 2019 to 31 December 2019. The content of this report will focus on the sustainability performance, activities and initiatives of the Group. Material issues and topics described in this report have been selected according to their level of significance within the Group's boundaries, the sustainability context and the stakeholders' expectations which are reflective of our core business in a consistent manner for comparability of our performance indicators across time.

This sustainability report focuses on the Group's sustainability strategies and practices whilst highlighting the environmental, economic, and social and governance (“EESG”) aspects of our activities and developments. The report aims to provide an overview of our approach, priorities and targets, as well as a performance review for our key sustainability areas.



## ABOUT THIS REPORT

### Report Methodology

This report was prepared with reference to the Global Reporting Initiatives (GRI) Core Option. We have chosen the GRI Standards reporting guidelines for its detailed guidance on the disclosure of governance approach and of the environmental, social and economic performance. This report also takes into consideration the primary components of the report content as set out by the Singapore Exchange's "Comply or Explain" requirements for sustainability reporting. Our data are reported in good faith and to the best of our knowledge. We will continue to improve our data collection processes.

We did not seek external assurance for this report.



### Report Structure

This Sustainability Report will present the Group's sustainability journey and progression over the year in the four key areas of (i) Environmental, (ii) Economic, (iii) Social and (iv) Governance, which in our assessment, are the most significant to our stakeholders. Meanwhile, we will also provide the information of our key performance targets and outcomes. The information regarding the basis for report boundaries and our materiality assessment is provided on Page 9 of this Report.



## ABOUT THIS REPORT

### Report Structure (continued)

All together, this report provides the basis for our responses and disclosures with reference to the GRI Core Option. Relevant sections in the report are referenced in the GRI Content Index provided on Page 17 of this Report.

### Report Contact and Feedback

We are committed to listening to our stakeholders and we welcome and value your feedback on our sustainability efforts, as this enables us to improve our sustainability policies, systems and results. Please send your feedback to [contact@hyplc.com](mailto:contact@hyplc.com).

More information can be obtained from our website at [www.hyplc.com](http://www.hyplc.com).



## BOARD STATEMENT

The board of directors (“**Board**”) is pleased to present our annual Sustainability Report of Hengyang Petrochemical Logistics Limited (“**Hengyang**”, the “**Company**”, and together with its subsidiaries, the “**Group**”) for our financial year ended 31 December 2019 (“**FY2019**”). The Report highlights the Group’s sustainability journey and progression over the year in four key areas (i) Environmental, (ii) Economic, (iii) Social and (iv) Governance, which in our assessment, are the most significant to our stakeholders

Sustainability is a part of the Group’s wider strategy to create long-term value for all its stakeholders. As such, the key material EESG factors for the Group have been identified and cautiously reviewed by the management. The data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy of data and information. The board oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group’s strategic direction and policies.

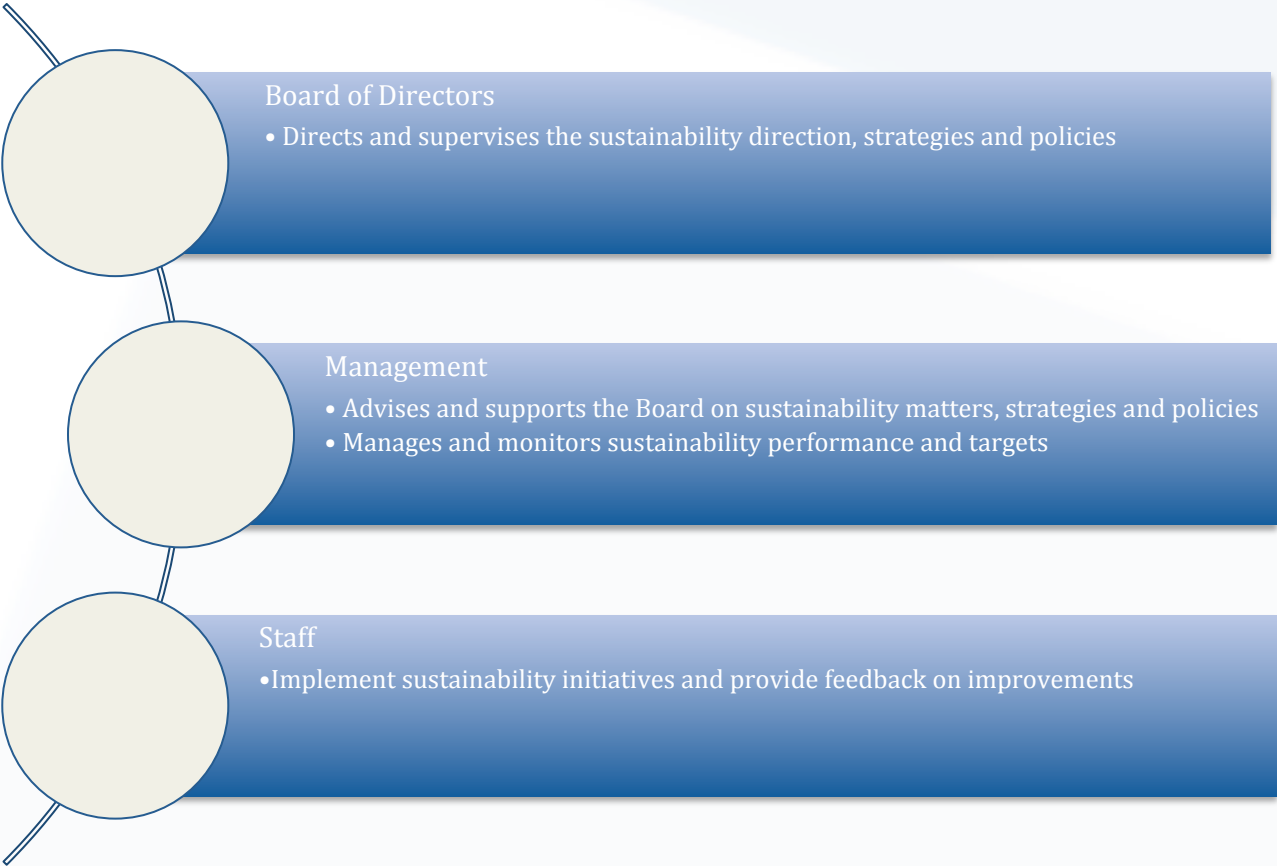
We would like to thank our valued stakeholders for their continued support of the Group. We strive to continue to improve our sustainability efforts towards building the business and creating better values for our stakeholders.



# SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability is integral in our organisation’s culture and is a vital part of our corporate strategy for achieving long-term growth. The Group’s governance structure supports and drives the sustainable development journey. We are guided by our code of conduct and ethics established to promote healthy corporate culture, ethical business practices and sustainability.

The sustainability governance is led by the Board of Directors and supported by all levels of the Group.



We are committed to high standards governance practices to protect the interests of the Group and our stakeholders. We will continue to strengthen our sustainability governance structure so as to create long-term viability for the Group and our stakeholders.



## STAKEHOLDER ENGAGEMENT

As we progress in our sustainability journey, we understand that the key to maintaining the Group's long-term success is greatly dependant on us meeting or even exceeding the expectations of our key stakeholders.

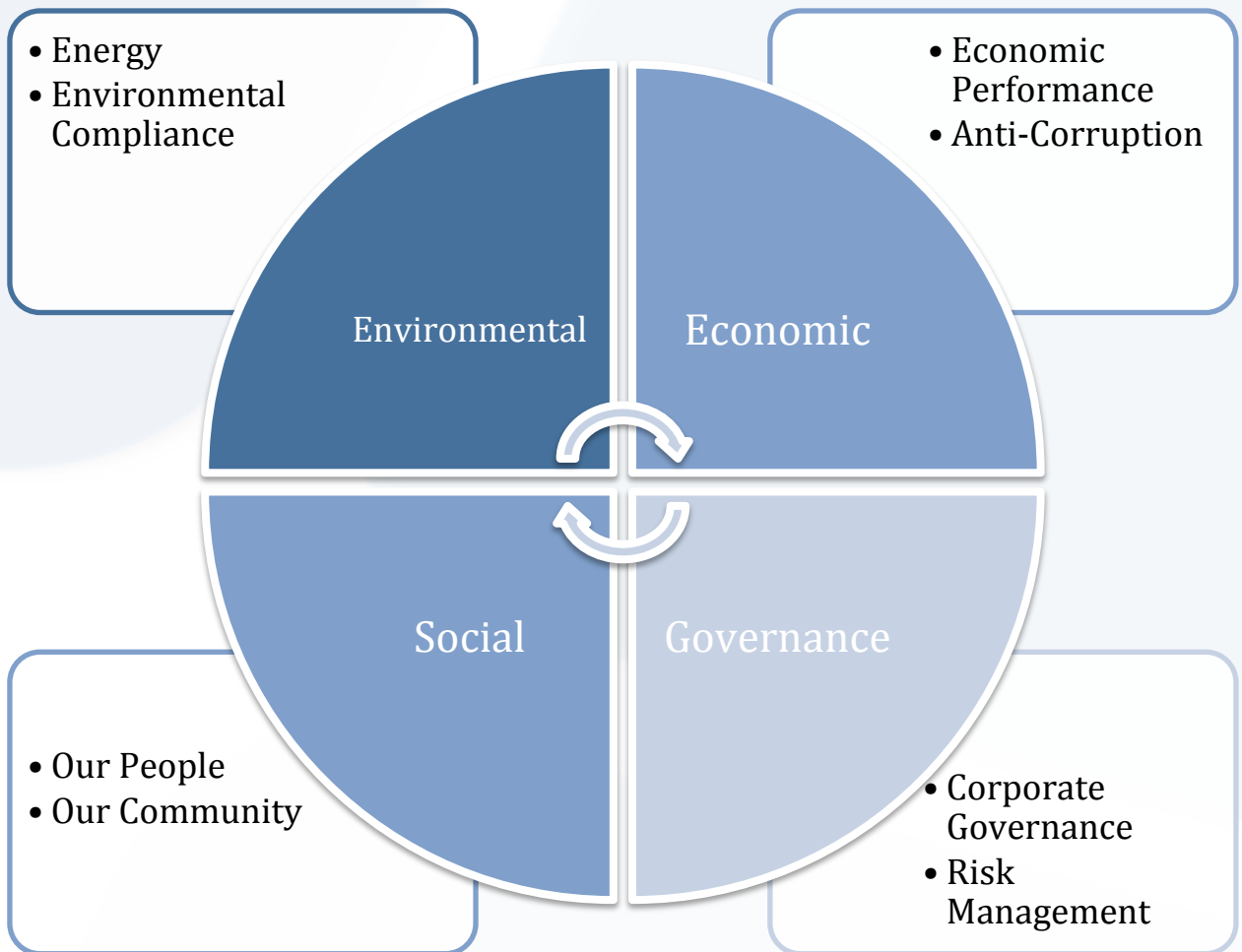
We believe that creating an environment to promote regular communication and greater stakeholder participation is instrumental to understanding the demands and concerns of our stakeholders.

The Group's key stakeholders include, but are not limited to, suppliers, customers, employees, shareholders, regulators and community. We adopt both formal and informal channels of communication to understand the needs of key stakeholders and incorporate these into our corporate strategies to achieve mutually beneficial relationships. The following table highlights our key stakeholders, their key concerns and mode of engagement:

Stakeholder	Topics of Concern	Mode of Engagement
Suppliers	<ul style="list-style-type: none"> <li>• Regular business</li> <li>• Compliance with terms and conditions of purchasing policies and procedures</li> <li>• Maintenance of ethical standards</li> </ul>	<ul style="list-style-type: none"> <li>• Request for proposal and quotation</li> <li>• Suppliers agreements</li> <li>• Suppliers evaluation</li> <li>• Third party certification</li> <li>• Supplier visits/meetings &amp; Email / phone call communication</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Quality products and services</li> <li>• Code of conduct</li> <li>• Available feedback platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Regular dealer visit</li> <li>• Meetings</li> <li>• Email / phone call communication</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Employee engagement</li> <li>• Employee rights and welfare</li> <li>• Personal development</li> <li>• Safety and security</li> <li>• Good working environment</li> </ul>	<ul style="list-style-type: none"> <li>• Regular staff meeting</li> <li>• Staff appraisal &amp; Annual performance review</li> <li>• Training programme on safety standards and procedures, as well as on health and hygiene standards</li> <li>• Open communication through multiple channels</li> <li>• External training</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Timely information</li> <li>• Financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Report &amp; Annual Sustainability Report</li> <li>• Annual general meeting</li> <li>• Public announcement via SGXNET</li> <li>• Company website</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>• Compliance with applicable rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Regulators Publication/ written communication</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Responsible business operations</li> <li>• Support for social causes</li> <li>• Societal concerns</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability report</li> <li>• CSR initiatives</li> </ul>

# MATERIALITY ASSESSMENT

Applying the guidance from GRI, based on a Group-wide materiality assessment, the following environmental, economic, social and governance factors were identified to be material for the Group and are the focus of this Report.



## ENVIRONMENTAL

### Energy

The Group is fully aware of its responsibility for nurturing the environment and minimising negative environmental consequences at our worksites and the environment where we operate. We monitor our energy at our work places to ensure that we use our resources economically, meaningfully and responsibly.

We have gone a step further in order to minimise our impact on the environment by undertaking a wide range of self-initiated measures to build a greener future. For instance, we install sewage treatment system; we entrust qualified third-party to collect and dispose solid waste; and we have also installed gas recovery system at the loading stations, pump stations and tank farms.

### Environmental Compliance

Being in the petrochemical industry, Health, Safety, and Environment (“HSE”) standards are of utmost importance to us. Hengyang has a long-standing HSE commitment to the highest standards for the health and safety of our people and customers, as well as for the protection of the environment in the communities which we live and work.

We have obtained all the environmental permits and approvals necessary to conduct our business, such as the pollutant discharge permit and the operating permit for loading and unloading of the dangerous chemicals. We also comply with all applicable environmental laws and have not breached any applicable laws or regulations since our incorporation. In order to ensure continued compliance with the relevant environmental laws and regulations, we have appointed specialised personnel to oversee environmental protection related matters within our Group.

In addition, our companies have been awarded the following accreditations and commendations:

- In 2019, Jiangyin Foreversun was recognised for its excellent HSE management by the China National Offshore Oil Corporation and Shell Petrochemicals Company Limited.
- In September 2019, Wuhan Hengyang was appraised as the “AAA Logistics Enterprise” by China Federation of Logistics and Purchasing.

# ENVIRONMENTAL

## Environmental Compliance (continued)

- In 2019, the Company was awarded the Excellent Enterprise of the industry by China National Chemicals and Light Industry Material Logistics Association.
- In 2019, the Company was awarded the Golden Tank Award for its excellent HSE management by China Federation of Logistics and Purchasing.
- In December 2015, Jiangyin Foreversun was accredited by the China Quality Certification Centre for Compliance with Food Safety Management System standards – ISO 22000:2005 and GB/T 22000-2006.
- Jiangyin Foreversun, Wuhan Hengyang and Yueyang Hengyang hold the Environmental Management System Certificate issued by the China Quality Certification Centre for compliance with the standards ISO14001:2004 and GB/T 24001-2004.
- Jiangyin Foreversun has also obtained the Chemical Distribution Institute – Terminals (“CDI-T”) attestation accredited by the Chemical Distribution Institute (London) in December 2015.

## **Financial Year Ended 31 December 2020 (“FY2020”) Target:**

- To maintain zero incidents of non-compliance.
- No breach of environmental laws.

## ECONOMIC

### Economic Performance

Economic performance is very important to a company's stakeholders particularly its investors or owners, because this performance eventually provides them with a return on their investment.

As a company listed on Catalist of SGX-ST, we publish a detailed annual report comprising our risk management, corporate governance, and financial performance. For detailed information, please refer to the financial statements in our 2019 Annual Report.

### Anti-corruption

Hengyang does not tolerate corruption in any form. We communicated this externally with our customers and suppliers and internally with our employees.

We have established anti-corruption policy. We prohibit corruption in all forms, including extortion and bribery. As set out in our whistle-blowing policy, all complaints shall be reported to the Audit Committee Chairman of the Company either in person or via an email that is only accessible by the Audit Committee Chairman. Similar to FY2017 & FY2018, there were no reported incidents of corruption during FY2019.

**FY2020 Target:** To maintain zero incidents of corruption.





## Our People

Hengyang believes in investing in recruiting, training and retaining good employees. We have made every effort to create a working culture and environment that inspires our people to stay with us. We have adopted sound human resource policies and practices in our workplace by providing safe working conditions, rewarding and recognising performance, encouraging teamwork and work-life balance, and offering career growth opportunities and a conducive workplace.

The company is also committed to ensuring the safety and security, as well as the health and well-being of our people. We have in place a training programme for our people on safety standards and procedures, as well as on health and hygiene standards at the workplace in FY2019. Meanwhile, we have also organised the health and wellness lunch talk every quarter during FY2019.

Jiangyin Foreversun, Wuhan Hengyang and Yueyang Hengyang hold the Occupational Health and Safety Management System Certificate issued by the China Quality Certification Centre.

In January 2019, the Group Chairman, Mr Gu Wen Long (“**Mr Gu**”), was awarded as an excellent entrepreneur by the Jiangyin and Jingjiang local governments

We treat all employees fairly, with respect and dignity, regardless of nationality, gender, age, race or religion. The hiring procedures are fair and non-discriminative. Staff are hired on the basis of merit, skills, experience or competency to perform the job.

The Group ensures compliance with labour and employment laws, including working hours and believes in good work-life balance for our employees.

## Code of Work Ethics

All employees are expected to uphold and ensure that they do not engage in any interest that conflicts with any of the Company’s businesses.

## SOCIAL

### Our Community

Hengyang and its people embrace the philosophy of giving back to the community by encouraging proactive involvement in the Group's corporate social responsibility ("CSR") initiatives. We strive to be a responsible corporate neighbour and active contributor in our community.

In particular, we are a strong believer in quality education for all children. Accordingly, we have partnered with Jiangyin Charity and Jingjiang Charity, two non-profit voluntary welfare organisations, to support students from low-income families and empower young learners to be successful, active citizens. In 2019, Hengyang also made a donation of RMB50,000 and RMB54,000 to the Jiangyin Charity and Jingjiang Charity respectively. The group Chairman, Mr Gu was also awarded as "Charity Star" by the Jingjiang City People's Government in 2019.

### **FY2020 Target:**

- Organise staff training and career development courses and programs.
- Zero complaints on discrimination.
- Name every April and June of the year as the Safety Month of the Group, and hold the relevant events in the Group, rolling out safety culture campaigns to advocate and educate employees and contractors on safety best practices.
- Develop a group-wide occupational health and safety policy.
- Provide training to all employees on policies and practices relating to ethics and anticorruption.

# GOVERNANCE

The Group strives to comply with the best practices of good governance, guided by the Singapore's Code of Corporate Governance 2018 (the "Code"), throughout its operations to safeguard the interests of all stakeholders. The Group recognises that good corporate governance processes are essential for enhancing corporate sustainability. Please refer to the Annual Report pages 17 to 49 on the details of the SGX Code of Corporate Governance.

## Corporate Governance

The Group is committed to ensuring and maintain good corporate governance in order to safeguard the interest of our stakeholders.

### **Whistle Blowing Policy**

The Company has put in place a whistle-blowing framework endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

### **Dealings in Securities**

In compliance with the relevant rules of the Catalist Rules, the Company has devised its own internal compliance code to provide guidance to its officers with regards to dealings in listed securities of the Company by the officer. Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in the possession of unpublished price-sensitive information.

The Company prohibits dealings in its shares by its officers and employees during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year, or one (1) month before the announcement of the Company's full financial year results, as the case may be, and ending on the day of the announcement of the relevant results.

## GOVERNANCE

### Risk Management

The Group recognizes the importance of risk management and how business risks may adversely affect Hengyang's business performance. We concentrates on ensuring that the Group has an effective and practical enterprise risk management framework in place to safeguard Shareholders' interests, and the sustainability of the Group as well as provide a basis to make informed decisions having regard to the risk exposure and risk appetite of the Group. The Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management of the Company reviews all significant control policies and procedures and highlights all significant matters to the Board and the Audit Committee.



# GRI CONTENT INDEX

This report is prepared with reference to the Global Reporting Initiative (“GRI”) Core Option. We did not seek external independent assurance for this report.

N.B.: AR = Annual Report, SR = Sustainability Report (i.e. this report)

GRI Standard	Disclosure	Reference/ Response	
<b>GRI 101: Foundation 2016</b>			
<b>GENERAL DISCLOSURE</b>			
<b>GRI 102: General Disclosures</b>	102-1	Name of the organization.	Page 2
	102-2	Activities, brands, products, and services	Page 2
	102-3	Location of headquarters	AR Backcover
	102-4	Location of operations	Page 2
	102-5	Ownership and legal form	Page 2
	102-6	Markets served	Page 2
	102-7	Scale of the organization	Page 2
	102-8	Information on employees and other workers	Page 13
	102-10	Significant changes to the organization and its supply chain	No Significant Change
	102-11	Precautionary Principle or approach	Page 4-5
	102-14	Statement from senior decision-maker	Page 6
	102-16	Values, principles, standards, and norms of behavior	Annual Report Page 17-49
	102-18	Governance structure	Annual Report Page 17-49
	102-40	List of stakeholder groups	Page 8
	102-42	Identifying and selecting stakeholders	Page 8
102-43	Approach to stakeholder engagement	Page 8	
102-44	Key topics and concerns raised	Page 8	
102-45	Entities included in the consolidated financial statements	Annual Report Page 15, 65, 81-85	



GRI Standard	Disclosure		Reference/ Response
<b>GRI 101: Foundation 2016</b>			
	102-46	Defining report content and topic Boundaries	Page 3
	102-47	List of material topics	Page 3-5
	102-50	Reporting period	Page 3
	102-51	Date of most recent report	2019 Annual Report
	102-52	Reporting cycle	Annually
	102-53	Contact point for questions regarding the report	Page 5
	102-55	GRI content index	Page 17-19
<b>MATERIAL TOPICS</b>			
<b>GRI 201:</b>	201-1	Direct economic value generated and distributed	Page 12
<b>Economic performance</b>			
<b>GRI 205: Anti- corruption</b>	205-1	Operations assessed for risks related to corruption	Page 12
<b>GRI 302: Energy</b>	302-1	Energy consumption within the organization	Page 10
<b>GRI 307:</b>	307-1	Non-compliance with environmental laws and regulations	Page 10
<b>Environmental Compliance</b>			
<b>GRI 403:</b>	403-1	Workers representation in formal joint management-worker health and safety committees	Page 13
<b>Occupational Health and Safety</b>			
<b>GRI 404:</b>	404-1	Average hours of training per year per employee	Page 13
<b>Occupational Health and Safety</b>			
	404-2	Programs for upgrading employee skills and transition assistance programs	Page 13
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 13
<b>GRI 405:</b>	405-1	Diversity of governance bodies and employees	Page 13
<b>Diversity and equal opportunity</b>			

GRI Standard	Disclosure		Reference/ Response
<b>GRI 101: Foundation 2016</b>			
<b>GRI 413: Local Communities</b>	413-1	Operations with local community engagement, impact assessments, and development programs	Page 14
	413-2	Operations with significant actual and potential negative impacts on local communities	Page 14
<b>GRI 419: Socioeconomic Compliance</b>	419-1	Non-compliance with laws and regulations in the social and economic area	Page 12-14

*Note:*

*Hengyang takes a phased approach to the adoption of GRI indicators and will review the relevance of indicators marked as N.A. to its operations annually.*

*This sustainability report has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report, including the correctness of any of the statements or opinions made or reports contained in this sustainability report.*

*The contact person for the Sponsor is Mr Yee Chia Hsing, Head, Catalist, Investment Banking, CIMB Bank Berhad, Singapore Branch at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337 5115.*



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