



CITIC Resources Holdings Limited  
中信資源控股有限公司

# Environmental, Social and Governance Report

## For the Year of 2014



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*The Yuedong oilfield*

## Foreword

CITIC Resources Holdings Limited (the “**Company**” or “**CITIC Resources**”), its subsidiaries and joint ventures (collectively, the “**Group**”) persistently strive to operate its business in an economic, social and environmentally sustainable manner. The Group manages a diversified business portfolio and positions itself as a provider of strategic natural resources and key commodities with businesses across energy, metals and the import and export of commodities sectors. It is committed to making continuous improvements in corporate social responsibility in order to better meet the changing needs of an advancing society. This year, the Group is pleased to present its first Environmental, Social and Governance Report (the “**Report**”), which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders.

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report primarily highlights the Group’s major initiatives and activities implemented from 1 January 2014 to 31 December 2014. For information regarding the governance section, please refer to the Group’s Annual Report for the Year 2014.

As a start, the scope of the Report covers only CITIC Resources, its subsidiaries and joint ventures over which CITIC Resources currently possesses either a majority or joint control on their operating policies. The companies included in the Report are as follows:

- CITIC Resources, the head office of the Group in Hong Kong;
- 中信石油技術開發（北京）有限公司 (CITIC Petroleum Technology Development (Beijing) Limited) (“**CITIC Petroleum**”), an indirect wholly-owned subsidiary of the Company, engaging in oil technology developments in Beijing, China;
- CITIC Oil & Gas Holdings Limited, an indirect wholly-owned subsidiary of the Company, owning 50% voting shares of JSC Karazhanbasmunai (“**KBM**”) which engages in the development, production and sale of oil and holds the right to explore, develop, produce and sell oil from the Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan (“**the Karazhanbas oilfield**”) until 2020;
- CITIC Seram Energy Limited (“**CITIC Seram**”), an indirect wholly-owned subsidiary of the Company, owning a 51% participating interest in the production sharing contract which grants

the right to explore, develop and produce petroleum from the Seram Island Seram Non-Bula Block, Indonesia until 2019;

- CITIC Haiyue Energy Limited, an indirect wholly-owned subsidiary of the Company, owning a 90% interest in Tincy Group Energy Resources Limited (“**Tincy Group**”) which holds the right to explore, develop and produce petroleum from the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, China until 2034. Tincy Group is currently operating the Yuedong oilfield (the “**Yuedong oilfield**”), the principal field within the Hainan-Yuedong Block, jointly with China National Petroleum

Corporation; and

- CITIC Australia Trading Pty Limited (“**CATL**”), an indirect wholly-owned subsidiary of the Company, which engages in the import and export of bulk commodities in Australia.

The Group may in future examine and extend the scope of the Report to cover its joint operations, associate and financial asset as appropriate.

The disclosures correspond to the indicators specified in the ESG Guide, and are marked with index numbers for quick reference.

Indices	Aspects
A1	Working conditions
A2	Health and safety
A3	Development and training
A4	Labour standards
B1	Emissions
B2	Use of resources
B3	The environment and natural resources
C1	Supply chain management
C2	Product responsibility
C3	Anti-corruption
D1	Community investment

# 1. Responsible Operations Management

Making every effort to provide quality products and services, the Group is keenly aware of the importance of balancing its business needs with the stewardship of the natural environment, the need to meet market demand for resources, and the need to achieve the harmonious development of society.

## 1.1 Protecting the Environment <sup>B1, B2, B3</sup>

Environmental protection is one of the core values at CITIC Resources. The Group has proactively looked for and implemented new technology at various stages of production in order to minimise its impact on the environment. Over years, the Group has introduced energy-efficient equipment and streamlined operation processes to reduce fuel, electricity and water consumption, enhanced the efficiency of utilising resources and explored new areas for environmental conservation.

CITIC Seram, for instance, has established environmental and waste management plans with regular environmental monitoring conducted to ensure compliance with statutory discharge and emissions limits. Through recycling natural gas, a by-product of oil production, it is estimated that more than 7.2 million litres of diesel consumption is reduced each year, effectively lowering the pollution

from diesel engines. An oil spill contingency plan is also in place specifying detailed measures for mitigating the effects of any oil or chemical spill.

Environmental impact assessments are conducted and, if required, approved by government authorities before the commencement of projects. For example, at the Yuedong oilfield, approval of the environmental impact assessment was obtained in the second quarter of 2010 and the overall development plan was approved by the National Development and Reform Commission of China in the third quarter of 2010 before the commencement of pilot production. The Group seeks to ensure that its business operations are environmentally compliant with local requirements.

To minimise the impacts on the environment and natural resources, the board of directors of KBM has in 2011 adopted an environmental protection calendar plan and a five-year plan, which provides an environment fund of USD35.5 million to address the historical issue of 350 hectares of goaf and sludge (oil sands). As at the end of 2014, more than half of the entire work has been completed, including around 20 hectares treated and around USD1.17 million spent in 2014.

## Case 1: Energy-saving initiatives at the Karazhanbas oilfield

To promote more efficient use of energy, vertical pump jacks (立式抽油機) and variable-frequency controllers (變頻控制櫃) have been introduced at the Karazhanbas oilfield in 2013. A total of 65 vertical pump jacks were installed in 2014. When used in combination with either vertical or regular pump jacks, variable-frequency controllers are able to adjust power frequency based on actual oil flows, thus reducing electricity consumption by around 15%.

By enhancing the oilfield surface engineering process (油田地面工藝流程), the need for the secondary separation of oil and gas (油氣二次分離) has also been reduced, resulting in a decrease in the usage of natural gas. Consequently, a total of 25 million cubic metres of oilfield associated gas (伴生氣) is recovered on site per annum. Together with the purchased natural gas, the oilfield associated gas is combusted to generate steam for heating purposes. These measures have boosted the efficiency of natural gas consumption at the Karazhanbas oilfield by over 10%.

An energy audit, which aims at identifying further areas for energy performance improvements, is currently being carried out at the Karazhanbas oilfield.



*Variable-frequency controller with regular pump jacks at the Karazhanbas oilfield*

## Case 2: Resource preservation measures at the Karazhanbas oilfield

Located in Mangistau Oblast in Kazakhstan with no other freshwater sources, the Karazhanbas oilfield retrieves freshwater solely from the Volga River during the thermal recovery process.

In recent years, thanks to the higher level of automation brought about by the gradual adoption of the automatic boiler control system (鍋爐自動控制系統), the Karazhanbas oilfield has managed to achieve higher thermal efficiency, thus lowering the consumption of natural gas.

Together with the polished design of the oilfield surface engineering process, and the refined layout of steam boilers (蒸汽鍋爐) and pipeline networks, insulation along the pipelines has been strengthened, resulting in lower heat loss, enhanced steam injection, and reduced the associated freshwater consumption.

With the adoption of the above measures, the Group estimates that the efficiency of natural gas and water usage has increased by at least 10%.



*The Karazhanbas oilfield*

### Case 3: Electricity saving measures at the Yuedong oilfield

When the Yuedong oilfield first commenced operations in May 2010, only one artificial island was equipped with production facilities, and electricity was supplied via a 30 km-long submarine cable. Due to low loading and the bulk infeed of the generator step-up transformer, power factor of the system was low, resulting in extra spending of nearly RMB450,000.



*Utilisation of power compensation device and frequency conversion technology at the Yuedong oilfield*

In view of this, an improvement initiative was implemented whereby a power compensation device (無功補償裝置) was applied to the 35 kV bus line of a substation. As a result, the power factor of the system and the reliability of the operation of the electric network were enhanced. Since the implementation of the initiative in January 2011, the annual electricity bill has been reduced by over RMB4 million.

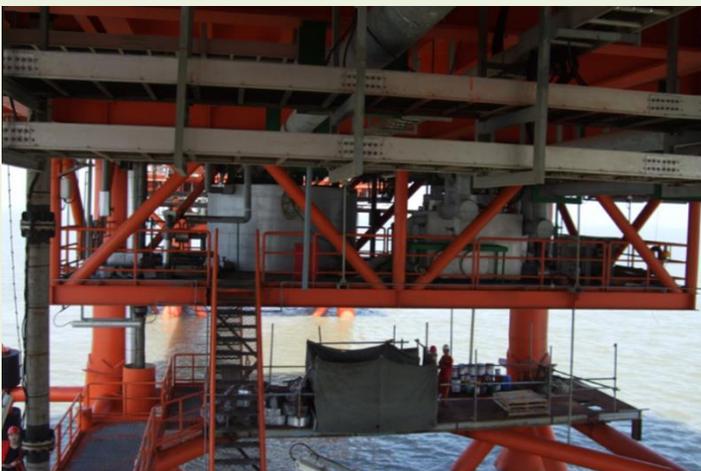
In addition, frequency conversion technology (變頻節能技術) is currently widely utilised on the rotary equipment (旋轉設備) with power output of over 35 kW such as efflux pumps and pumping units. Compared to regular pumping units, an electricity saving rate of 15% was recorded for 113 pumping units installed on the three artificial islands, including 70 directional wells of 45kW and 43 directional wells of 75kW.

## Case 4: Waste management

A number of procedures have been established and embedded in the Group's daily operations which involve managing different waste materials. These procedures cover waste handling, waste minimisation, recycling, transportation, treatment, storage and disposal.

Taking the Karazhanbas oilfield as an example, the amount of operational waste has reduced as a result of the concerted efforts by all sectors. In addition to being compliant with local environmental regulatory requirements, the management of the Karazhanbas oilfield takes an active role in promoting waste recycling, separation and reuse. During 2014, the reduction in solid wastes such as paper, plastics and glass materials reached nearly 2,600 tonnes.

At the Yuedong oilfield, in order to prevent oil contamination to the surrounding environment, a closed drain tank, well flushing and sewage discharge system was installed on the artificial island. All wastewater will be collected in the tank to undergo an oil-filtering process before discharge.



*Closed drain tank installed to filter out oil before wastewater discharge at the Yuedong oilfield*

## 1.2 Market Practice <sup>C2, C3</sup>

Business integrity lies at the heart of the Group's core values. The Group upholds high standards in its market practices, with all employees required to maintain a high level of business ethics. Corruption, bribery or fraud in any form is strictly prohibited.

The Group realises the importance of staff integrity. Instructions are in place providing official guidelines for employees who need to declare any conflicts of interest. Any acts of misconduct are to be reported to the Human Resources and Administration Department and will be handled in strict confidence. During the reporting year, no incidents of corruption were identified.

Throughout its different operational regions, the Group has strictly complied with local laws and regulations on sales and credit control, production and quality control, information protection and security as well as trademarks and intellectual property.

Being a responsible trader, CATL is committed to delivering quality products and services to customers. CATL has established a Quality Assurance Programme, following which CATL has taken reasonable steps to minimise product defects at the time of supply. For example, all tyres imported to Australia must be accredited in advance by international accepted organisations such as National Highway Traffic Safety Administration of the United States Department of Transportation (DOT) for the accreditation to use DOT Code and/or other standards acceptable in Australia such as United Nations Economic Commission for Europe (UNECE) Standards. CATL also seeks confirmation and details from suppliers for the cover of product insurance for product liability. Before CATL accepts

a new supplier to supply tyres for reselling in Australia, it has to go through a standard set of procedures to check product quality. During 2014, no recall cases or complaints were reported.

## 1.3 Supply Chain Management <sup>C1</sup>

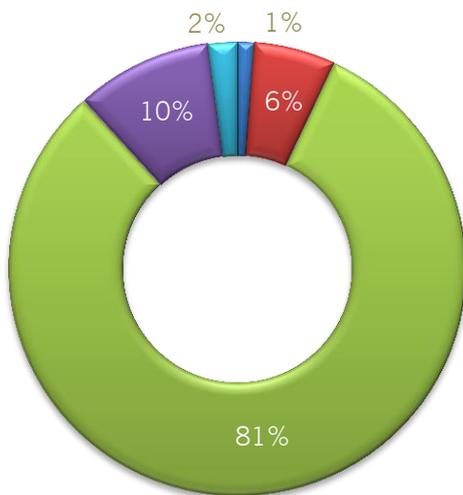
As a responsible corporate citizen, the Group understands that its operations may have an economic and social impact. Accordingly, the Group strives to join hands with various interested parties along its supply chain on improving sustainability performance throughout its operations. The Group has stepped up efforts to ensure all supply chain management practices are implemented strictly in compliance with local laws and regulations.

To this end, CITIC Seram has established a supplier management policy which stipulates vigorous guidelines to monitor the tendering and quotation process, covering areas such as sourcing, internal control and risk management. In addition to conducting business reviews with its suppliers, CITIC Seram also conducts regular supplier audits. A database has also been developed to help keep track of supplier performance. Besides monitoring the status of suppliers' regulatory compliance and quality of service, the database serves as an effective tool to encourage suppliers' continuous efforts on improving sustainability performance.

In Hong Kong, the Company has established proper tendering and quotation procedures to identify quality service providers. Other than price evaluation, the selection of contractors will also take the contractor's reputation, the provision of quality service and follow up services into consideration.

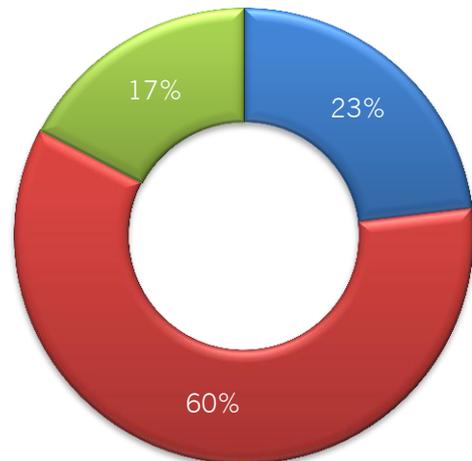
## 2. Caring for Staff

As a multi-cultural organisation with around 2,800 staff from operations in a number of locations (including Hong Kong, China, Indonesia, Kazakhstan and Australia), the Group regards people as its greatest asset. To underline this fact, the Group has established clear policies and guidelines to attract and retain talent. The Group delivers a fair and safe working environment for employees to support their career advancement and also fosters their personal development. The compositions of the Group's total workforce by location, by age group and by employment category as at 31 December 2014 are presented as follows:



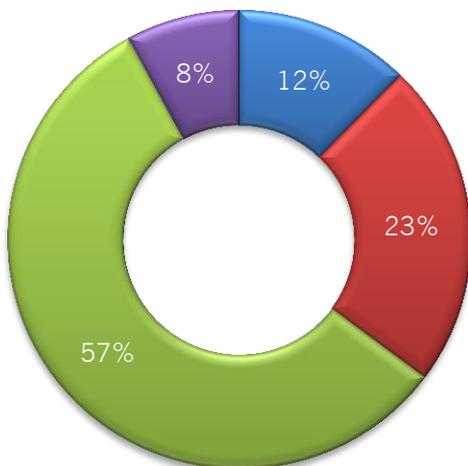
■ Hong Kong    ■ China    ■ Kazakhstan  
 ■ Indonesia    ■ Australia

*Percentage of workforce by location*



■ Under 30 years old    ■ 30-50 years old  
 ■ Over 50 years old

*Percentage of workforce by age group*



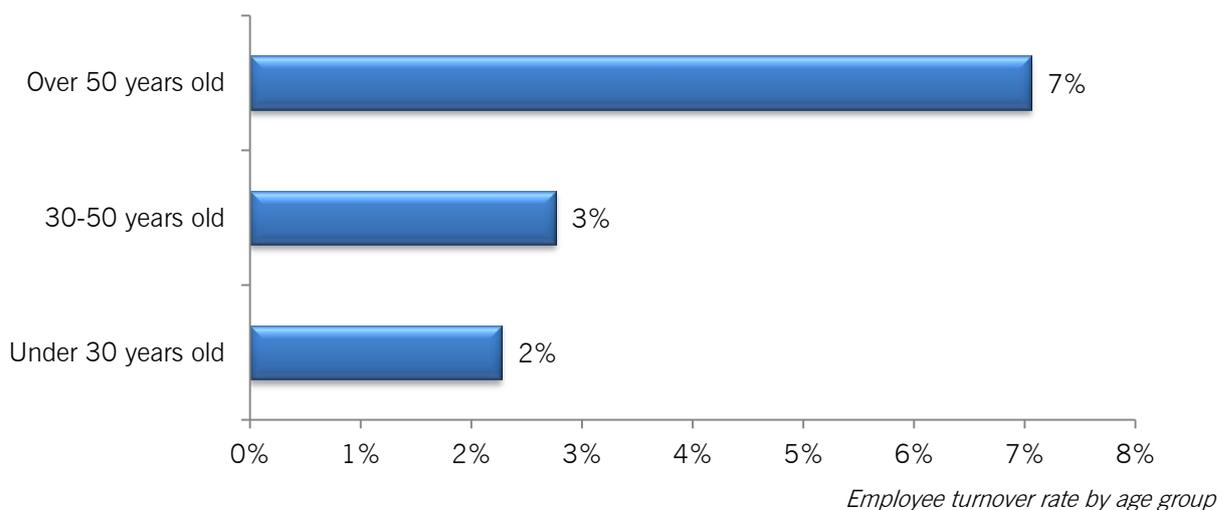
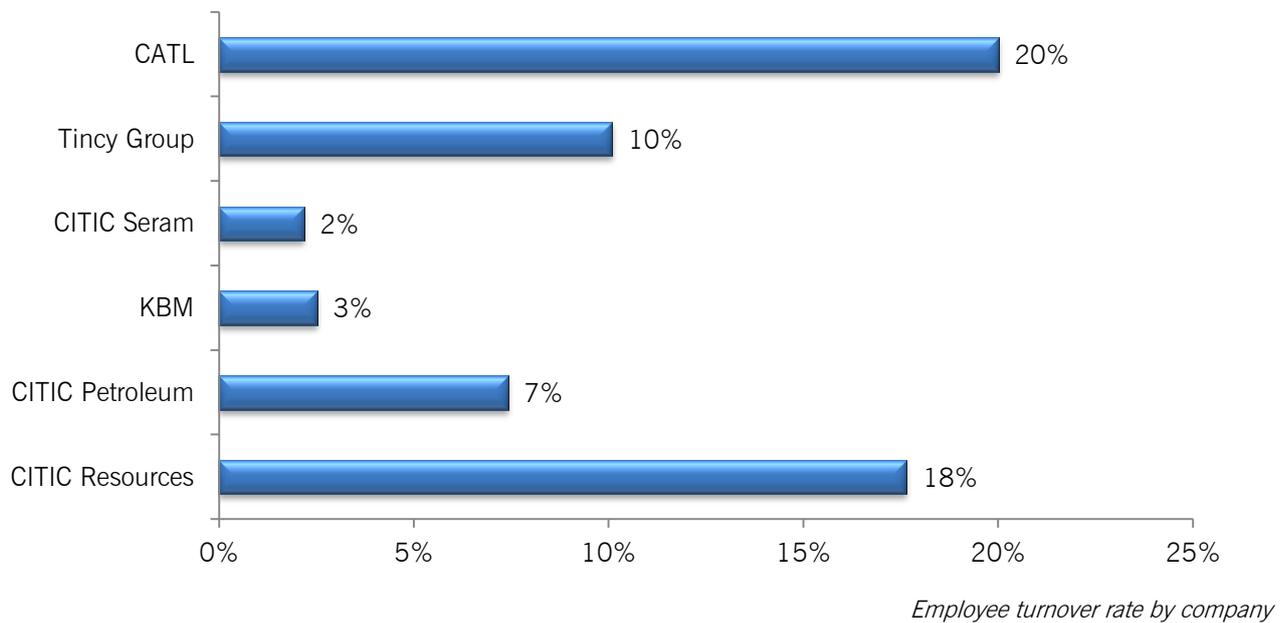
■ Senior Level  
 ■ Middle Level  
 ■ Entry Level  
 ■ Contract staff/ short-term staff

*Percentage of workforce by employment category*

## 2.1 Staff Policy and Benefits <sup>A1, A4</sup>

The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. Employees are entitled to various fringe benefits such as annual leave, marriage leave, compassionate leave, jury leave and medical coverage in

accordance with local regulations. With the well-established benefit systems and support made to our staff, the Group strives to retain talent and envision the development of our people. As at 31 December 2014, the Group maintained a low overall employee turnover rate of 3%. Figures of the Group's employee turnover rate by company and by age group are recorded as follows.



The Group places a strong emphasis on work-life balance and tries to enhance staff's sense of belonging and morale. Taking the Company as an example, annual dinner, Christmas party and occasional luncheon meetings are arranged for employees.

Regular team building exercises are also organised by various operations. These activities, such as the following one organised by CITIC Seram, provide effective means for employees to communicate and interact with one another.

### Case: Strong as a team

At CITIC Seram, a three-day team building event was organised for employees and their families in April 2014 to help foster team spirit. With more than 280 participants, the event incorporated a variety of games and group activities, creating an enjoyable and interactive environment for all.



*Teambuilding activity organised by CITIC Seram*

The Group places a high priority in maintaining a close, two-way dialogue between employees and the management level. For instance, a staff union has been set up at the Karazhanbas oilfield which collectively represents staff members and safeguards their rights and interests.

Staff policies set out clear guidelines to promote

equal opportunities in the workplace, and to keep the workplace free from sexual harassment and other misconduct. Grievance mechanisms and disciplinary procedures are also made available, supporting the transparency and governance of the business. The Group abides by all regulations on terms of employment, and strictly prohibits the use of forced labour or child labour in all operations.



1. Safety warning signs at the Karazhanbas oilfield
2. Personal protection equipment used at the Yuedong oilfield
3. Water spray with sea water and foam for firefighting at the Yuedong oilfield

## 2.2 Workplace Health and Safety <sup>A2</sup>

The Group has stipulated effective health and safety measures to strive to achieve ‘zero accidents’ in the workplace. Safety standards and internal controls are implemented to ensure strict compliance with safety regulations. During 2014, there was no recorded fatality and the overall injury rate, as calculated by the total number of reportable accidents divided by the total number of staff, remained at a low level of around 0.2%.

The effective management of Health, Safety and Environment (“HSE”) is fundamental to the welfare of our employees and the long-term development of the Group. A systematic approach has been devised and adopted to identify, assess, avoid, eliminate and manage any potential workplace hazards. To enhance safety awareness at all times, working guidelines, warning instructions and training

courses are provided to employees frequently to reinforce the importance of workplace safety.

At CITIC Seram, a Health, Safety and Environmental Policy Statement is stipulated to promote the HSE and environmental protection culture at the workplace. Adequate measures are in place to safeguard employees and contractors to perform their duties. While refresher training on basic health and safety topics has been arranged every three years, additional training courses associated with different job assignments are also offered to ensure that employees are equipped with sufficient knowledge to perform their duty safely.

At the Yuedong oilfield, a number of regular occupational safety training activities were conducted during 2014 which included:

Types of Training	Number of participants
Training on hydrogen sulfide control	27
Training on offshore oil operations safety and rescue	21
Safety qualification training for major officers-in-charge and safety management staff (including refresher training)	11
Training on well operation control	10
Training on instrumentation operation safety (儀錶系統功能安全)	3

To address the potential risks associated with emergency situations such as fire hazard and power failure, the Yuedong oilfield has established a set of stringent measures and conducted regular fire drills.

All employees on site must be aware of the emergency handling procedures, including the use of personal protection equipment and supporting facilities.

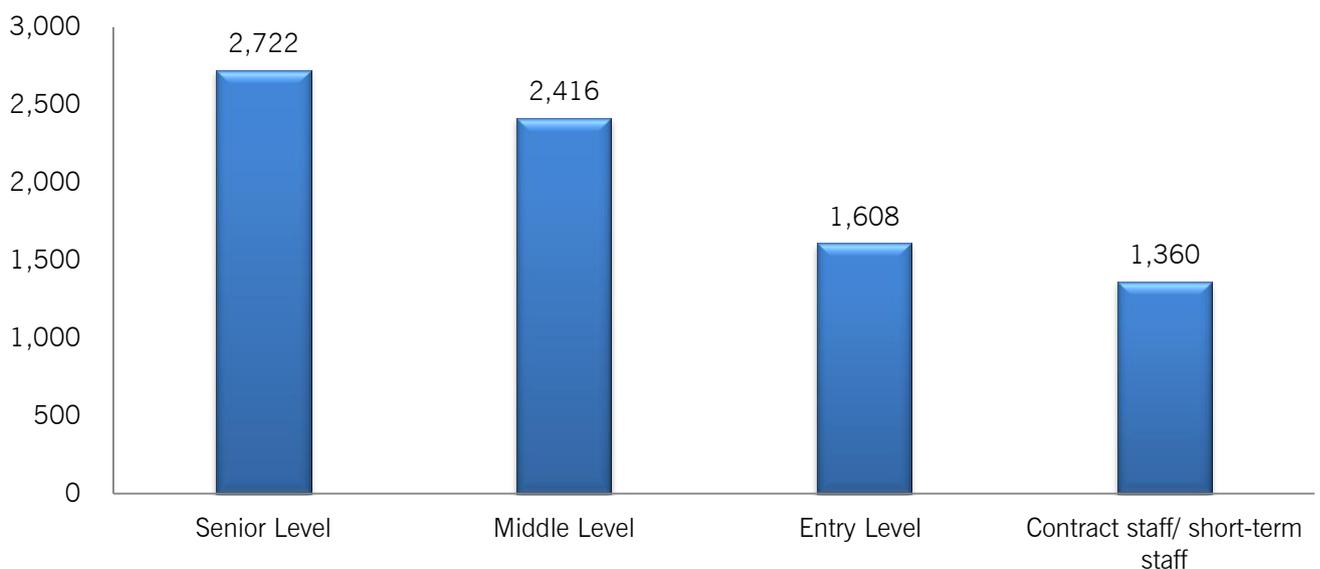
## 2.3 People Development <sup>A3</sup>

It has always been the Group's belief that people development plays the most pivotal role in laying a solid ground for business growth, and it has, over years, pressed ahead with various training programmes, internal and external, to carefully nurture and develop its workforce. These training efforts have borne fruit particularly in recent years, when the Group has been operating in a challenging business environment. With a rich pool of loyal, reliable, professional and competent talent, the Group has managed to remain resilient amid escalating market uncertainties and capture encouraging business growth. By growing together with its workforce, the Group has accumulated considerable wisdom and strengths for long-term future sustainable development.

The Group encourages long-term growth and career development by allocating sufficient resources to people development. Besides on-the-job training,

employees are encouraged to participate in internal and external education to strengthen their capacity, work skills, knowledge and professionalism.

A variety of training programmes in the form of seminars, briefings and workshops are provided for staff at different levels. During the year, the Group offered diversified training areas to develop staff competency and maximise their potentials. For example, in terms of accounting and finance aspects, the programmes included topics such as facility agreement, risk management and accounting information systems. On the regulatory aspect, topics such as internal control, Listing Rules, sustainability reporting and media policy were covered. At the oilfields, various training on HSE, latest oil recovery technologies and technical know-how were arranged. In addition, soft skills such as leadership, strategy and business trainings were offered to facilitate staff's daily work.

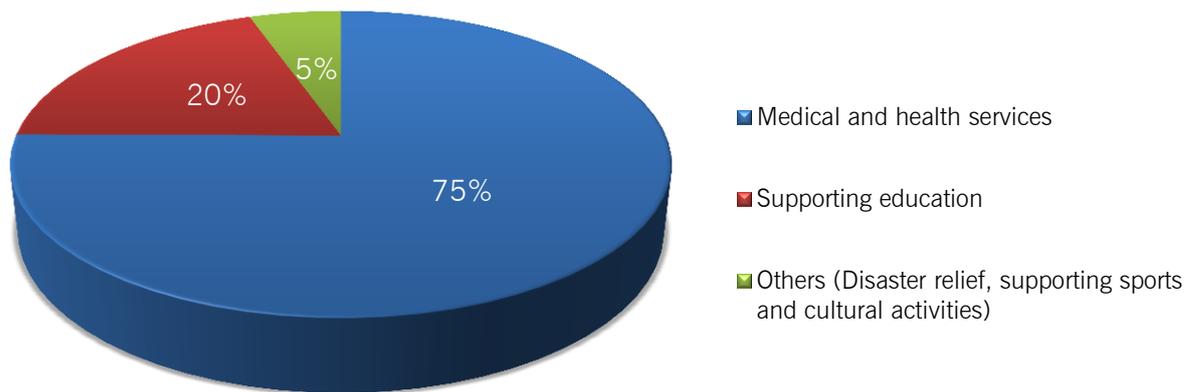


*Total training hours by employment category*

### 3. Fostering Community Prosperity <sup>D1</sup>

The Group maintains a global footprint and has stepped up conscious efforts to establish closer ties and interaction with local communities in a number of ways such as providing disaster relief, enhancing youth education and supporting social research. By connecting with the people, the Group pays due respect to local values, cultures and traditions and at the same time assists the development of the

community. For each significant investment made at a major operational site, the Group adds new dynamics to the local community – ranging from advanced technology and economic activities to working opportunities and social welfare for people in need. During the year, over HK\$1.5 million was devoted by the Group to direct social investments.



*Distribution of charity donations by category*

#### Community Contribution

Contributing to society is a part of the Group’s sustainable development strategy. During the year, a donation of HK\$50,000 was made to Shao Tong, an earthquake-stricken area of Yunnan Province, to help local residents recover from the impact of the natural disaster.

The Group has also actively participated in supporting education and cultural activities. In

2014, it provided sponsorship to the Sino-French Young Leaders Programme organised by the France China Foundation. This programme aims to promote the exchange of high potential leaders from various backgrounds between the two countries, through conferences and lectures on the latest developments, meetings with prominent personalities and visits to political, industrial and cultural centres.

In December 2014, the Group sponsored the Tri-Millennia Symposium co-organised by the School of Professional and Continuing Education of the University of Hong Kong and the Asia Pacific Taiwan Federation of Industry and Commerce, during which reputable scholars were invited to share their insights into current affairs and the latest socio-economic developments. By promoting liberal exchange of ideas on important social issues, the Group hopes to explore forward-looking solutions that help foster sustainable developments in the Hong Kong community.

The Group has set up policies on community engagement to understand the needs of the community in the places where it operates and to ensure its activities take into consideration of the

community's interests. In Indonesia, every year CITIC Seram works closely with the local government and social organisations to generate action plans in response to changing community needs. Besides monetary support and disaster relief, CITIC Seram also offers equipment supplies and provides technical expertise to help foster community developments. In recognition of its continuous efforts, CITIC Seram was awarded the Blue Ribbon of Proper from the Indonesian government in 2014.

CITIC Seram also supported a number of community initiatives with regard to cultural preservation and sports development in 2014, to promote cultural heritage and a healthy lifestyle among the local residents. These initiatives included:

### *Arts and Culture Programmes*

- The Cultural Traditional Dance Exhibition Event organised by the local government radio broadcasting station (RRI) in February 2014;
- The Art Exhibition Programme organised by the Eastern Seram Youth Organisation in July 2014;

and

- The Arts, Culture and Bazaar Programme organised by a local community organisation and a non-government institution (Manggala Yudha) in August 2014.



*The Arts, Culture and Bazaar Programme*

### *Sports Programmes*

- Supporting the Eastern Seram Regency sport local committee (KONI) in their attendance at the Maluku Province Sport Tournament and Exhibition in July 2014; and
- Sponsoring the Central Maluku Regency Football Association to participate in the Maluku Province Football Tournament in November 2014.

### *Public Health*

The Wayhul Clinic operated by CITIC Seram offers quality and reliable medical services and treatments to the community in the Bula area in order to satisfy

the needs of the local residents. By the end of 2014, the Wayhul Clinic had admitted over 825 patients from the community.

