



阳光油砂
SUNSHINE OILSANDS LTD.

Sunshine Oilsands Ltd.

陽光油砂有限公司*

(a corporation incorporated under the Business Corporations Act of the Province of Alberta, Canada with limited liability)

(HKEX: 2012)



2017 Environmental, Social and Governance Report

Environmental, Social and Governance Report

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ABOUT THIS REPORT

Sunshine Oilsands Ltd. (“Sunshine” or the “Company”), together with its subsidiaries (the “Group”), is pleased to present this Environmental, Social and Governance Report (the “Report”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

Preparation Basis and Scope

This Report is prepared in accordance with Appendix 27 to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) – “Environmental, Social and Governance Reporting Guide” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its core operation in Hong Kong and Canada which is considered as material by the Group – the exploration for and the development of oil properties for the production of bitumen in the Athabasca oil sands region in Alberta, Canada. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures. This Report shall be published both in Chinese and English on the website of Hong Kong Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2017 to 31 December 2017.

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email tjin@sunshineoilsands.com.

STAKEHOLDERS ENGAGEMENT

The Group seeks to balance the views and interests of these various stakeholders through constructive conversations with a view to charting a course for the long-term prosperity of the Group and the neighboring communities. Through stakeholders engagement, the Group understands the expectations and concerns of the stakeholders which helps to further enhance its sustainable development strategies.

Stakeholders	Issues of concern	Engagement channels
Government	<ul style="list-style-type: none"> - Compliance with relevant laws and regulations - Proper tax payment - Promote regional economic development and employment 	<ul style="list-style-type: none"> - On-site inspections and checks - Research and discussion through work conferences, work reports preparation and submission for approval - Annual reports and other published information - Website
Shareholders and Investors	<ul style="list-style-type: none"> - Minimize risk - Return on the investment - Information transparency - Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> - Annual general meeting and other shareholder meetings - Annual report and announcements - Newsletters
Employees	<ul style="list-style-type: none"> - Safeguard the rights and interests of employees - Career development opportunities - Health and safety 	<ul style="list-style-type: none"> - Conference - Training, seminars, cultural and sport activities - Newsletters - Intranet and emails
Customers	<ul style="list-style-type: none"> - Safe and high-quality service 	<ul style="list-style-type: none"> - Website, brochures and annual reports

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Stakeholders	Issues of concern	Engagement channels
	<ul style="list-style-type: none"> - Stable relationship - Information transparency - Integrity and business ethics 	<ul style="list-style-type: none"> - Email and customer service hotline - Feedback forms - Regular meetings
Suppliers/ Business partners	<ul style="list-style-type: none"> - Long-term partnership - Honest cooperation - Fair and open - Information resources sharing - Risk reduction 	<ul style="list-style-type: none"> - Business meetings, supplier conferences, phone calls and interviews - Regular meetings - Review and assessments - Tendering process
Peer/Industry associations	<ul style="list-style-type: none"> - Experience sharing - Cooperation - Fair competition 	<ul style="list-style-type: none"> - Industry conferences - Site visits
Public and Communities	<ul style="list-style-type: none"> - Community involvement - Cultural conservation - Social responsibilities 	<ul style="list-style-type: none"> - Charitable and social investment - Stakeholders engagement

ENVIRONMENTAL ASPECTS

EMISSIONS

Sunshine's oil sands operations have potential impacts on the environment. In terms of our existing operations, we are actively pursuing the continuous improvement of air quality and greenhouse gas ("GHG") emissions by improving energy conservation and efficiency, and adopting innovative technology for emission reduction. Our environmental strategies target at meeting corporate standards, operations compliance, energy efficiency, liability reduction, air emissions and GHG management. The Group ensures all emissions from the operation of the project meet the standards by complying with the applicable environmental laws and regulations, extensive environmental monitoring and reporting during operations. The major part of environmental legislation is set in the Environmental Protection and Enhancement Act ("EPEA"), and the Oil Sands Conservation Act and Rules. In 2017, the Group was not subject to any non-compliance by the government relating to environmental issues.

Air Pollutants Emission

Air pollution is the major environmental issue associated with our Steam Assisted Gravity Drainage ("SAGD")¹ facilities in the oil sands operation project. The Group is subject to strict air quality standards in Alberta, in which we fully comply with Ambient Air Quality Objectives which are developed under the EPEA by the Government of Alberta for managing and protecting the air quality. The Ambient Air Quality Objectives set out the limit of emission of various pollutants, including nitrogen oxides, sulphur dioxide and particulate matter. We are required to design and operate facilities below the levels specified in the Ambient Air Quality Objectives. For example, our SAGD facilities are designed with integrated natural gas driven cogeneration, which are more economic than purchasing electricity from the grid and have fewer air emissions than coal power generation.

To reduce the air pollution impact with surrounding stakeholders, we commissioned a qualified consultancy to conduct an air quality assessment to predict the levels of pollutant by our West Ells project before its commencement. The predicted result

¹ SAGD is an enhanced oil recovery technology for producing heavy crude oil and bitumen.

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indicated that the pollutants produced would remain within the air quality standards imposed by the Government of Alberta. In 2017, our operation activities have expanded as compared to the previous year. We have inevitably produced more air pollutants from stationary combustion of natural gas and diesel in oil sands operation. In spite of the increased air pollutants generated, we will continuously monitor our SAGD facilities to ensure that they comply with all the applicable environmental laws, regulations and standards in Canada. We will monitor the air quality annually at several monitoring stations positioned downwind from the facilities, based on prevailing wind directions.

For operation in Hong Kong, the air pollutants emission is not significant as it involves emission from vehicles only.

During the reporting period, the air pollutants emission based on the consumption of fuels is as follows:

Air Pollutants ²	Unit	2017	2016
Total nitrogen oxides (NOx)	tonne	58.797	26.523
- Stationary combustion ³	tonne	58.657	26.361
- Mobile combustion	tonne	0.140	0.162
Total sulphur dioxide (SO₂)	tonne	46.658	6.412
- Stationary combustion ⁴	tonne	46.657	6.412
- Mobile combustion	kg	0.38	0.33
Total particulate matter (PM)⁵	tonne	21.697	10.467

² Emissions from mobile combustion sources are estimated data based on consumption of fuel and the travel distance of vehicles and the emissions factors under HKEx ESG Reporting "Appendix 2: Reporting Guidance on Environmental KPIs".

³ Emission of nitrogen oxides from stationary combustion is the actual data from annual air emissions report uploaded to the Government of Alberta by the Group.

⁴ Emission of SO₂ is the actual data from annual air emissions report uploaded to the Government of Alberta by the Group.

⁵ The PM emission data of year 2016 are adjusted to reflect the actual situation.

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Air Pollutants ²	Unit	2017	2016
Stationary combustion ⁶	tonne	21.684	10.451
- Mobile combustion	tonne	0.013	0.016

GHG Emission

The Group recognises that climate change can pose a risk to its business and it is committed to mitigating the effects of climate change. GHG is considered as one of the major contributors to the climate change. The majority of the GHG emission of the Group comes from stationary combustion of natural gas and diesel in oil sands solutions. Existing SAGD extraction technology is refined to reduce the amount of steam required to be injected into the reservoir to heat bitumen. A number of oil extraction technologies are also being developed to reduce or eliminate the need of steam. Using less steam can reduce GHG emission caused by the burning of natural gas.

The Group is subject to the Climate Change and Emissions Management Act, the Specified Gas Reporting Regulation to report GHG emission, while GHG emission limit is regulated by Specified Gas Emitters Regulation (“SGER”). During 2017, the Corporation did not exceed the 100,000 tonnes limit regulated by SGER. SGER is no longer in place as of 1 January 2018, it was replaced by the Carbon Competitiveness Incentive Regulation (“CCIR”) under the Climate Change and Emissions Management Act. The most material change is that facilities generating over 100,000 tonnes of GHG would not be required to reduce emission intensity by 12% annually. There is an intensity benchmark laid out in the CCIR and all facilities regulated under CCIR must either meet that benchmark or purchase carbon offsets from other producers / the Government itself, so that the net intensity meets the benchmark.

The trigger point for the new CCIR regulations remains the same as SGER, which is 100,000 tonnes of GHG production per year, and the Corporation will not be regulated until the year after more than 100,000 tonnes of GHG is produced.

⁶ According to HKEx ESG Reporting “Appendix 2: Reporting Guidance on Environmental KPIs”, gaseous fuel consumption is not a significant source of PM emissions. Data estimated based on diesel consumption and calculator at Environment and Climate Change Canada (ECCC).

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As we were increasing production with all wells operating in 2017, we were producing significantly larger volumes of steam for injection. The burning of natural gas for steam production generates virtually all of our GHG emissions, so as we increase steam production, we increase emissions accordingly. We also start to increase production as we increase steam and the chamber develops, but while there will be a direct relationship to production, it will not be a linear relationship.

In Hong Kong, the GHG emission is not significant as it involves normal electricity usage in office operation and fuel usage in vehicles only. For Scope 3 of GHG emission, the amount of emission has decreased significantly this year as we reduced our business air travel. The GHG emission of the Group during the reporting period is as follows:

GHG Emission ⁷	Unit	2017	2016 ⁸
Scope 1 ⁹	tonne of CO2-e	98,076.20	11,725.03
- Stationary combustion ¹⁰	tonne of CO2-e	98,012.07	11,671.38
- Mobile combustion	tonne of CO2-e	64.13	61.32
Scope 2 ¹¹	tonne of CO2-e	8.01	5.28
Scope 3 ¹²	tonne of CO2-e	23.37	115.17
Total GHG emission	tonne of CO2-e	98,107.58	11,853.14
GHG intensity ¹³	tonne of CO2-e/ m ³ of production volume	0.91	1.46

⁷ The calculation of the GHG emission is based on Appendix 2: Reporting Guidance on Environmental KPIs .

⁸ The GHG emission data of year 2016 are adjusted to reflect the actual situation.

⁹ Scope 1: Direct emission from sources that are owned or controlled by the Group.

¹⁰ From Annual Air Emissions Report filed with Government of Canada by the Group. The rest of the GHG emissions for 2017 are estimated data.

¹¹ Scope 2: Indirect emissions from purchased electricity consumed by the Group.

¹² Scope 3: Other indirect emissions mainly from business air travel and paper waste disposed at landfills.

¹³ The intensity data of 2016 was not published in 2016 ESG report. It is reported in this Report for comparative purpose.

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Hazardous and Non-hazardous Wastes

Normally, less waste is generated by SAGD operation, as compared to conventional oil sands mining. The Group's "Environmental Guide Book" provides detailed guideline on characterisation, disposal and manifest of different wastes. Wastes are initially characterised as dangerous/hazardous wastes and non-dangerous/non-hazardous wastes. The Group strictly complies with the applicable laws and regulations for waste management, including Waste Control Regulation and "Alberta Energy Regulator ("AER") Directive 58: Oilfield Waste Management Requirements for the Upstream Petroleum Industry".

The Group strives to reduce non-dangerous/non-hazardous waste to be sent to landfill by recycling. For example, we recycle paper used in office operation, metals and cooking oil. In Canada, all non-hazardous wastes were recycled during 2017. Apart from wastes recycling, the Group will seek other possible ways to reduce the production of wastes.

During the reporting period, the waste disposal and recycled data are as follows:

Wastes disposal	Unit	2017	2016
Hazardous waste	tonnes	15,912.30	16,313.00
Hazardous waste intensity ¹⁴	tonnes/ m ³ of production volume	0.15	2.01
Non-hazardous waste ¹⁵	tonnes	3,001.66	N/A
Non-hazardous waste intensity ¹⁵	tonnes/ m ³ of production volume	0.03	N/A

Wastes recycled	Unit	2017	2016
Paper ¹⁵	kg	276.80	N/A
Metals ¹⁵	tonnes	3,000.00	N/A
Cooking oil ¹⁵	L	1,300.00	N/A

¹⁴ The intensity data of 2016 was not published in 2016 ESG report. It is reported in this Report for comparative purpose.

¹⁵ The relevant data has been reported since 2017.

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Wastewater

Wastewater is categorised into industrial wastewater and domestic wastewater. All wastewater must be tested prior to discharge by using industrial testing limits and procedures. Sunshine is in strict compliance with all the relevant regulatory requirements for managing wastewater.

For industrial wastewater, Sunshine only disposes industrial wastewater to central processing facility water recycle treatment unit, approved disposal wells, and approved waste processing and disposal facilities. Industrial runoff control system allows the Group to monitor the discharge of wastewater within the limits for parameters, including pH level, chloride and oil and grease. The Group is responsible to monitor the industrial runoff control system and report the monitoring result annually. The performance of industrial wastewater control system is assessed with evaluation of the management and disposal of industrial wastewater for improvement.

For domestic wastewater, discharge of any substance from the domestic wastewater system to the surrounding watershed is strictly prohibited. All domestic wastewater and sludge produced by the operational facilities should undergo domestic wastewater collection and must be directed to a septic tank with subsequent disposal to an approved wastewater treatment system (“WWTS”). The Group has obtained EPEA approval to operate the WWTS. If there is any discharge of substance from WWTS, the Group must immediately report to the local regulatory bodies.

Noise

Noise generated from our operation project has potential impact on the nearby natural habitat and human’s hearing. Sunshine fully complies with “AER Directive 38: Noise Control” in the oil sands operation. When applying for oil sands project, Sunshine has engaged a qualified consulting company to conduct noise impact assessment for predicting the noise level resulted from the operation of project and evaluating the potential impacts on nearby natural wildlife. Noise mitigation measures and monitoring will be required if the predicted sound level exceeds the permissible sound level under AER Directive 38.

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During the operation, engineering controls are the primary method to reduce the noise produced. The Group strives to reduce noise levels in operational facilities wherever possible. For example, we install the quietest equipment to minimise the workplace noise levels. In order to mitigate the effects from exposure to workplace noise, indoor and outdoor noise surveys are conducted by qualified person as a minimum of once every five years, or immediately after equipment or project design changes have been implemented. Results of noise surveys must be recorded and maintained.

USE OF RESOURCES

Energy

To manage the energy use and reduce energy consumption, the Group has established “Energy Management Policy”. The Group strives to use energy in the most efficient, cost-effective and environmentally responsible manner. Efficient use of energy plays a key role in support of our plan to maximise profitability and strengthen our competitive position. We aim to maximise energy performance, reduce operating expenses and increase shareholders’ value by actively and responsibly managing energy consumption through works and management practices, training and the use of new technology.

As compared with 2016, the Corporation has increase production volume significantly in 2017. As a result, the consumption of natural gas and diesel, which are the major fuels used in the project sites, have increased significantly. In particular for natural gas, it is used as an energy input and is primarily used to fire the burners to produce steam from water for electricity generation. Natural gas is categorised into produced gas and purchased natural gas. Produced gas is the by-product of bitumen extraction. With the increase in production of bitumen in 2017, the produced gas increased accordingly. All the produced gas is utilised and is mixed with purchased natural gas for electricity generation. Our development plan is to use cogeneration technologies to produce required electrical power in the project sites. The cogeneration units use high efficiency burners that allow the generation of electricity and steam to be a complementary and efficient process and reduces energy consumption and costs.

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For the consumption of diesel in project sites, it is used in standalone generator sets and heavy equipments by both the Group and contractors. Sunshine took over road maintenance work this year, so it provides the contractors with diesel to run heavy equipment for carrying out road maintenance work. Hence, diesel consumption increased accordingly. Although we cannot control the usage of diesel by contractors, we have carried out consultation with the contractors on energy management matters with a view to reduce the energy usage.

For office operation in Hong Kong, the electricity consumption has increased due to the increase in number of employees and the relocation to new office during the reporting period. In addition, gasoline contributes to the energy consumption in Hong Kong this year due to the use of vehicle. We will strive to create a green office environment and improve the employees' awareness to reduce the energy consumption.

During the reporting period, the energy consumption of the Group is as follows:

Energy consumption	Unit	2017	2016 ¹⁶
Canada	kWh in '000s	3,511.71	1,649.11
- Natural gas ¹⁷	kWh in '000s	1,270.12	463.35
- Gasoline	kWh in '000s	208.68	211.11
- Diesel	kWh in '000s	2,032.91	974.64
Hong Kong	kWh in '000s	32.22	8.37
- Purchased electricity	kWh in '000s	12.07	8.37
- Gasoline	kWh in '000s	20.15	-
Energy intensity ¹⁸	kWh in '000s/ m ³ of production volume	0.033	0.204

¹⁶ The energy consumption data of year 2016 are adjusted to reflect the actual situation.

¹⁷ Natural gas is based on BP statistical review conversion table. Gasoline and Diesel are based on EIA energy conversion calculator.

¹⁸ The intensity data of 2016 was not published in 2016 ESG report. It is reported in this Report for comparative purpose.

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Sunshine endeavours to demonstrate its commitment to the environment and community by reducing environmental impacts associated with energy use. We will work towards continuously improving energy performance while making significant achievements in this area.

Water

Water is an essential resource for SAGD operation in oil sands extraction. It is heated to generate steam for the extraction of bitumen from sand. Comparing to conventional mining operation, SAGD operation uses less water. The self-contained water treatment system in SAGD operation allows us to recycle water up to 97%. The water treatment system involves technology used to remove silica and reduce water hardness so that the water can be reused and pumped to the boiler again for steam production. Water that is not reused is typically disposed of through deep well injection.

The Group has obtained water licence for legal usage of fresh water according to Water Act in SAGD operation. However, due to the necessary use of water to create steam in the extraction process, a number of stakeholders concerns about fresh water consumption in the oil sand production. In addition, we are increasing production significantly this year. For the long-term sustainable use of water resource, we explore saline water sources. We anticipate utilising brackish water¹⁹ to reduce the demand for fresh water. Brackish water source will be identified through a Devonian drilling programme. The brackish water needs to be run through a clean-up process to remove particles and dissolved solids, making it acceptable as a water source for heating in the boiler. Apart from saline water sources, we also explore for the possibility of natural storm water as a water source. The surface storm water run-off will be collected in a storm water retention pond. The pond design will be based on EPEA. With alternative choices of water sources, we hope to reduce the fresh water consumption.

For office operation in Hong Kong, water supply is controlled by the building management company. Hence, water usage data is not available. Water usage in

¹⁹ *Brackish water is the water that has a higher salinity than fresh water, but not as high as seawater.*

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Hong Kong office is minimal. The water consumption of the Group during the reporting period is as follows:

Water	Unit	2017	2016
Water consumption	m ³	287,365.40	269,926.90
Water intensity ²⁰	m ³ /m ³ of production volume	2.66	33.24

THE ENVIRONMENT AND NATURAL RESOURCES

The Group understands that oil sands operations have potential negative impact on the environment. In particular, our operations can contribute towards the pollution of the air, land and water systems. To minimise the potential impact on the environment and natural resources, every application of oil sands project requires an environmental impact assessment to clearly identify the potential environmental impacts and formulate mitigation plans. The Group's "Environmental Guide Book" also lists out some of the general guidelines to mitigate the impacts on land, soil, vegetation, wildlife, spills, etc.

Land

Forestry clearance and well pad preparation are required for site preparation of our oil sands operations. These activities may affect the soil fertility and destroy the habitats of wildlife animals. A reclamation plan to restore the lands' capability back to the pre-development state is required when applying for the project in order to achieve a sustainable landscape. For in situ projects²¹, annual pre-disturbance assessment, conservation and reclamation plans must be submitted to the government for approval. We hence complied with all the applicable environmental laws and regulations at our production sites during the reporting period.

²⁰ The intensity data of 2016 was not published in 2016 ESG report. It is reported in this Report for comparative purpose.

²¹ In situ production methods apply heat to targeted reservoirs to decrease the viscosity of bitumen, which allows it to flow into wells and be pumped to the surface. In situ recovery methods create significantly less surface disturbance than mining operations and do not produce tailing ponds.

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Soil

Soil contamination by our projects could have significant impact on human health and ecosystem. Sunshine has commissioned a qualified third party to implement soil monitoring program at oil sands project sites. The objective of the soil monitoring program is to fulfil the requirements of EPEA. Soil samples were collected for baseline soils assessment so that a conservation and reclamation plan can be prepared to develop strategy for minimising the impact on environment. Apart from baseline soil assessment, operational soil monitoring program is also in place to screen any soil contamination and the associated adverse effects. For any detection of soil pollution, soil management program must be completed to remediate any adverse effects. For the construction of project, Sunshine has the responsibility to conserve topsoil, subsoil and 40cm-depth of shallow organic soils, and to ensure soil stockpiles are stable for vegetation.

Vegetation

Sunshine is committed to managing vegetation on all the infrastructure, including well pads and roads. For instance, all noxious and restricted weeds shall be cut, kept down and destroyed. Through good management of vegetation, an established vegetative cover can prevent wind and water erosion.

Wildlife

Our project site is near to the natural habitat of wildlife animals, for example, black bears and caribou. Our operation may cause disturbance to the wildlife. In order to reduce the disturbance caused on the nearby wildlife habitat, the Group has established internal control policy to maintain and restore the habitat, minimise mortality, facilitate movement and monitor the wildlife living environment. The Group fully complies with the applicable laws and regulations including the Canada Wildlife Act. Feeding of wildlife is strictly prohibited. All fuel and refined oils are stored properly to avoid contact by wildlife.

Spill management

The operation of the oil sands projects is subject to risks and hazards relating to spills. We clearly understand that spills would impose a serious consequence to the environment and natural resources, such as underground water, soil and ecosystem. Sunshine manages spills by classifying them into three categories, namely

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wastewater, unrefined products and refined products spills. To mitigate impact of each type of spills, the Group is in strict compliance with the relevant regulatory requirements, including EPEA for handling and clean-up of spills. Detailed guidelines and policies are in place for spill response steps and reporting. The reporting system allow the regulatory bodies and the corresponding stakeholders to be alerted for any spill incidents.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

Sunshine understands that it is the commitment, knowledge, skills and competence of our employees to drive the Group's business. The Group therefore has established "Human Resources Policy" to address key issues on equal opportunity and non-discrimination, recruitment, compensation and benefits, etc. regarding attracting, retaining and developing employees. Equal opportunity and non-discrimination are fundamental principles in the Group's human resources management. The Group does not make any distinction, exclusion or preference on the basis of age, race, colour, sex, religion, political opinion, nationality or social origin. All recruitment is done on the basis of merit, with strict adherence to laws and regulations, including Alberta Employment Standards Code and in conformance with the principles of the human resources management. In order to achieve internal equity, Sunshine maintains a grade structure which establishes a clear relationship between positions and classifies them into functional groups and grades.

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The total workforce (in number of staff) at the end of the reporting period by gender, age group, employment type and geographical location are as follows:

Employment	2017	2016
Total workforce	72	73
By gender		
- Male	55	59
- Female	17	14
By age group		
- 30 years old or below	12	10
- 31-40 years old	17	25
- 41-50 years old	18	13
- 51 years old or above	25	25
By employment type		
- Senior management	3	4
- Middle management	15	11
- General	31	46
- Contract or short term	23	12
By geographical location²²		
- Canada	65	70
- Hong Kong	7	3

²² The employment number by geographical location of year 2016 are adjusted to reflect the actual situation.

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The staff turnover rate²³ by gender, age group, geographical location during the reporting period are as follows:

Turnover Rate	2017	2016
By gender		
- Male	54%	38%
- Female	13%	31%
By age group		
- 30 years old or below	27%	40%
- 31-40 years old	59%	35%
- 41-50 years old	36%	40%
- 51 years old or above	48%	35%
By geographical region		
- Canada	49%	36%
- Hong Kong	0%	67%
Total	45%	37%

Human Resources Strategy

Sunshine is committed to a human resources strategy that fosters progressive thinking, new ideas and new approaches to develop oil sand resources safely and responsibly. We hire employees and retain service providers to support decisions, advance technology and continuously improve our business.

We have experienced development and/or production delays due to labour and services shortage for projects in Alberta in recent years. Our human resources strategy to create a sense of belonging and job satisfaction in workplace can help address this recruitment challenge for long-term employee retention. In addition, we organise various employment programs with the First Nations²⁴ groups, local and remote community schools, colleges and universities to attract talents.

²³ Turnover rate = Employee loss in the reporting period/Average number of employee (Employee loss in the reporting period excludes the loss of short-term/contract employee)

²⁴ First Nations are descendants of the original inhabitants of Canada who lived there for many thousands of years before explorers arrived from Europe.

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Human Rights

Sunshine respects the rights and freedom of employees. The Group is subject to and in strict compliance with Human Rights Act to prohibit any forms of discrimination on gender, age or physical disability. The Group has established “Discrimination, Harassment and Workplace Violence Policy” to ensure that our employees are kept free from discrimination and workplace violence. Discrimination, harassment and workplace violence are considered as unacceptable behaviors. Every employee has the responsibility to adhere to this policy. The Group will take disciplinary action to combat against any violation of the policy.

Besides, Sunshine is subject to Labour Relations Code in which employee is allowed to join a union and have the union enter into collective bargaining on behalf of all employees with the Group, while there is a very low unionisation rate in Alberta energy sector.

Compensation and benefits

Sunshine aims to maintain a fair, equitable and transparent compensation and benefits structure that attracts and retains employees with professional skills and qualifications, and provides necessary incentive and encouragement for outstanding performance. Sunshine provides compensation to employees that is comparable with the market trend and sustainable with the Group’s financial capability. Comprehensive benefit plan is offered to employees for harmonious and work-life balance culture. For example, the Group has partnered with KATA Chair Massage to provide bi-weekly massages to employees for relaxation. The group has also partnered with Calgary Psychology Group to offer psychological consulting services to employees for their mental health. Outstanding performance and effort of employees are recognised with annual employee service awards. There are also monthly employee lunches to enhance the communications among employees.

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HEALTH AND SAFETY

Safety is a fundamental value of Sunshine. We believe that all injuries, work-related illnesses and accidents can be prevented. We strive for the highest standards of safety and health performance. Our safety culture is based on prevention, hazard awareness, continuous improvement and compliance with careful development procedures. Comprehensive health and safety policies and procedures including “Hazard Assessment Standard”, “Incident Management Process” and “Emergency Equipment Placement” are in place. We fully comply with all the applicable laws and regulations, including Occupational Health and Safety Act, Occupational Health and Safety Regulation and Occupational Health and Safety Code.

At the operational level, safety trainings are arranged to all employees to understand the safety precautions and to increase awareness of emergency responses and procedures (see “Development and Training” for details). Apart from employees at operational level, the Group’s commitment to health and safety also extends to its contractors. We require our contractors to possess appropriate qualifications in the contracted tasks and in production safety. In addition, they are required to enter into production safety contracts with us by which they need to undertake all appropriate safety measures. The Group monitors the operational activities regularly to ensure the health and safety programs are implemented effectively and the operations are in compliance with our policies, practices and procedures.

All the above-mentioned preventative measures contribute to excellent safety record of the Group. During 2017, we have no work-related fatalities (2016: nil) and no lost days due to work injury (2016: nil). The Group will continue to emphasise improvements in the field safety monitoring program for preventing workplace injuries.

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DEVELOPMENT AND TRAINING

Sunshine considers the development of employees as a key contributor to the success of sustainable growth of the Group and recognises that changes take place in the work environment which necessitates continuous learning of employees. According to the “Staff Training and Development Policy”, Sunshine is committed to supporting staff development for all employees. A wide range of development methods, including formal training courses, seminars, e-learning, professional qualification training and on-the-job training are offered to employees. Trainings are particularly focused on safety precaution, knowledge and skills of operating in oil sands project sites, which are our primary concern. During 2017, the major training courses offered to employees included the following:

Training course title	Description
Site Orientation	For all employees and contractors who work at West Ells facility. The orientation lasted for 1 year.
Standard First Aid & CPR	For employees to learn for the skills in emergency first aid for injuries and illnesses.
Training in Workplace Hazardous Materials Information System	For employees who work with hazardous materials to be familiar with the hazardous classification.
Training in Transportation of Dangerous Goods (“TDG”)	For employees to understand the regulations governing the transportation of dangerous goods on Canadian roadways, classifications of dangerous goods, TDG symbols, etc.
H2S Alive	For employees who are exposed to hydrogen sulphide (“H ₂ S”) to increase awareness of H ₂ S hazards.
Training in Ground Disturbance	For employees who are involved in Ground Distribution to understand the safety precaution.
Training in Confined Space Entry/Confined Space Rescue	For employees who work in confined space to understand the entry and rescue procedures.
Training in Fall Protection	For employees to learn different forms of fall protection against falling accidents.
Training in Power Engineering (First/Second/Third Class)	For employees to prepare for working in a power plant.
Director Training	For directors to understand the duties and responsibilities, risk management and internal control, etc.

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Human Resources Department of the Group is responsible for developing a training plan in accordance with the Group's development objective and employees' needs. The plan is reviewed regularly with reference to employees' feedback to ensure continuous improvement. Training activities undertaken by employees are also reviewed and evaluated by feedback and departmental meetings. All employees have equal access to staff training and development opportunities. During the reporting period, the detailed breakdown of the percentage of employees trained, and the average training hours completed per employee by gender and employee category are as follows:

Percentage of employees trained ²⁵	2017	2016
By gender		
- Male	96%	75%
- Female	82%	50%
By employment category		
- Senior management	100%	75%
- Middle management	93%	100%
- General	90%	67%
- Contract or short term	96%	50%

Average training hours (in hours per employee) ²⁵	2017	2016
By gender		
- Male	194.03	44.19
- Female	44.47	15.64
By employment category		
- Senior management	81.17	82.00
- Middle management	116.77	58.45
- General	276.73	34.41
- Contract or short term	37.13	22.67

²⁵ The percentage of employees trained and average training hours data excluded those that has left the company during the reporting period.

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In 2017, the percentage of employees trained and average training hours were both higher than that in 2016. We had more production activities in 2017 than that in 2016. To operate in coordination with the development of the project, Sunshine provided more training activities for employees to increase their knowledge and skills in oil sands development and exploration.

LABOUR STANDARDS

Sunshine respects human rights and is committed to finding practical, meaningful and culturally appropriate solutions to the elimination of child and forced labour practices. The Group is in strict compliance with Employment Standards Code and Employment Standards Regulation. As stipulated in the “No Child Labour Policy” of the Group, the use of child labour and forced labour is strictly prohibited. The Group does not employ any person below the age of eighteen years old at the workplace and has zero tolerance towards the breach. No employee is forced to work against his/her will or work as forced labour. Employment contracts and other records, documenting all relevant personal details of the employees, are properly maintained and open for verification by any authorised personnel or relevant statutory bodies. Any cases of child or forced labour should be reported timely to functional heads. Our suppliers are expected to follow the same standard of labour practices when working with us.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

Sunshine works closely with suppliers who carry out their business with us in accordance with the applicable laws, rules and regulations. Suppliers are required to develop and enforce policies and practices that are consistent with the Group’s policies and requirements to reduce our risks associated with supply chain management. Our suppliers provide us with a wide range of goods and services, from office support to oil sands project operation. We recognise our suppliers as valuable stakeholders in the business operation to achieve quality excellence of products and good reputation of the Group. Below is the table which summarises the number of suppliers by geographical region:

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No. of suppliers by geographical region	2017	2016 ²⁶
North America	244	344
Asia	8	10

With environmental consideration in the supply chain management, the Group prefers choosing local suppliers. Over 90% of the goods and services are sourced locally. This can strengthen the control of environmental risks related to supply chain. Besides, the group is committed to sustainable supply chain. “Environmental Purchasing Policy” of the Group supports the purchase of recycled and environmentally preferred products from suppliers in order to minimise environmental impacts. Waste prevention, recycling, and use of recycled or recyclable materials are encouraged through lease agreement, contractual relationships and purchasing practices with suppliers and other business partners.

With a comprehensive supply chain management mechanism, we ensure fair dealing, impartial selection, transparency and communication with the suppliers. All suppliers are treated with fairness and respect. They are selected based on a list of criteria, such as technical specifications, quality, price, environmental and social impacts, etc. The Group compares the suppliers available in the market by the above-mentioned criteria and selects the ones that are the best for the Group. All suppliers must be evaluated on an annual basis to ensure their compliance with the environmental policies and procedures of the Group.

PRODUCT RESPONSIBILITY

Achieving and maintaining safe and high-quality standards of operation projects are important for the sustainable development of Sunshine. Bitumen and/or diluted bitumen (“dilbit”) are the products which we produce in the operation projects. The selling price of these products directly depends on product quality. Therefore, safe operations and quality control of products are indispensable to long-term success of the Group.

²⁶ The supplier data of year 2016 are adjusted to reflect the actual situation.

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Quality Management

The goal of the Group is to deliver maximum value and provide sustainable, predictable oil production growth. Quality is a crucial element to achieve this goal. The Group is committed to continuous effort to improve the product quality in the operation process. Ensuring the health and safety of employees in the operation process, establishing a sustainable supply chain management with contractors and suppliers and fulfilling our responsibility to the environment are our definitions of quality. With these clear definitions, a good quality management system is established to provide a framework for measuring and improving our product quality. The details are as below:

1. selection and monitoring of suppliers' performance against the criteria set;
2. training and development for our employees;
3. regular audit of our internal processes;
4. measurable quality objectives which reflect our business aims; and
5. management reviews of audit results.

Our internal quality management procedures are reviewed regularly and are documented in a quality control manual which is made available to all employees.

Quality assurance procedures for the bitumen and/or dilbit production involve several testings and measurements in different processes. In the plant, all the processed oil is measured by specific meters for parameters, including volume, density/API Gravity²⁷ and Basic sediment and water²⁸, to analyse the oil and water content before flowing into the tanks for sale. The meters are required to be calibrated annually to ensure the accuracy of measurement. Manual oil cuts are conducted

²⁷ API Gravity is a standard for measuring the density of petroleum and is suggested by American Petroleum Institute ("API"), which is the major United States trade association for the oil and natural gas industry.

²⁸ Basic sediment and water ("BS&W") is a technical specification of certain impurities in crude oil. When extracted from an oil reservoir, the crude oil will contain some amount of water and suspended solids from the reservoir formation.

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frequently to validate the oil and water content of the processed oil measured by the meters. The dilbit is measured by specific meters for the above-mentioned parameters again when loading to the truck and before leaving the plant. The meters are also required to be calibrated annually. At the unloading facility of the sales point, the dilbit is measured by Lease Automatic Custody Transfer (“LACT”) unit against the pipeline specification. This LACT unit system is recognised by the industry for automatic measurement of the volume and quality of crude oil and main petroleum products from production facilities to trucks, railcars, pipelines or storage tanks. Products that do not meet the specifications will need to get a discount rate based on the quality or will not be accepted at the loading facility.

Customer Data Protection

The Group takes customers privacy issues seriously. The Group fully complies with all applicable laws and regulations, including Data Protection Act. “Data Protection Policy” of the Group is established on collection, handling and storage of personal data. The Board of Directors is responsible for ensuring that the Group meets legal obligation on data protection. Personal data is managed by IT managers. IT managers are responsible for ensuring all systems, services and equipment used for storing data by Sunshine meet acceptable security standards. Regular checks and scans are performed to ensure security hardware and software is functioning properly. Data protection training is provided to all employees to help them understand their responsibilities when handling data.

Some key measures for customer data protection are implemented as follows:

- All servers and computers containing data should be protected by approved security software and a firewall.
- Data should be backed up frequently and tested regularly, which is in line with the Group’s standard backup procedures.
- Servers containing personal data should be sited in a secure location, away from general office space.

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ANTI-CORRUPTION

Sunshine is committed to conducting its business ethically and legally with the highest standards of openness, honesty and accountability. Unlawful or unethical behaviours including soliciting, accepting, or paying bribes or other illicit payments for any purpose are not tolerated in the Group's workforce. Situations where judgment might be influenced or appears to be influenced by improper considerations must be avoided. Payment or acceptance of any "kickbacks" from contractors or other external parties is prohibited. The relevant law which the Group is subject to and abides by is the Corruption of Foreign Public Officials Act. All staff must comply with the applicable laws and regulations. Our business partners and suppliers are expected to follow the same standard when conducting their business with us. Non-compliance could have serious ramifications. In 2017, no legal cases (2016: nil) regarding corrupt practices were brought against the Group or its employees.

The Group's "Whistle Blowing Policy" sets out a mechanism to enable and encourage employees to raise any concerns about malpractice. All cases reported to the Group are expeditiously and thoroughly investigated while the confidentiality is respected in order to protect individuals. Sunshine abstains from any improper intervention in political process and does not make contributions to political parties, committees or their representatives, unless permitted by law, and approved in advance by the senior management. Sunshine fully complies with all legal requirement for public disclosure.

COMMUNITY

COMMUNITY INVESTMENT

Sunshine is committed to social responsibility by promoting industry leading consultation and regulatory best practices throughout the life cycles of our projects. We hold and maintain excellent working relationships with all current regional stakeholders including indigenous groups such as First Nation in Athabasca region. While maintaining this reputation, Sunshine has been able to mitigate concerns and objections to developments in the Athabasca oil sands region. The "Aboriginal Stakeholders Engagement Process and Strategy" of the Group sets up a framework to manage the potential risks associated with our proposed and existing oil sands activities in order to mitigate the impacts on the indigenous groups. For example,

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prior to the launch of any project, we consult stakeholders, including members of the public, regulatory bodies and aboriginal communities who are, or may be, affected by the proposed exploration and/or development activities. We will seek to ensure that a transparent and respectful relationship is built and maintained with neighbours and stakeholders throughout the project region and encourage their input into the design of the project.

Sunshine is willing to seek out creative social investment opportunities in local communities which may be affected by our proposed operation to create a mutually beneficial and long-term value for the Company and the stakeholders. During the year, we performed 60 hours of volunteer work (2016: 60 hours) to aboriginal involvement and made monetary contribution of \$1,000,000 (2016: \$560,000) Canadian dollars to invest in different areas for the local community groups such as Fort McKay First Nation, Athabasca Chipewyan First Nation and Mikisew Cree First Nation. Below is a generalised table showing the monetary contribution to different areas:

Areas	Monetary contribution (Canadian dollar)
Education	\$40,000
Labour	\$700,000
Health	\$10,000
Culture	\$100,000
Sustainable development	\$150,000

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KPI B6.2	Number of products and service related complaints received and how they are dealt with	No complaints were received during the reporting period.	-
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	Intellectual property rights were not material to the Group’s operation.	-
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