



Zhonghua Gas Holdings Limited
中華燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)
08246.HK

2018
**ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT**



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2018

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT



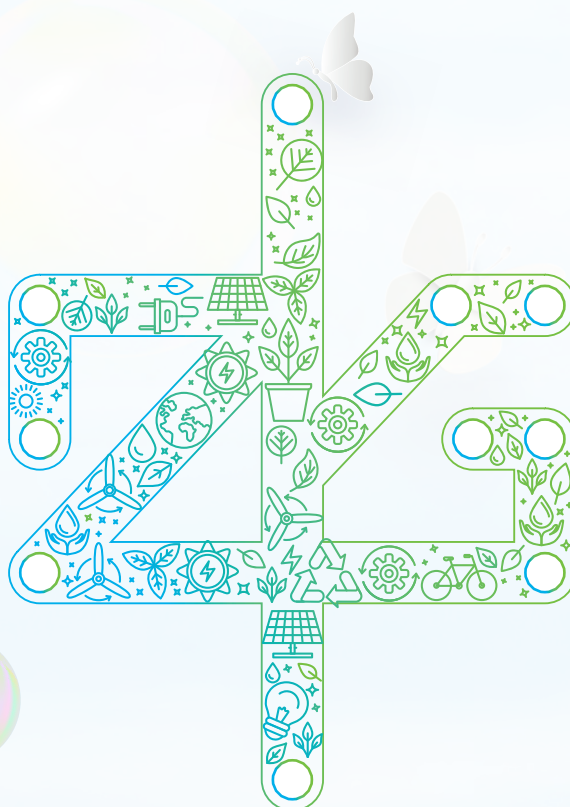
ABOUT THE GROUP

Zhonghua Gas Holdings Limited (the “Company”, together with its subsidiaries, collectively “Zhonghua Gas” or the “Group”) is principally engaged in new energy business, catering business and property investment. During the Year, the Company’s name was changed from “Northern New Energy Holdings Limited” to “Zhonghua Gas Holdings Limited” to reflect its determination of focusing on developing the new energy business and expanding the market footprint into the whole of the PRC and even the Greater China Region.

Zhonghua Gas started to expand the Company into the new energy business in the second half of 2015. The Group started from managing construction and engineering projects and gradually grew to provide technological development and consultancy services, engage in sale and purchase of new energy related industrial products, operate liquefied natural gas (LNG) stations as well as supply LNG. After our continuous efforts for three years, the Group successfully expanded its scope of services and earned the reputation as one of the leading integrated and diversifies New energy operators in Tianjin, the PRC.

In 2018, the Group continued to strengthen its business integration of the new energy business, and extended its business scopes to cover the supply of LNG through partnerships with various industry players and acquisitions. As for the catering business, the Group operated four restaurants in Shanghai, with one of them outsourced to and operated by an independent contractor. The Group also operated the non-staple food trading business, which the products produced are sold at the Group’s restaurants and other retail stores.

Looking forward to 2019, the Group sees potential in the LNG business, and therefore it has been aggressively developing the supply of LNG via engaging suitable LNG suppliers (including overseas suppliers) and means to transporting the LNG to storage facilities and delivering the LNG products. The Group actively explored cooperation opportunities, from undertaking engineering projects to providing comprehensive services related to supply of liquefied and gasified natural gas and provision of technical consultancy services. As for the catering business and property investment, the Group will continue to adopt prudent management policy and practices to maintain the stable development of the business.



ABOUT THIS REPORT

This report is the third¹ Environmental, Social and Governance (“ESG”) Report (the “Report”) issued by the Group, which contains the policies, measures and performance of the Group in respect of ESG to allow better understanding of each stakeholder on the sustainability and development directions of the Group. This Report is prepared in both English and Chinese and has been uploaded to the websites of the Stock Exchange and the Company (www.8246hk.com). In case of contradictions or inconsistencies between the English and the Chinese versions, the Chinese version shall prevail.

SCOPE OF REPORT

This Report covers the operations of the new energy business and the catering business of the Group during the financial year from 1 January 2018 to 31 December 2018 (“the Year”). Same as the report of last year, the Report covers the sustainability performance of the operations of our office of the new energy business in Tianjin and the operations of the catering business of the Pudong Restaurant, Shanghai² (collectively, “Each Operating Point”).

Although this Report does not cover some of the Group’s operations in Hong Kong and mainland China³, the Group plans to gradually expand the scope of the Report in the future.

REPORTING STANDARDS

This Report is prepared under the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix 20 to the GEM Listing Rules and Guidance of The Stock Exchange of Hong Kong Limited and is based on four reporting principles: Materiality, Quantitative, Balance and Consistency.

To provide our stakeholders with a comprehensive understanding of the ESG performance of the Group, this Report not only discloses the Environmental Key Performance Indicators (KPIs) pursuant to the “comply or explain” provisions, but also reports some of the Social KPIs specified in the “Recommended Disclosures” under the Guide.

DATA PREPARATION

The Group has developed a set of internal controls and formal review procedures to strive to ensure the accuracy and reliability of all information presented in this Report. Members of the Environmental, Social and Governance Committee are responsible for the formulation and disclosure of related measures and KPIs. This Report was approved by the board of directors and the ESG team on 18 March 2019.

FEEDBACK MECHANISM

Opinions and recommendations from stakeholders are beneficial for the Group to establish more detailed and sound sustainability strategies in the future. You are welcome to contact us by email at info@8246hk.com.

¹ The first and the second ESG Reports were issued in the former name of the Group, “Northern New Energy Holdings Limited”.

² Operated by Shanghai Lao Fang Zi Food and Beverage Co., Ltd., a subsidiary of the Group.

³ Include some of the operations of the Group in Shanghai and Tianjin, the PRC.

MESSAGE FROM THE MANAGEMENT

CARE ABOUT SOCIAL ENVIRONMENT ENHANCE GOVERNANCE PERFORMANCE

Zhonghua Gas continues to care for the sustainability of the society by ensuring a balance between human well-being, environmental protection and economic prosperity. Both energy and food supply are of fundamental importance to people's quality of life, but have different degrees of environmental and social impacts. To support the transformation of the society into a more sustainable one, each of the energy and catering business of the Group has formulated the "Environmental, Social and Governance Regulations" and the Employee Handbook for all of its staff to understand the approaches and commitments of the Group in terms of the environment and the society, as well as the responsibilities of each business unit.

Energy policies of the government and the general development pattern of the society bring opportunities to the Group's businesses. Meanwhile, with the increasingly stringent requirements of local regulation authorities for the Group's relevant businesses, we should be aware of the risks related to legal compliance and product liabilities. In the future, the Group will consider to incorporate risk management related to sustainable development issues into our internal risk control system so as to better evaluate and manage social and environmental risks. It also indicates that the board of directors (the "Board") highly values sustainable development.

The Board of the Group takes seriously the environmental and social impacts caused by our operations. Dedicated person(s) from Each Operating Point is/are assigned to coordinate matters related to ESG issues in order to ensure that each department clearly understands the Group's concepts of sustainable development and performs related management measures. The Group has set up an ESG team to enhance the effectiveness of our sustainable development efforts.

Communication with stakeholders is an integral part of improving sustainability reporting. To determine the key disclosure of this Report and ensure its materiality, the Group has engaged a sustainability consultant to communicate with stakeholders in order to understand their expectations and opinions. The Report also serves as an important channel of communication, which enables the Group to respond to its stakeholders in a targeted manner.

Zhonghua Gas adheres to its people-oriented philosophy of operation, regardless of the new energy or catering business. The Group will maintain a close contact with internal and external stakeholders and pay close attention to the trend and needs of the society while improving its sustainable development efforts. With the support from our staff, business partners and customers, Zhonghua Gas will continue to optimize its ESG performance by making contributions to the community and enhancing the quality of life of the regions where it operates.

The Board of
Zhonghua Gas Holdings Limited

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

The Board is responsible for overseeing the Group's policies, measures and performance in respect of sustainability issues, especially those related to environmental protection, employment, product liability and community investment.

RISK MANAGEMENT

The Group considers risk management as an essential component of its daily management procedures and good corporate governance. Systematic risk management practices ensure the achievement of the Group's strategic goals and a constant operation in the changing business environment. The Group has set up a framework for corporate risk management to maintain effective risk management.

The Board takes full responsibilities for the risk management and internal control system of the Group, and also the establishment of a clear framework for corporate risk management and risk management policies. With the assistance of the Audit Committee, whose authority has been delegated by the Board, the Board maintains constant monitoring of the risk management and internal control systems of the Group, and conducts review at least once a year as to its effectiveness. The management also reports to the Board and the Audit Committee regarding the risk exposure of the Group and its changes on a regular basis, and formulates relevant internal control measures to mitigate such risks.

The Group has set up an ESG team which is led by the management. The team is delegated by the Board to review and monitor our policies and practices in relation to sustainable development. It reports to the Board regularly and makes recommendations to improve performance.

COMMUNICATION WITH THE STAKEHOLDERS

A constant communication with our stakeholders serves a vital role in the sustainable development of Zhonghua Gas. Opinions from stakeholders would help us to identify the most important environmental and social issues, so that we can manage relevant risks and prepare for the upcoming opportunities.

STAKEHOLDERS OF THE GROUP



MAJOR METHODS OF COMMUNICATION WITH THE STAKEHOLDERS DURING THE YEAR

The Group constantly communicate with its internal and external key stakeholders through various channels including interviews, regular exchange meetings, direct mails and hotlines, which ensures they have opportunities to understand our development and operation approaches and the Group can hear their views and answer their questions.

MATERIAL SUSTAINABILITY ISSUES OF THE YEAR

During the Year, the Group has commissioned an independent consultancy to conduct interviews with the management so as to identify environmental and social issues of the Group. The Group has selected three out of the eleven environmental and social aspects under the Guide as the key issues to be addressed in this report.

Employment	Health and Safety	Supply Chain Management
<ul style="list-style-type: none"> Provide staff with a suitable environment for employment 	<ul style="list-style-type: none"> Provide a healthy and safe working environment 	<ul style="list-style-type: none"> Supervise and manage the supply chain (e.g.: suppliers from the downstream and contractors from the downstream)

Looking ahead, the Group will discuss other ways of communications, such as workshops and group discussions, to encourage more stakeholders to get involved and put forward their opinions, which will enable the Group to develop a better understanding of stakeholders' expectations for our policies and direction of sustainable development.

ZHONGHUA GAS AND ITS STAFF

Our staff play a crucial role for the sustainable development of Zhonghua Gas. Each Operating Point complies with the “Environmental, Social and Governance Regulations” (the “ESG Regulations”) to provide our staff with fair and reasonable remuneration packages, a safe and healthy working environment, continuous trainings as well as promotion and development opportunities, etc., and ensures the employment terms of the Group comply with relevant laws and regulations.

EMPLOYMENT

As a responsible and equal opportunity employer, the Group has clearly set out its employment terms, including salary, dismissal, recruitment, promotion, working hours, holidays and benefits, in the ESG Regulations and the Employee Handbook to protect the interests of employees and applicants. The Group complies with the requirements of laws in relation to minimum wages, overtime working, working on holidays and statutory welfare.

The Group endeavors to build up a working environment without harassment and discrimination while making sure all applicants are offered with equal employment opportunities. All staff and applicants are treated or employed equally, regardless of factors such as race, skin color, age, gender, sexual orientation, gender identity and expression, ethnicity or nationality, disabilities, pregnancy, religious belief, political affiliation, union membership, veteran status, protection of genetic information or marital status.

The Group spares no efforts to create a diversified working environment for its employees. We are drafting relevant policy descriptions and operational guidelines and plan to update the ESG Regulations in the coming year.

For a sound corporate governance and employment relationship, it is necessary for us to maintain close communications with our staff. We engage our staff in the formulation of the ESG Regulations by hearing their views. Meanwhile, when implementing relevant policies, we convey relevant information in respect of policies, expectations and performance to employees through various communication channels and collect feedback afterwards.

Total number of employees

74

Male to female staff ratio (male:female)

1.55:1

Staff turnover rate

47.3%

The staff turnover rate of the reporting period was high, which approximated to that of last year. Given the industry nature, the staff turnover rate of the catering business of the Group was high. Besides, the Group adjusted the employment structure of the new energy business due to strategic transformation, so as to ensure the alignment of its personnel with the business direction of the Group, and to further improve the automation ratio of the Group's operations. The management believes that appropriate staff adjustment enables the Group to maintain its competitiveness and enhance its ability to innovate and professionalism.

The Group complies with the relevant laws and regulations, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law on Protection of Women's Interests of the PRC (《中華人民共和國婦女權益保護法》) and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》). During the Year, no non-compliance in relation to employment was identified by the Group.

ZHONGHUA GAS AND ITS STAFF

HEALTH AND SAFETY

Health and safety are crucial to our business. To this end, the Group has included a guideline for health and safety in the ESG Regulations to guide Each Operating Point to comply with the relevant laws and regulations in order to improve the safety of our working environment.

New Energy Business

The new energy business mainly involves project planning and management and no position with high risks has been identified. The Group attaches great importance to fire safety at office level. Apart from implementing a total smoking ban within the office, adequate fire extinguishing appliances are equipped in compliance with relevant fire control regulations and monthly inspections by relevant authorities are also arranged.

Catering Business

Kitchens are regarded as a working environment with higher exposure to safety risks for catering business. As always, the Group provides appropriate protective equipment such as work suits, work shoes, gloves and caps for its employees with different positions. All of such protective equipment are inspected and replaced when appropriate. As catering business involves operation with naked flames, the Group has established the Management Regulation on Fire Control, which specifies operational guidelines for naked flames operation management and fire prevention emergency measures.

In the event of work-related injuries, relevant departments are required to conduct investigation into the incident, analyze reasons for the incident and recommend measures for improvement according to the Management Regulation on Work-related Injuries and Incidents of the Group. The Group will provide compensation for work-related injuries for verified cases, including reimbursement of corresponding medical expenses and subsidies as well as full wages for the period of medical treatment.

The Group complies with the relevant laws and regulations such as the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》) and the Fire Prevention Law of the PRC (《中華人民共和國消防法》). During the Year, no breach of the laws and regulations in relation to health and safety was identified by the Group.

ZHONGHUA GAS AND ITS STAFF

DEVELOPMENT AND TRAININGS

Seeking growth with employees is one of the missions of Zhonghua Gas. The Group values trainings of its employees, and encourages them to pursue career development and provides them with promotion opportunities. Policies in relation to employee development and trainings are set out in the ESG Regulations.



New Energy Business

The new energy business provides its newly recruited employees with job trainings, aiming to help them adapt to our working environment as soon as possible. As to employees engaging in technical or specialized work, the Group has stipulated in the ESG Regulations that employees engaging in technical or specialized work are required to receive targeted trainings before on board.

Catering Business

The Group has formulated the Training Management Regulation for its catering business, which sets out duties and responsibilities and training systems for each department. As a services business, our catering business integrates its training methods into the daily operations. For instance, employees are required to receive job trainings led by the respective business manager on a regular basis.

The Group has a regular performance appraisal system to arrange promotions, salary adjustments and work reallocation and provide suitable trainings according to the capabilities and performance of its employees. The Group will formulate training plans and budgets for training expenses, and provide employees with training allowance. During the Year, the Group distributed bonus to employees who have achieved outstanding performance in training evaluation as a reward.

LABOUR STANDARDS

The ESG Regulations prohibits the use of Child labour. The Group will verify identity documents and other age proof of applicants during the recruitment process. Anyone who does not fulfil the requirement will not be hired. The Group also prohibits the employment of forced labour in any form to ensure that employees are employed on a voluntary basis.

The Group complies with the relevant laws and regulations such as the Labour Law of the PRC (《中華人民共和國勞動法》) and the Law on Protection of Minors of the PRC (《中華人民共和國未成年人保護法》). During the Year, no breach of the laws and regulations in relation to child labour or forced labour was identified by the Group.

ZHONGHUA GAS AND OPERATION

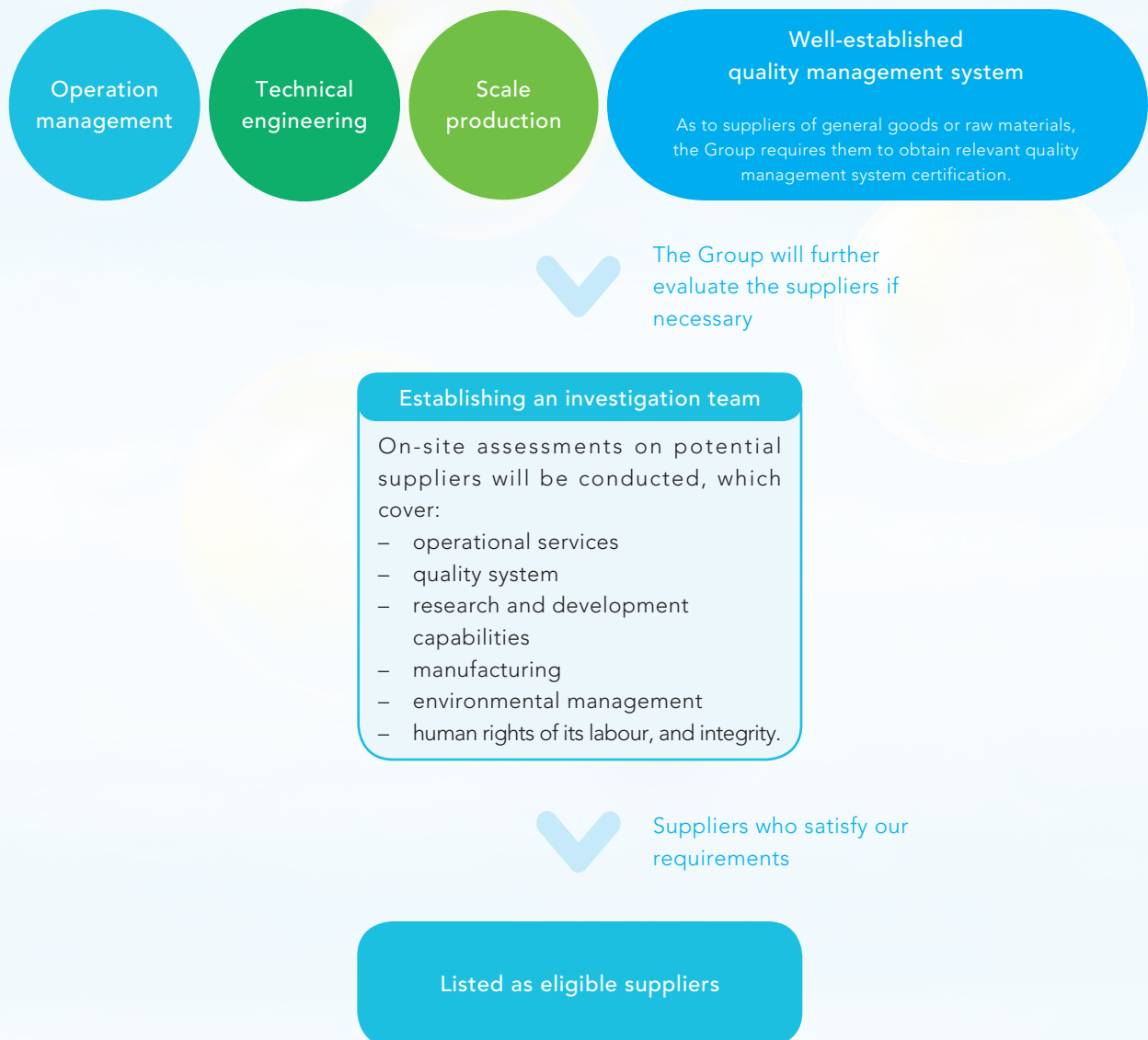
SUPPLY CHAIN MANAGEMENT

The Group maintains long-term and mutually beneficial collaborative partnerships with its suppliers, and explores different supply chain solutions from time to time in order to improve the efficiency of its operational procedures, product qualities and service standards. The ESG Regulations of the Group stipulates the supply chain management system which covers the requirements for supplier screening, evaluation, safety management and responsibilities.

New Energy Business

The daily operation of our new energy business requires equipment leasing service, labour service and consultation service provided by suppliers. The system that the business has set up for supplier management is as follow:

REQUIREMENTS AND PROCEDURES FOR SUPPLIER SCREENING



ZHONGHUA GAS AND OPERATION

MEASURES AND PROCESS FOR REVIEWING EXISTING SUPPLIERS

Quarterly performance assessment

Compare suppliers' performance in competitive aspects like quality, delivery schedule, service and price

Annual assessment on major suppliers

Review the procedures for handling abnormal products and verify the safety of production projects



As to the underperforming suppliers

Suppliers who satisfy our requirements

- Specify the objective and deadline for improvement
- Assign designated person(s) to review together with the suppliers and develop an improvement plan
- Provide appropriate assistance, guidance and education
- The Group has the right to terminate its cooperation with suppliers who fail to meet the requirements



Update the list of suppliers

REQUIREMENTS ON SAFETY MANAGEMENT PROCEDURES OF SUPPLIERS

General Operation

- Comply with local laws and regulations concerning occupational safety and hygiene
- Attend relevant trainings before commencing construction

High-risk Operation

- Take safety precautions and supervisory management in advance
- Be well aware of the relevant information on the safe constructions, such as the chemical management, hazards identification, emergency measures, evacuation procedures and fire control so as to minimize risks during operation.

ZHONGHUA GAS AND OPERATION

Catering Business

The ESG Regulations of the Group establish a set of codes on supply chain management for our catering business, with a view to mapping out and adjusting all aspects of the supply chain. The Group will assess suppliers' eligibility in the following aspects when purchasing:



Food hygiene and safety are top priorities for our catering business. The Group has established the Suppliers' Performance Assessment Committee to arrange quarterly and annual assessments and conduct on-site assessments on major suppliers to determine the performance of suppliers in terms of food safety by inspecting the product processing process. If any problems are found, the Group will provide suppliers with specific objectives and deadline for improvement. Suppliers are required to adopt an improvement plan to ensure they meet the requirements of the Group in terms of their quality of operation, services and materials. The Group has the right to terminate its subsequent cooperation with suppliers who fail to meet the requirements.

ZHONGHUA GAS AND OPERATION

PRODUCT RESPONSIBILITY

Quality Control

New Energy Business

The construction of energy equipment under the new energy business is outsourced to suppliers. From construction to completion, the Group requires construction entities to comply with the Group's Engineering Construction Management Procedures and Engineering Trial Management Procedures. After that, the Group will conduct inspection and arrange for acceptance according to the Construction Work Completion and Inspection Management Procedure of the Group, so as to ensure construction quality and safety standards satisfying the Group's requirements. A Construction Work Completion and Inspection Certificate will be issued to construction entities upon the satisfaction of the requirements. Construction entities are required to make ratification in accordance with the acceptance opinions if they fail to meet the requirements.

Catering Business

Ensuring food hygiene is the commitment of the Group's catering business to its customers. We have also prescribed food safety management policies at different levels in the ESG regulations, the key focuses of which are as follows:

Various Food Safety Management Policies in the ESG regulations

- the Food Purchase Certificate and Acceptance Management Regulation
- the Food Storage Management Regulation
- the Management Regulation for the Usage of Food Additives
- the Rough Processing Management System
- the Cooking and Processing Management Regulation
- the Noodles and Pastries Production Management Regulation
- the Regulation for Employees' Health Management
- the Training Regulation for Employees Awareness on Food Safety
- the Management Regulation of Cleaning and Sterilization of Food and Beverage Utensils
- the Regulation of Hygienic Management of Restaurants
- the Comprehensive Inspection and Management Regulation for Food Safety
- the Regulation for the Retained Food Sample Management
- the Regulation for the Food Safety Incident Prevention
- the Regulation for Food Equipment and Facilities Management

The Group has also established the following procedures for preventing food safety incidents:



In addition, the Group also arranges employees to attend trainings concerning food safety pursuant to the Food Safety Law, which cover personal hygiene and the clean and safety issue of tableware. Employees shall obtain a qualified result for the assessments before on board.

ZHONGHUA GAS AND OPERATION

Customer Feedback Management

Customers' feedback can help the Group to continuously improve its services and efficiency and maintain a good relationship with customers. The Group has multiple channels to receive complaints from customers, including letters, calls and on-site complaints. According to the process, the Group will investigate every complaint and reply customers with the results of the investigation. After consultation with customers, the Group will make rectifications, such as arranging product recall and training the employees who are responsible for the complaints. All the complaint cases shall be filed and stored. During the Year, the Group did not involve in any customer complaints and product recalls.

Protection of Customers' Privacy

The ESG Regulations of the Group require employees to safeguard the confidentiality of customers' privacy. Employees shall not disclose any data and documents of customers' information to third parties.

Protection of Intellectual Property Rights

The ESG Regulations also stipulate the requirements for the protection of intellectual property rights. All technologies and expertise shall be transferred in a way that protects intellectual property rights and those who are in breach of relevant laws and regulations will be held responsible for such non-compliance. Any suppliers who are found to infringe the intellectual property rights will be blacklisted and relevant cooperation will be terminated.

As the operations of the Group currently does not involve any plans for product advertising and labeling, no relevant policies have been developed. The Group complies with the relevant laws and regulations, such as the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and the Patent Law of the PRC (《中華人民共和國專利法》). During the Year, no breach of the regulations in relation to product liability was identified by the Group.

ANTI-CORRUPTION

Fair, ethical and compliant business and working environment provides a solid foundation for the healthy development of the Group. The Group prohibits acts such as bribery, extortion, fraud and money laundering. The ESG Regulations clearly state that the Group prohibits employees and suppliers from directly or indirectly committing, proposing, authorizing, offering or accepting anything of value to obtain or retain business.

The Group complies with the relevant laws and regulations, such as the Anti-Corruption and Anti-Bribery Law of the PRC (《中華人民共和國反貪污賄賂法》), the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and other applicable laws and regulations. During the Year, no breach of the laws and regulations in relation to corruption and no corruption-related litigation against the Group and its employees was identified by the Group.

ZHONGHUA GAS AND ENVIRONMENT

In view of the imminent problems such as environmental pollution, lack of resources and climate change, global commercial institutions and the general public have to confront the current challenges and work together to resolve such crisis. While developing the new energy business and expanding its market footprint, Zhonghua Gas also focuses on the environmental impact of its operations. To this end, the Group continues to implement the ESG Regulations to regulate the environmental operation control of Each Operation Point, and strives to reduce environmental pollution and make good use of resources.

EMISSIONS MANAGEMENT

Emissions of Air Pollutants

Air pollutants mainly come from the emission of burning fossil fuels. During the Year, the air pollutants generated by Zhonghua Gas are emitted from the use of fossil fuels by kitchen equipment in the catering business. Due to the decrease in usage of natural gas, the emissions of suspended particulates decreased by approximately 9% as compared to last year.

		Emissions (kg)	
Exhausted gas emissions	Category of emissions	2018	2017
	Suspended particulates	0.89	0.98

Greenhouse Gases Emissions

During the Year, the Group continued to commission an independent consultancy to carry out a carbon assessment in order to quantify the amount of greenhouse gas emitted (or "carbon emissions") by its operations. The quantification process was carried out in accordance with the guidelines issued by the National Development and Reform Commission of the PRC⁴ and with reference to international standards such as ISO14064-1 and the GHG Protocol.

During the Year, the greenhouse gas emissions of the Group amounted to 346 tonnes, which was basically the same as those of previous years. Such emissions were mainly arising from the electricity consumption, and accounted for approximately 82% of the total emissions. Detailed data on greenhouse gas emissions is set out on page 21. The measures to save electricity and improve energy efficiency of the Group are disclosed in the "USE OF RESOURCES".

Waste Disposal

Wastes generated from the Group's new energy business mainly include household wastes. Household wastes are collected and handled subsequently by eligible contractors. In order to reduce wastes, the Group continues to provide trainings of green office to employees and prepares a box for recycling papers at the office, so that the employees can reuse papers.

Wastes generated from the catering business mainly include household wastes and food wastes. General household wastes will be delivered and handled together by local government departments. For general household wastes, the Group continues to encourage employees to save papers, including less copying and printing. In addition, for food wastes, the Group has set up collection facility in all of its restaurants to separate and recycle used glass bottles, used papers and plastics wastes. The Group will also send them to recycling operators for recycling. During the Year, the amount of the Group's non-hazardous wastes decreased by 35% as compared to 2017.

⁴ Include Shanghai GHG Emission Accounting and Reporting Guide (Trial Edition) (《上海市溫室氣體排放核算與報告指南(試行)》) and Tianjin Carbon Emission Accounting Guide in Other Sectors (Trial Edition) (《天津市其他行業碳排放核算指南(試行)》).

ZHONGHUA GAS AND ENVIRONMENT

Wastewater Discharge

The wastewater discharge from the new energy business is household wastewater of our office, which undergoes purification treatment by sewage treatment factory via the municipal sewage network. Our catering business involves wastewater from the operation of kitchen. The Group has installed water purifiers in its restaurants to separate fats in the sewage, so as to ensure that wastewater meets the standards for industrial wastewater discharge.

The Group complies with the relevant laws and regulations, such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the PRC Law on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and the PRC Law on the Prevention and Control of Solid Wastes Pollution (《中華人民共和國固體廢物污染防治法》). During the Year, the Group is not aware of any non-compliant cases related to emissions.

USE OF RESOURCES

The Group attaches great importance to the reduction of unnecessary waste in the course of daily production and its work process, and actively implements its mission of green process, environmental protection and energy saving. Apart from the continued implementation of the resource-saving measures of the ESG Regulations for its catering business, the Group has also replaced water purification equipment and dishwashers to improve energy consumption and water consumption efficiency during the Year. During the Year, the energy consumption of the Group was 2,433.3 GJ equivalent, which decreased by approximately 4% as compared to last year. The intensity of energy was 0.97 GJ/m², which decreased by approximately 4% as compared to 2017. The energy consumption is mainly from the electricity consumption and the use of natural gas of kitchen equipment from the catering business in Shanghai.

During the Year, the Group continued to implement the measures of improving energy consumption efficiency in our office under the new energy business in Tianjin, including requiring employees to turn off electrical office equipment during lunch break so as to reduce electricity consumption, and to shut down air-conditioners in office areas without any person to reduce energy consumption. Besides, the catering business continued to focus on the "Green Hotel" objective and implemented energy-saving measures, including strengthening the daily maintenance of ventilation, refrigerating and heating facilities, and using monitoring system to inspect sealing condition of refrigerators and doors and windows on a regular basis to reduce unnecessary energy consumption.

Regarding water-saving measures, our employees of office in Tianjin will make use of the purchased drinking water to be disposed of for watering flowers and cleaning the office, and put up notice labels to encourage employees to reduce water consumption when washing hands. While encouraging our employees to reduce water consumption in the new energy business, the catering business also requires our colleagues to cherish the water. We set the quantity of water consumption for various operational procedures, including toilet flushing, water flow of the sink and water consumption of dishwashers, and maintained all facilities consuming water so as to achieve the standard of water consumption.

ZHONGHUA GAS AND ENVIRONMENT

ENVIRONMENT AND NATURAL RESOURCES

Zhonghua Gas complies with the ESG Regulations and related laws and regulations, and monitors the environmental performance of each business, and it currently has no material impact on the environment and natural resources. The new energy business is always urging suppliers to control and reduce the environmental impact caused by their operations. As the Group is planning to diversify its new energy business, it also allocates resources to identifying and controlling the environmental impact of related projects. As for the catering business, we continued to maintain the effective environmental management system and to actively consider the selection of green food and environmentally friendly products in the procurement procedures.

ZHONGHUA GAS AND COMMUNITY

Zhonghua Gas operates its business in a responsible way, and is committed to caring for and making contribution to the community where it operates, and creating value for the society and the environment. The Group is currently working on understanding the needs of the community where it operates to identify the key aspects for its contribution to the development of the community investment activities in the future, and plans to develop policies related to community investment in 2019.



SUMMARY OF ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS

SUMMARY OF ENVIRONMENTAL KEY PERFORMANCE INDICATORS

Environmental Key Performance Indicators	Data		Unit
The types of emissions and respective emissions data	2018	2017	
Nitrogen oxides	N/A	N/A	
Sulphur oxides	N/A	N/A	
Suspended Particulate	0.89	0.98	kg
Total greenhouse gas emissions⁵			
Scope 1	64.0	71.3	tonnes carbon dioxide equivalent
Scope 2	282.0	280.4	tonnes carbon dioxide equivalent
Total greenhouse gas emissions	346.0	351.7	tonnes carbon dioxide equivalent
Intensity of greenhouse gas (by area)	0.14	0.14	tonnes carbon dioxide equivalent/m ²
Intensity of greenhouse gas (by revenue)	1.23	1.30	tonnes carbon dioxide equivalent/RMB million
Total hazardous waste			
Total hazardous waste	0	0	
Intensity of hazardous waste	N/A	N/A	
Total non-hazardous waste			
Total non-hazardous waste	25.1	38.5	Tonne
Intensity of non-hazardous (by area)	0.010	0.015	Tonne/m ²
Total energy consumption			
Direct energy	1,152.2	1,270.6	GJ
Indirect energy ⁶	355.9	354.2	MWh
Total energy consumption	2,433.3	2,545.6	GJ
Intensity of Energy (by area)	0.97	1.01	GJ/m ²
Total water consumption			
Total water consumption	13,650	7,916 ⁷	m ³
Intensity of water consumption (by area)	5.42	9.90	m ³ /m ²
Total packaging material used for finished products			
Total packaging material	0	0	
Intensity of packaging material	N/A	N/A	

5 The quantification process of greenhouse gas emissions was carried out in accordance with the guidelines issued by the National Development and Reform Commission of the PRC, including Shanghai GHG Emission Accounting and Reporting Guide (Trial Edition) (《上海市溫室氣體排放核算與報告指南(試行)》) and Tianjin Carbon Emission Accounting Guide in Other Sectors (Trial Edition) (《天津市其他行業碳排放核算指南(試行)》), and with reference to international standards such as ISO14064-1 and the GHG Protocol.

6 Indirect energy in respect of the usages of heating and central AC for this year in our office under the new energy business in Tianjin are not included in the calculation for carbon valuation in the report of this year due to its unavailability. This data only covers the electricity consumption.

7 Only includes data of the catering business. Data of water consumption of office under the new energy business of the Group in Tianjin in 2017 is not available.

SUMMARY OF ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS

SUMMARY OF SOCIAL KEY PERFORMANCE INDICATORS

Employment	Location	Gender/ age	Aged below 30	Aged 30-40	Aged 41-50	Aged above 50
Number of employees	Tianjin	Male	7	2	2	2
		Female	1	10	0	1
	Shanghai	Male	0	32	0	0
		Female	0	17	0	0
Total number of employees	74					
Ratio of male to female (male:female)	1.55:1					

Employment	Location	Gender/ age	Aged below 30	Aged 30-40	Aged 41-50	Aged above 50
Number of new recruits	Tianjin	Male	8	2	1	0
		Female	1	6	0	1
	Shanghai	Male	0	20	0	0
		Female	0	4	0	0

SUMMARY OF ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS

Employment	Location	Gender/ age	Aged below 30	Aged 30-40	Aged 41-50	Aged above 50
Number of resigned employees	Tianjin	Male	2	2	3	0
		Female	0	2	2	0
	Shanghai	Male	0	20	0	0
		Female	0	4	0	0
Employee turnover rate	47.3%					

Health and safety		Fatality due to work-related accident	Work related injuries	Rate of work injury (per thousand employees)	Lost days due to work-related injuries	The number of absence days	Absence Rate
	Location						
	Tianjin	0	0	0%	0	0	0%
	Shanghai	0	0	0%	0	0	

Training ⁸	Gender	C-level senior management	Senior management	Middle management	General employees	Total number
Number of employees receiving training	Male	0	0	0	30	47
	Female	0	0	0	17	
Total training hours	Male	0	0	0	30	47
	Female	0	0	0	17	
Percentage of employees receiving training	63.5%					
Average training hours	0.6					

⁸ Only includes data of the catering business. Data of training for the office under the new energy business of the Group in Tianjin for the Year is not available.

SUMMARY OF ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS

Number of employees receiving regular performance and career development review	C-level senior management Senior management Middle management General employees					Total number
	Gender					
Total number of employees	Male	2	3	3	37	74
	Female	1	1	2	25	
Number of employees receiving regular performance and career development review ⁹	Male	0	1	3	28	49
	Female	1	0	2	14	
Percentage of employees receiving regular performance and career development review	Male	0%	33%	100%	76%	66%
	Female	100%	0%	100%	56%	

Supply chain	Number of suppliers implementing relevant practices		
	Location of suppliers	Number of suppliers	
	Tianjin	60	10
	Shanghai	10	10

Products recalled and customer complaints received	Number of products recalled	Number of customer complaints received
	0	0
	0	0

⁹ Only includes data of the catering business. Data of number of employees receiving regular performance and career development review for the office under the new energy business of the Group in Tianjin for the Year is not available.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Aspect	Description	Page Index/ Notes
A. Environment		
A1 Emissions		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.	17-18
A1.1	The types of emissions and respective emissions data.	17, 21
A1.2	Greenhouse gas emission in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	17, 21
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	21
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	21
A1.5	Description of measures to mitigate emissions and results achieved.	17-18
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	17
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other materials.	18
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	18, 21
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	21
A2.3	Description of energy use efficiency initiatives and results achieved.	18
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	18, No issue in sourcing water
A2.5	Total packing materials used for finished products (in tonnes) and, if applicable, with reference to per produced.	21

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Aspect	Description	Page Index/ Notes
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	19
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	19
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	9
B1.1	Total workforce by gender, employment type, age group, and geographical region.	9, 22
B1.2	Employee turnover rate by gender, age group and geographical region.	9, 23
GRI 401-1	Total number of new employee hires.	22
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impacts on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	10
B2.1	Number and rate of work-related fatalities.	23
B2.2	Lost days due to work injury.	23
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	10
GRI 403-2	Injuries rate (i.e. number of injuries per thousand employees).	23
	Absence rate.	23

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Aspect	Description	Page Index/ Notes
B3 Development and Training		
General Disclosure	Policy on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	11
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	11, 23
B3.2	The average training hours completed per employee by gender and employee category.	11, 23
GRI 404-3	Percentage of employees receiving regular performance and career development review.	11, 24
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	11
B4.1	Description of measures to review employment practices to avoid child and forced labour.	11
B5 Supply Chain Management		
General Disclosure	Polices on managing environment and social risks of the supply chain.	12-14
B5.1	Number of suppliers by geographical regions.	24
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they implemented and monitored.	12-24

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Aspect	Description	Page Index/ Notes
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	15-16
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	24
B6.2	Number of product and service related complaints received and how they are dealt with.	16, 24
B6.3	Description of practices relating to observing and protecting intellectual property rights.	16
B6.4	Description of quality assurance process and recall procedures.	15
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	16
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	16
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	16
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	20