



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

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

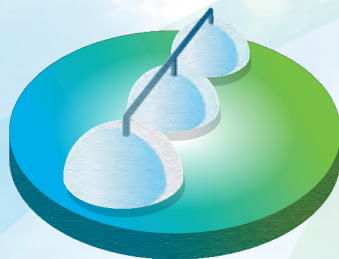
2019

**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**



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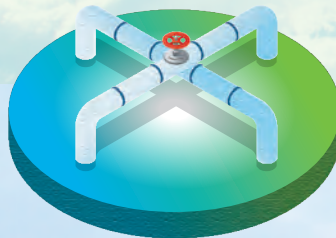
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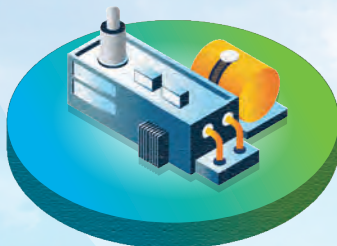
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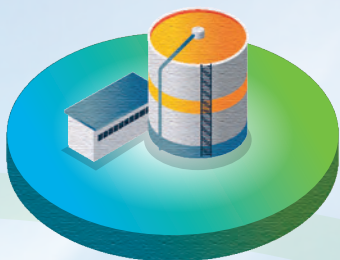
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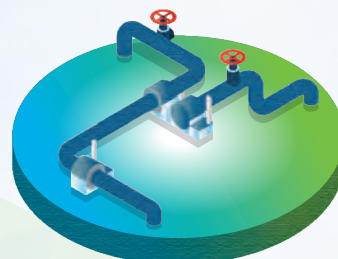


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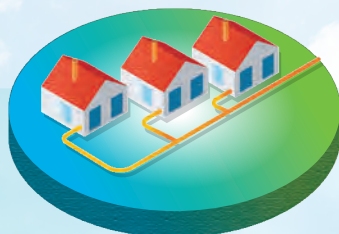
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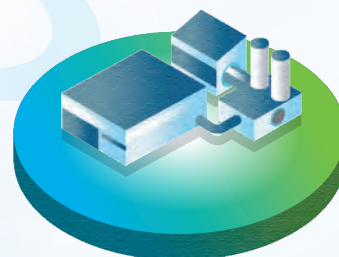
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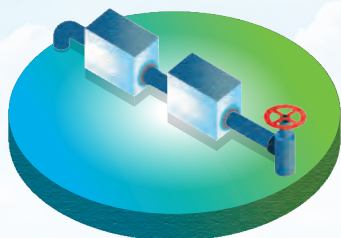
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ABOUT THE GROUP

Zhonghua Gas Holdings Limited (the “Company”, together with its subsidiaries, collectively “Zhonghua Gas” or the “Group”) is an investment holding company. The subsidiaries of the Company are principally engaged in new energy services (“New Energy Business”) and leasing of investment properties (“Property Investment”), in which New Energy Business accounted for 99.9% of the Group’s total revenues.

The Group provides diverse integrated new energy services including technological development, construction-related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of liquefied natural gas (“LNG”), coupled with trading of new energy related industrial products. The revenues of the Group are mainly derived from LNG supply, and construction-related and consultancy services, which accounted for 68.7% and 30.7% of the Group’s total revenues, respectively. During the Year, the Group successfully cooperated with Shanghai Jiulian Group, a wholly owned subsidiary of the Shanghai Shenergy Group. Both parties agreed to form a Joint Venture to secure the supply of LNG resources and develop the business into the high potential market in the Yangtze River Delta region. Meanwhile, the Group continued to maintain strong business relationships with Tractebel Engineering S.A. from France and Tianjin Jinre Heat Supply Group Co. Ltd.

ABOUT THE REPORT

This report is the fourth¹ 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 of the Group, which is the Group’s main source of revenues, during the financial year from 1 January 2019 to 31 December 2019 (“the Year”). Same as the report of last year, the Report of the Year continues to cover the operations of our office in Tianjin² (collectively, “Tianjin Office”). As the Group has disposed of the entire catering business in the Year, the Report of the Year excludes the sustainability performance of the catering business.

During the Year, the Group has disposed of its entire catering business for provision of new working capital for the New Energy Business, so as to bring continuous growth to the Group’s businesses.

Looking forward, the Group will expand its New Energy Business in a going concern. Apart from Tianjin, we will also strive to expand into other areas of the PRC. In order to provide diversified offerings, the Group will actively seek domestic and overseas LNG suppliers. We also planned to establish new joint ventures and carry out merger and acquisition to strengthen the LNG supply during the heating period and enhance our capacity so as to meet the requirements for future business development.

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. 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.

During the course of preparation, the Group prepared this Report based on four reporting principles: Materiality, Quantitative, Balance and Consistency. For details, please refer to the table below.

- 1 The first and the second ESG Reports were issued in the former name of the Group, “Northern New Energy Holdings Limited”.
- 2 A Tianjin Office (the “LNG Office”) was added in the Year.



ABOUT THE REPORT

Principles	Response of the Group
Materiality	The management of the Group identified and reported the prevailing material issues of the environment and society after consideration of factors such as the impact of ESG-related issues on the Group and different stakeholders as well as business nature of the Group.
Quantitative	The source of the KPIs of the Group's social segment is partly derived from the statistics of relevant departments. In addition, the Group recorded, measured and disclosed information in a quantitative manner where practicable and provide comparative data as appropriate. The Group has commissioned Carbon Care Asia, a sustainability consultant, to conduct a carbon assessment under the guidance issued by the National Development and Reform Commission of the People's Republic of China and with reference to international standards such as ISO 14064-1 and the Greenhouse Gas Protocol.
Balance	This Report disclosed information in an objective manner to ensure the overall performance of the Group is reasonably reflected so as to assist report readers in decision making or judgement.
Consistency	The Group used consistent methodologies to allow for meaningful comparisons of ESG data in the future.

DATA PREPARATION

The Group has developed a set of internal controls and formal review procedures to ensure the accuracy and reliability of all information presented in this Report. The Group confirmed that all the information disclosed in this Report is collected from the Group's official documents, statistical data, and other management and operation information. This Report was reviewed and approved by the board of directors (the "Board") on 30 March 2020.

FEEDBACK MECHANISM

Opinions and recommendations from stakeholders are beneficial for the Group to establish more detailed and sound sustainability strategies in the future. If you have any questions or suggestions to the content or form of reporting to this Report, you are welcome to contact us by email at info@8246hk.com.

MESSAGE FROM THE MANAGEMENT

Climate change has a profound impact on various industries, and many corporations continue to make preparations in response to foreseeable changes. To this end, Zhonghua Gas continues to cooperate with the current sustainability consultant during the Year with a view to embark on a path towards sustainability for its businesses and reduce ESG risks and threats.

The Board and the staff have recognised the importance of sustainable development, and have set a clear direction for comprehensive sustainability policies to be formulated in the coming year as guidance for the operations of various departments. In addition, in response to the amended Guide released by the Stock Exchange last December, we plan to strengthen the engagement of the Board in ESG matters, which would also further improve our ESG governance.

Internally, we would also use our best endeavours to encourage our staff to participate actively in the preparation of ESG reports and implementation of policies, while we plan to allocate more resources to the ESG team for more effective coordination

of the relevant work. The ESG team will regularly report to the Board to strengthen internal communication and transparency of management. With a view to cooperate with the staff more effectively in promoting sustainability, we are considering to provide relevant training for the staff to assist them in learning more about sustainable development issues and allow us to understand their views and suggestions.

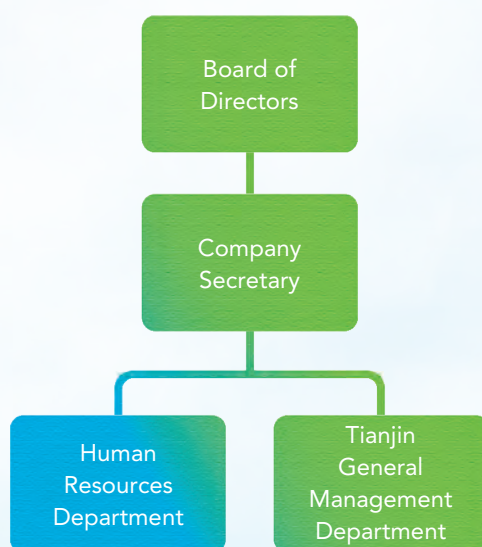
Looking forward, the Group will expand the communication channels for various stakeholders, understand their expectations and needs, timely identify environmental and social risks, and establish and implement risk mitigation measures. Meanwhile, the Group will continue to refine its "Environmental, Social and Governance Regulations" and relevant systems to further improve its performance in sustainable development, creating long-term value for the shareholders and the society.

The Board of Zhonghua Gas Holdings Limited

ENVIRONMENT, SOCIAL AND GOVERNANCE

The Board of the Group maintains a high standard of corporate governance, with the belief that good corporate governance measures will effectively guide the Group to establish and achieve long-term strategies and objectives. The Board currently comprises seven Directors, who are responsible for monitoring the relevant policies, measures and performance of the Group in sustainable development issues, to capture opportunities and mitigate risks brought about by sustainable development. The Group will establish an ESG team chaired by a member of the management, who will be responsible for implementing policies and measures relating to sustainable development, and report and make recommendations to the Board.

STRUCTURE OF ENVIRONMENT, SOCIAL AND GOVERNANCE TEAM



RISK MANAGEMENT

Risk management is an essential component of good corporate governance and daily management procedures. The Group has established risk management and internal control systems to identify, assess, manage and monitor risks and their changes, and the Board is responsible for overseeing the effectiveness of the systems. The Group also has an Audit Committee which continuously monitors the risk management and

internal control systems of the Group, and reviews the effectiveness of the systems at least annually. The audit report will be submitted to the Board for formulating internal control measures to mitigate risks. The Group strengthens the knowledge of each functional department in risk management by means of regular seminars, to allow all staff to understand and timely report risks, thereby strengthening the risk management capability of the Group.



ENVIRONMENT, SOCIAL AND GOVERNANCE

Environmental and social risks	Description of risks	Internal control measures	Changes in risks
Human resources	If the Group fails to recruit sufficient key personnel, such as management personnel, project engineers, etc., the normal operations or quality or the development of the Group may be affected.	<ul style="list-style-type: none"> Maintaining a healthy and positive working environment Regularly reviewing employee benefits Conducting manpower planning to replenish sufficient staff as soon as possible 	Decrease
Health and safety	The Company's operations involve LNG. Improper operation may cause safety accidents as well as serious property damage or personal injuries.	<ul style="list-style-type: none"> The Group's operations and on-site work strictly comply with the national regulations on hazardous chemicals and the relevant operational practices of the Group Strengthening the maintenance and management of equipment and facilities, enhancing the management level of equipment, and ensuring equipment availability. Employing qualified professionals and improving safety awareness among employees through trainings Timely warning of abnormal conditions through the self-control monitoring system to ensure a 100% monitoring rate of important production operations Compiling the Contingency Plan, and continuously improving the team's business capabilities at all levels, such as dispatching operations, on-site work, line patrol, repair and maintenance 	No change
Environmental protection	If the Group fails to comply with the regulations and policies issued by the PRC's local environmental protection bureau and other regulatory authorities, the environmental protection bureau may shut down relevant illegal businesses until the completion of rectifications, and may impose administrative penalties. The Group is required to pay the corresponding taxes based on its taxable pollutants, waste and noise. If the Group does not have corresponding energy conservation and emission reduction measures in place, the Group may be subject to a higher environmental protection tax.	<ul style="list-style-type: none"> The Group complies with the regulations and policies of local regulatory authorities and conducts internal inspections from time to time to reduce the possibility of violating regulations and policies Establishing environmental protection practices on a project-by-project basis, which are organised by the management and complied by all employees; and establishing environmental key performance indicators for each project, which are achieved by those involved in the project 	No change
Supply chain	<p>In case the suppliers or contractors fail to complete their work or provide products or services with good quality, the customers' satisfaction with the Group may be dampened or extra costs may be incurred to complete the relevant work.</p> <p>In winter, insufficient natural gas supply due to the surge in demand may affect the provision of services such as coal to gas conversion projects, gas supply and heating.</p>	<ul style="list-style-type: none"> In choosing suppliers and contractors, stringent assessment will be conducted Terms of outsourcing contracts will be reviewed by project managers and legal professionals to ensure that responsibilities of each party are clearly defined The person-in-charge of projects will often conduct on-site inspection to examine the quality and performance of suppliers and contractors in order to ensure that their products and services meet the requirements of the Group Looking for a number of stable LNG suppliers to avoid a single supplier monopolizing the supply chain of the Group Making reasonable predictions on future sales volume, reserving LNG in advance according to the expected sales volume, and stocking up in low-price seasons to cope with sudden price and supply fluctuations 	Increase

In future, the Group will review the risk management and internal control systems and consider to include more risk factors relating to sustainable development to ensure that relevant risks are identified and response plans are determined in a timely manner.

COMMUNICATION WITH THE STAKEHOLDERS

The Group pays attention to the opinions of stakeholders and constantly communicates with its internal and external key stakeholders through different channels including interviews, regular exchange meetings, direct mails and hotlines, which helps the Group continue to improve its management policy and performance. Our stakeholders include groups and individuals who have a significant impact on our business or may be affected by the business, including but not limited to directors, employees, shareholders, investors, business partners, customers and community groups.

Staff	Customers	Business Partners	Community
<ul style="list-style-type: none"> Delivering information about employment terms to staff through the Employee Handbook and encourage staff to express their views to the Group 	<ul style="list-style-type: none"> Setting up channels for collecting opinions and handling mechanisms to ensure that customers' comments and complaints are properly handled 	<ul style="list-style-type: none"> Conducting supplier visits and listen to reports by their supervision team to ensure their sustainability performance 	<ul style="list-style-type: none"> Carrying out community donation activities to benefit those in need

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 ENVIRONMENTAL AND SOCIAL 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 based on the importance of business operations to the Group.

Material Environmental And Social Issues	Importance of the Issue to the Group	How the Group Manages
Employment	The operation of the Group relies on professionals from different disciplines to ensure normal operation and product quality.	The Group provides employees with a good working environment, regularly reviews employee benefits, and recruits various types of talents as needed.
Health and Safety	The operation of the Group involves LNG, and our staff is required to follow the operating guidelines to ensure their operational safety.	The Group has formulated relevant operating procedures in accordance with national laws and regulations, and established effective operation and maintenance management as well as monitoring systems to ensure production safety. At the same time, the Group also provides training for employees to raise their safety awareness. The Group has made relevant contingency plans to reduce employee casualties and property damage in case of accidents.
Supply Chain Management	The quality of our products is directly related to the quality of services and raw materials of the suppliers. The Group needs to ensure that the relevant products meet the requirements. At the same time, the supply of natural gas may result in insufficient supply in the winter due to the significant increase in demand, which will also directly affect the services of the Group.	The Group has established a supplier evaluation process, and set out clearly defined terms in supplier contracts. The Group's project officers in charge also regularly inspects the quality of suppliers' products to ensure the quality of their products and services. At the same time, the Group is also looking for multiple LNG suppliers to ensure stability of the supply chain, make reasonable forecasts of future sales, and reserve LNG in advance.

Stakeholder participation assists the Group in identifying risks and opportunities in different aspects of environment, society and governance, and allows the Group to formulate better management policies and measures. In the future, the Group will continue to strengthen its interaction with stakeholders, develop more diversified channels (such as group discussions), and further understand the opinions of stakeholders as the basis for future strategy formulation.



ZHONGHUA GAS AND ITS STAFF

The Group endeavors to build up a healthy, safe and fair working environment to support staff development and ensure protection of their basic labour rights. The Group has included its commitment in the “Environmental, Social and Governance Regulations” (the “ESG Regulations”) to provide guidelines to operation points in order to improve our employment system and ensure compliance with labour laws and regulations of the society.

EMPLOYMENT

The Group has set out its employment terms, including salary, dismissal, recruitment, promotion, working hours, holidays, benefits, anti-discrimination and equal opportunity, in the ESG Regulations and the Employee Handbook to allow the employees to understand their interests and responsibilities. The Group emphasizes participation from employees. It invites employees to participate in the formulation of the ESG Regulations, and delivers information such as policy content, expectations and performance to employees through various channels after implementation of the policy is implemented, and collects their feedback.

Employment System		
Salary and dismissal	Recruitment	Working hours and holidays
The Group signs employment contracts with the employed staff, which specify the terms of employment, including salary, probationary period, and arrangements for termination of employment contracts.	The Group employs staff according to the terms in the Employee Handbook. The maximum probationary period for all newly recruited employees is three months. Upon completion of the probationary period and successful evaluation, the employees would become permanent employees.	The Employee Handbook lists the working days and schedules of employees. Except for statutory holidays, all employees are entitled to marriage leave and bereavement leave.
Benefits and welfare	Promotion	Labour standards
In order to enhance employees' sense of belonging and to retain talents, other benefits provided by the Group include lunch allowance and (after becoming permanent employees upon completion of the probationary period) medical insurance and basic pension insurance. The Group also grants quarterly bonuses to employees based on its performance and profits.	<p>When promoting employees, the Group takes into account of their dedication, professional ability, work performance, team spirit, behavior and conduct and cultural ethics.</p> <p>After evaluation and assessment interview, employees can be promoted subject to the situation.</p>	The ESG Regulations prohibit 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.

ZHONGHUA GAS AND ITS STAFF

Employment System		
Anti-discrimination	Equal opportunity	Diversity
The Group will not provide different benefits because of the employee's or applicant's race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or nationality, disability, pregnancy, religious belief, political position, labour union participation, military service status, protection of genetic information or marriage status, which will not affect their employment opportunities. In addition, the Group provides reasonable facilities for workers' religious activities.	During the recruitment process, except for jobs or positions that are not suitable for women as stipulated by the state, gender must not be a reason to reject the employment of women or to raise the recruitment requirements for women.	The Board Diversity Policy sets out the policy of board diversity. The Group will continue to explore solutions to promote workforce diversity and plans to add relevant systems to the ESG Regulations.
Total number of employees	Male to female staff ratio (male: female)	Staff turnover rate
26	1.36:1	15%

During the Year, the Group has 26 employees in the Tianjin Office, including 5 senior management members and 21 general employees, and the male to female staff ratio is 1.36:1.

HEALTH AND SAFETY

The Group is concerned about the safety and health management of employees. The ESG Regulations has set out codes to ensure the health and safety of employees, stipulating that a safe and healthy working environment must be built to reduce the risk of work-related injuries and diseases. In respect of the Tianjin Office operation, there is no position involving high safety risks. The Group implements a series of management measures which are mainly applicable to offices:

Occupational safety and health and fire safety	<ul style="list-style-type: none"> • Air purifiers are installed in offices to improve air quality • Setting up safety operation specifications as well as equipment operation and maintenance management at LNG Office • Establishing a control system and its early warning system as well as the Contingency Plan • Being equipped with appropriate fire extinguishing equipment according to the relevant fire regulations, and arrange relevant departments to conduct monthly inspections • During the outbreak of COVID-19, implementing a rotation work system, flexible working hours and lunch time, and provision of cleaning and disinfection supplies to reduce the chance of cross-infection among staff
Medical protection	<ul style="list-style-type: none"> • The Group provides medical insurance to provide employees with basic medical protection
Occupational safety and health training	<ul style="list-style-type: none"> • Providing employees with safety training on the use of fire water cannons to enhance their knowledge of fire safety



ZHONGHUA GAS AND ITS STAFF

DEVELOPMENT AND TRAININGS

In order to establish a good training and learning environment, the Group allocates resources to assist employees to pursue continuous development at different stages of their careers. The Group has set out policies related to employee development and training in the ESG Regulations and Employee Handbook.

Percentage of employees trained	Average training hours for each employee
31%	11.5 hours

The Group provides learning and training courses for employees. The Human Resources Department arranges induction training for new employees; department managers provide training for their positions; while employees will receive appropriate on-the-job professional skill training. In addition, employees engaged in technical work and special work must receive training before taking up their posts. The Group also encourages employees to participate in external training. During the Year, we also arranged for employees to participate in trainings organised by the Tianjin Municipal Human Resources and Social Security Bureau to keep abreast of the latest social security policies and handling procedures.

The Group has a regular performance appraisal system in place and provides employees with outstanding performance with development and promotion opportunities based on the results of performance assessment.

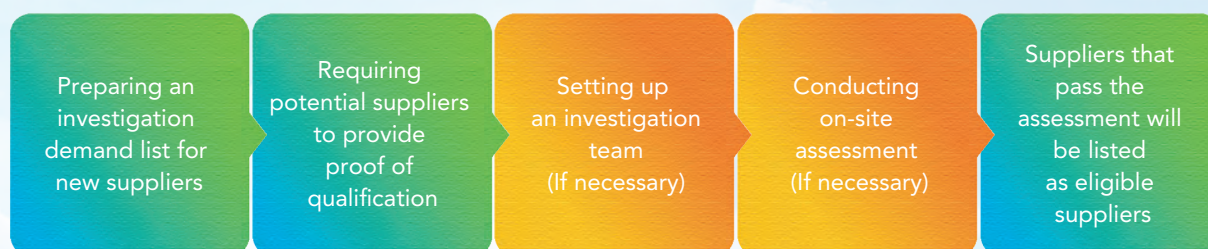
ZHONGHUA GAS AND OPERATION

The Group adheres to business integrity and abides by business ethics. This commitment applies not only to business operations, but also to our suppliers and business partners. To this end, the Group has formulated various codes of conduct in the ESG Regulations, and is committed to ensuring a high level of corporate ethics in operations, while maintaining a fair and just market environment.

SUPPLY CHAIN MANAGEMENT

The Group is committed to working hand-in-hand with suppliers to enhance the environmental and social performance of both parties. The suppliers mainly provide equipment leasing, labour and consultancy services to the Group. The Group has established a supply chain management system in the ESG Regulations to incorporate environmental and social responsibility-related factors in processes such as screening of new suppliers, assessment of existing suppliers and constant communications to reduce supply chain related risks.

New supplier screening



ZHONGHUA GAS AND OPERATION

During evaluation of new suppliers, the Group would not only consider operation management, technical engineering and production capacity, but also attaches importance to having a sound quality management system, such as requiring general goods or raw material suppliers to obtain relevant international quality management system certification. If necessary, the Group will set up an investigation team to conduct on-site assessment of the potential suppliers. The investigation team is composed of supervisors from different operating departments, including the Engineering, Finance and General Management Departments. The evaluation covers the operational services, quality systems, research and development capabilities, manufacturing, environmental management, human rights of its labour, and integrity of the potential suppliers. Suppliers that pass the assessment will be included in the Group's list of eligible suppliers.

Reviewing Existing Suppliers



The Group conducts quarterly performance assessment of suppliers in cooperation with suppliers, evaluates the performance of suppliers in terms of quality, delivery schedule, service and price competitiveness, and updates the list of suppliers based on the evaluation results. For key suppliers, the Group conducts annual inspections to review the procedures for handling abnormal products and verify the safety of production projects. If it is found that the suppliers fail to meet the assessment standards and the requirements of the ESG Regulations, the Group will work together with them to improve their performance, and the relevant suppliers must also develop an improvement plan. If a supplier fails to comply with the ESG Regulations and fails to formulate or implement improvement measures as planned, the Group has the right to terminate its cooperative relationship.

Supplier Safety Management

The Group is concerned about the safety management procedures of suppliers. In order to ensure the safety of their employees, the Group requires suppliers to receive safety and health education and training before commencing construction. Suppliers also need to conduct safety protection and supervisory management for high-risk operations in advance.

Identified High-risk Operation	Corresponding Measures
The employees of suppliers are required to handle the supply in accordance with relevant safety management procedures at LNG Office. Improper operation may cause safety accidents and employee casualties.	<p>The relevant safety measures should be clearly known and implemented, such as:</p> <ul style="list-style-type: none"> • Proper management of chemicals • Hazard identification • Emergency measures • Evacuation procedures • Providing employees with safety training



ZHONGHUA GAS AND OPERATION

PRODUCT RESPONSIBILITY

The construction of the Group's energy equipment is outsourced to suppliers, so the quality of its products and services largely depends on the performance of outsourced suppliers. The Group has established a number of process documents to regulate the responsibilities of both parties, ensure that products and services comply with regulations and industry standards, and protect the rights and interests of customers.

Project Quality Management

The Group has formulated the Engineering Construction Management Procedures to check the construction quality with construction entities. If problems are found, the construction entities will be required to make rectifications in time to ensure that the construction work is carried out according to schedule. When the key construction work is completed, the construction entities and the project teams of the Group must also carry out project inspection to ensure the quality of the construction work. According to the requirements of the Construction Work Completion and Inspection Management Procedures, after completion of the project, the construction entities must first complete self-inspection, and then the Group and customer representatives will jointly conduct inspection, which includes on-site measurement and engineering data inspection.

After completion of projects and transferring to customers, the project teams of the Group will follow up operation of the equipment according to the Engineering Trial Management Procedures. The Group also provides support to customers, including providing personnel training and equipment maintenance recommendations.

Customer Feedback Management

The Group attaches great importance to the suggestions and opinions put forward by customers and keeps making improvement. Customers can make complaint to the Group by means of letters, phone calls or in person. After investigation of the complaint cases, the Group will reply customers with the results of the investigation and consult customers about rectifications, such as arranging product recall and training the employees who are responsible for the complaints. During the Year, the Group did not involve in any product recalls and customer complaints.

Customer's Data and Protection of Intellectual Property Rights

In order to properly handle customers' personal data, the ESG Regulations of the Group require employees and suppliers to protect the data of customers and consumers, and not to disclose without authorisation. Regarding protection of intellectual property rights, the relevant requirements of the ESG Regulations stipulate that all technologies and expertise shall be transferred in a way that protects intellectual property rights.

ANTI-CORRUPTION

In order to maintain a fair, ethical and efficient business and working environment, the Group clearly sets out its commitment to prohibit acts such as bribery, extortion, fraud and money laundering in the ESG Regulations. The Employee Handbook also clarifies the code of conduct that must be followed by employees.

The Group prohibits employees from directly or indirectly committing, proposing, authorising, offering or accepting anything of value to obtain or retain business. The Group has formulated rules in relation to the entertainment for business purposes, in which a prescribed average spending limit per person has been stipulated.

Externally, the Group requires suppliers to formulate anti-corruption policies. Suppliers shall enhance the transparency of their business activities and accurately reflect them in the suppliers' business books of accounts and records. The Group and suppliers should conduct due diligence before selecting contractors or third parties to ensure that they comply with the requirements of the code under the ESG Regulations and the laws and regulations in respect of anti-corruption.

During the Reporting Period, no corruption-related litigation against the Group and its employees was identified by the Group.

FAIR COMPETITION

The Group is committed to promoting fair competition, promoting the sustainable development of the industry and benefiting customers. As stated in the ESG Regulations, the Group is committed to maintain fair and open standards for business, advertising and competition. Employees shall not conduct any transactions with suppliers who have conflicts of interest.

ZHONGHUA GAS AND ENVIRONMENT

Environmental sustainability is the key concern of the Group in fulfilling its corporate social responsibility. The ESG Regulations formulated by the Group cover emissions management and the policy of use of resources, and clarify the commitment to reduce the impact on the environment and natural resources.

EMISSIONS MANAGEMENT

Air Emissions

Air emissions mainly come from the emission of burning fossil fuels. During the Year, the air pollutants generated from Zhonghua Gas are emitted from gasoline consumption by vehicles from the Tianjin Office.

Exhausted gas emissions	Emissions (kg)	
Category of emissions	2019 ³	2018 ⁴
Nitrogen oxides	0.30	N/A
Sulphur oxides	0.13	N/A
Respirable suspended particulates	0.05	N/A

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 PRC⁵ and with reference to international standards such as ISO 14064-1 and the Greenhouse Gas Protocol.

Greenhouse gas emissions	Emissions (Tonnes of carbon dioxide equivalent)	
Indicators	2019	2018
Total greenhouse gas emissions	13.7	10.0
Scope 1 – direct greenhouse gas emissions ⁶	4.0	–
Scope 2 – energy indirect greenhouse gas emissions ⁷	9.7	10.0 ⁸
Intensity of emissions (Tonnes of carbon dioxide equivalent/1,000 m ²)	6.46	5.80

³ Only air pollutants generated by vehicles using gasoline are included.

⁴ Since there was no fuel consumption from stationary and mobile sources from the Tianjin Office in 2018, there were no relevant air pollutant emissions in that year.

⁵ The Guide for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial Edition) (《工業其他行業企業溫室氣體排放核算方法與報告指南(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)》).

⁶ Scope 1 includes emissions generated from burning fossil fuels from mobile sources.

⁷ Scope 2 includes emissions from electricity purchased from power companies. As the Company's heating power (hot water) is supplied by the central system of the building, the Company is unable to obtain sufficient information for carbon emission measurement. The Company will make further discussion with the building's management office next year in order to obtain sufficient data for disclosure.

⁸ Greenhouse gas emissions from purchased electricity are calculated based on the average national factor of greenhouse gas emissions of grid power in the PRC, which is derived from the Notice Regarding 2019 Carbon Emissions Reporting and Verification and Submission of the List of Key Emission Units in the Power Generation Industry (《關於做好2019年度碳排放報告與核實及發電行業重點排放單位名單報送相關工作的通知》) and the Notice Regarding 2018 Carbon Emissions Reporting and Verification and Emissions Monitoring Program (《關於做好2018年度碳排放報告與核實及排放監測計劃制定工作的通知》). Since the sources of emission factors have changed compared to 2018, the new emission factors have been used to recalculate the indirect emissions of purchased electricity in 2018 to ensure fair comparison.



ZHONGHUA GAS AND ENVIRONMENT

The results of assessment show that during the reporting period, the total greenhouse gases emissions from Zhonghua Gas amounted to 13.7 tonnes of carbon dioxide equivalent. Scope 1 – direct greenhouse gas emissions and scope 2 – energy indirect greenhouse gas emissions of Zhonghua Gas account for 29% and 71% of the total emissions, respectively. Due to the use of gasoline for new vehicles this year, the total greenhouse gases emissions increased by 37% compared with 2018 while the intensity of greenhouse gases emissions increased by 11%.

Waste and Sewage Discharge

The Tianjin Office generated 0.007 tonnes of hazardous waste and 2.98 tonnes of non-hazardous waste during the reporting period. The hazardous waste from the office include waste batteries and waste lamps, while the discharge of non-

hazardous waste mainly include household waste. The property management personnel of the office building of the Group collect household waste for follow-up treatment. The Group also prepares a recycling bin for waste paper at the office to encourage employees to reuse paper and reduce waste generation. Compared with 2018, the amount and intensity of non-hazardous wastes increased by 53% and 24%, respectively, mainly due to the improvement of the data collection system by the property management company of the building during the Year, which provides more complete data of waste.

Sewage discharge from the Tianjin Office arises from employees' domestic consumption which is discharged into the municipal sewage network and undergoes purification treatment by the sewage treatment plant.

USE OF RESOURCES

The Group is deeply aware that fair use of resources is an integral aspect of sustainable development. The ESG Regulations provide for improving the efficiency of the use of resources including electricity consumption, water consumption and raw materials, and implement the following measures for office operations:

Categories	Measures already implemented at the Tianjin Office
Resources	<ul style="list-style-type: none"> Requiring employees to turn off electrical office equipment during lunch break Shutting down air-conditioners in office areas without any person to reduce energy consumption
Water consumption	<ul style="list-style-type: none"> Making use of the purchased drinking water to be disposed of for watering flowers and cleaning the office Making water saving labels to remind employees to save water

Compared with 2018, electricity consumption from the Tianjin Office has been reduced by 3%, but the increased use of gasoline in vehicles has increased the total energy consumption and intensity by 98% and 60%, respectively. The Group's water consumption includes domestic water consumption by employees of the office and dormitory water consumption by employees of LNG Office. Compared with 2018, water consumption and water intensity have decreased by 27% and 41%, respectively.

ENVIRONMENT AND NATURAL RESOURCES

The operations of the Tianjin Office do not involve processes that have a significant impact on the environment. However, the Group is also committed to reducing the environmental impact caused by its operations through cooperation with suppliers, including paying attention to the relevant environmental performance when selecting suppliers, and requiring suppliers to strive to integrate environmental responsibility into their operations.

ZHONGHUA GAS AND COMMUNITY

As a social responsible enterprise, the Group strives to understand the needs of the communities where the Group operates and proactively search for approaches to enhance community engagement in order to make contribution to sustainable development of the society.

During the Year, the Group has collected children books via various channels and given them away to grassroots children in Qinghai, Yunnan, Ningxia, Guangxi, Guizhou and Tibet through the Beautiful Mind Foundation. In the forthcoming year, the Group will standardise community investment procedures so as to establish focus areas of community investment.



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	2019	2018	
Nitrogen oxides	0.30 ⁹	0.0 ¹⁰	kg
Sulphur oxides	0.13 ⁹	0.0 ¹⁰	kg
Respirable suspended particulates	0.05 ⁹	0.0 ¹⁰	kg
Total greenhouse gas emissions			
Scope 1 ¹¹	4.0	0.0	tonnes of carbon dioxide equivalent
Scope 2 ¹²	9.7	10.0 ¹³	tonnes of carbon dioxide equivalent
Total greenhouse gas emissions	13.7	10.0	tonnes of carbon dioxide equivalent
Intensity of greenhouse gas (by area)	6.46	5.80	tonnes of carbon dioxide equivalent/thousand m ²
Intensity of greenhouse gas (by revenue)	0.13	0.04	tonnes of carbon dioxide equivalent/million RMB
Total hazardous waste			
Total hazardous waste	0.007	0	Tonne
Intensity of hazardous waste (by area)	0.003	N/A	Tonne/thousand m ²
Total non-hazardous waste			
Total non-hazardous waste	2.98	1.95	Tonne
Intensity of non-hazardous waste (by area)	1.40	1.13	Tonne/thousand m ²

⁹ Only air pollutants generated by vehicles using gasoline are included.

¹⁰ Since there was no fuel consumption from stationary and mobile sources from the Tianjin Office in 2018, there were no relevant air pollutant emissions in that year.

¹¹ Scope 1 includes emissions generated from burning fossil fuels from mobile sources.

¹² Scope 2 includes emissions from electricity purchased from power companies. As the Company's heating power (hot water) is supplied by the central system of the building, the Company is unable to obtain sufficient information for carbon emission measurement. The Company will make further discussion with the building's management office next year in order to obtain sufficient data for disclosure.

¹³ Greenhouse gas emissions from purchased electricity are calculated based on the average national factor of greenhouse gas emissions of grid power in the PRC which is derived from the Notice Regarding 2019 Carbon Emissions Reporting and Verification and Submission of the List of Key Emission Units in the Power Generation Industry《關於做好2019年度碳排放報告與核實及發電行業重點排放單位名單報送相關工作的通知》and the Notice Regarding Implementing 2018 Carbon Emissions Reporting and Verification and Formulating Carbon Emissions Monitoring Program《關於做好2018年度碳排放報告與核實及排放監測計劃制定工作的通知》. Since the sources of emission factors have changed compared to 2018, the new emission factors have been used to recalculate the indirect emissions of purchased electricity in 2018 to ensure a fair comparison.

SUMMARY OF ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS

Environmental Key Performance Indicators	Data		Unit
Total energy consumption			
Direct energy	16.5	0	MWh
Indirect energy ¹⁴	15.9	16.4	MWh
Total energy consumption	32.4	16.4	MWh
Intensity of energy (by area)	0.015	0.010	MWh/m ²
Total water consumption			
Total water consumption	436	600	m ³
Intensity of water consumption (by area)	0.21	0.35	m ³ /m ²

14 Emissions from electricity purchased from power companies are included only. As the Company's heating power (hot water) is supplied by the central system of the building, the Company is unable to obtain sufficient information for carbon emission measurement. The Company will make further discussion with the building's management office next year in order to obtain sufficient data for disclosure.



SUMMARY OF ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS

SUMMARY OF SOCIAL KEY PERFORMANCE INDICATORS

Employment	Gender	Ranking	Aged below 30	Aged 30-40	Aged 41-50	Aged above 50
Number of employees	Male	Senior management	0	1	1	2
		General employees	8	1	2	0
	Female	Senior management	0	1	0	0
		General employees	1	8	0	1
Total number of employees		26				
Ratio of male to female (male: female)		1.36:1				

Employment	Gender	Ranking	Aged below 30	Aged 30-40	Aged 41-50	Aged above 50	Total number
Number and percentage of new recruits	Male	Senior management	0	0	1	0	4 (27%)
		General employees	3	0	0	0	
	Female	Senior management	0	0	0	0	1 (9%)
		General employees	0	1	0	0	
Total number			3 (33%)	1 (9%)	1 (33%)	0 (0%)	5 (19%)

Employment	Gender	Ranking	Aged below 30	Aged 30-40	Aged 41-50	Aged above 50	Total number
Number and percentage of resigned employees	Male	Senior management	0	0	0	0	2 (13%)
		General employees	2	0	0	0	
	Female	Senior management	0	0	0	0	2 (18%)
		General employees	0	2	0	0	
Total number			2 (22%)	2 (18%)	0 (0%)	0 (0%)	4 (15%)

SUMMARY OF ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS

Health and safety	Fatality due to work related accidents	Work related injuries	Rate of work injury (per thousand employees)	Lost days due to work related injuries	The number of absence days	Absence rate
	0	0	0	0	17	0.3%

Staff training ¹⁵	Gender	Senior management	General employees	Total number
Number and percentage of employees receiving training	Male	1	5	6 (40%)
	Female	1	1	2 (18%)
Total number		2 (40%)	6 (29%)	8 (31%)
Average training hours	Male	12	21.8	19.2
	Female	4	0.5	0.9
Total number		10.4	11.7	11.5

Supply chain	Number of suppliers	Number of suppliers implementing relevant practices
	71	10

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

COMPLIANCE WITH RELEVANT ENVIRONMENTAL AND SOCIAL LAWS AND REGULATIONS

The Group strives to ensure its business operation is in compliance with relevant laws and regulations. The Production Safety Law of the PRC is identified as the laws and regulations which have material impact on the Group mainly due to the Group's involvement in safety management of natural gas. Improper operation may cause safety incidents as well as serious property damage or personal injuries or death. To ensure compliance with the above laws and regulations, the Group has established the Department of Safety and Technology and formulated a set of safety management procedure and Contingency Plan to prevent and respond to safety incidents. At the same time, relevant trainings are provided to employees regularly. In order to ensure safety operation, safety checks are conducted on a regular basis and maintenance is carried out in case of abnormality. The Group has also bought insurance policies to reduce the losses arising from operational risks and accidents. There was no breach of the above laws and regulations during the Year.

In terms of emissions, employment, labour standards, product responsibility and anti-corruption, no relevant laws and regulations has material impact on the Group.

¹⁵ The ratio of employees receiving training in 2019 by gender: male (75%) and female (25%); the ratio of employees receiving training by ranking: senior management (25%) and general employees (75%).



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	14-15, 20
A1.1	The type of emissions and respective emission data	14, 17
A1.2	Greenhouse gas emission in total and intensity	14-15, 17
A1.3	Total hazardous waste produced and intensity	15, 17
A1.4	Total non-hazardous waste produced and intensity	15, 17
A1.5	Description of measures to mitigate emission and results achieved	14-15, 17
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and result achieved	15, 17
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other materials	15
A2.1	Direct and/or indirect energy consumption by type in total and intensity	18
A2.2	Water consumption in total and intensity	18
A2.3	Description of energy use efficiency initiatives and results achieved	15, 18
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	15, 18; no issue in sourcing water
A2.5	Total packaging materials used for finished products and with reference to per produced	No packaging material was used in the Group's operation

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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	15
A3.1	Description of the significant impact of activities on the environment and natural resources and the action taken to manage them	15
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	9-10, 20
B1.1	Total workforce by gender, employment type, age group, and geographical region	10, 19
B1.2	Employee turnover rate by gender, age group and geographical region	10, 19
B2 Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards	10, 20
B2.1	Number and rate of work-related fatalities	20
B2.2	Lost days due to work injury	20
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	10



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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	11, 20
B3.2	The average training hours completed per employee by gender and employee category	11, 20
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	9, 20
B4.1	Description of measures to review employment practices to avoid child and forced labour	9
B4.2	Description of steps taken to eliminate non-compliance upon discovery	9
B5 Supply Chain Management		
General Disclosure	Polices on managing environment and social risks of the supply chain	11-12
B5.1	Number of suppliers by geographical regions	20
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	11-12, 20

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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	13, 20; no products and services labelling was involved in the Group's operations.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	13, 20
B6.2	Number of product and service related complaints received and how they are dealt with	13, 20
B6.3	Description of practices relating to observing and protecting intellectual property rights	13
B6.4	Description of quality assurance process and recall procedures	13
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	13
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	13, 20
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	13
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	13
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 of the communities' interests	16
B8.1	Focus areas of contribution	16
B8.2	Resources used on the focus areas	16

