



中國基礎能源控股有限公司 China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8117)

Environmental, Social and Governance Report

2020



Environmental, Social and Governance Report

TABLE OF CONTENT

	PAGE
I. PREAMBLE	2
II. ABOUT THIS REPORT	3
III. SUSTAINABILITY GOVERNANCE & STRATEGY	5
IV. STAKEHOLDER ENGAGEMENT	7
V. ENVIRONMENTAL SUSTAINABILITY	12
VI. SOCIAL SUSTAINABILITY	23
VII. REPORT DISCLOSURE INDEX	39

LIST OF TABLES

Table 1 Stakeholder Expectations and Communication Channels	7
Table 2 The Group's Total Emissions by Category in FY2020	13
Table 3 The Group's Total Use of Resources by Category in FY2020	17
Table 4 Total Workforce of the Group by Gender and Age in FY2020	23
Table 5 Total Workforce of the Group by Gender and Position Type in FY2020	23
Table 6 Employee Turnover of the Group by Gender and Age in FY2020	25
Table 7 Total number of employees receiving training of the Group by Gender and Position Type in FY2020	31
Table 8 Total training hours of the Group's employees by Gender and Position Type in FY2020	31

Environmental, Social and Governance Report

I. PREAMBLE

Natural Gas has long been regarded as an essential component of the energy landscape to ensure global decarbonisation, energy equity and reliability. Natural gas, if managed in a responsible manner, engenders enormous amounts of economic, social and environmental benefits that will ensure energy sustainability. With a surging global population, the energy demand is growing, together with the urgency to reduce environmental emissions and pollution, which drives rapid changes in the global energy mix that puts a premium on energy security, reliability and sustainability. Natural gas that is widely acknowledged as one of the cleanest fossil fuels, with more eco-friendly and advanced technologies, has become an increasingly efficient and available energy resource, in particular in China, where a diverse range of factors including burgeoning economy, optimised industry structure, fast urbanisation, rising income, enhanced environmental awareness and clear government priorities have made gas demand higher. China's energy strategy has already been stepping into a new direction following president Xi's call for an "energy revolution", the "fight against pollution" and the transition towards a service-based economic model. A series of policies and measures that have been put forward place the emphasis on the development of natural gas, including the extensive implementation of the "coal-to-gas" policy, China's National Climate Plan, China's Nationally Determined Contributions and the 13th Five-Year Plan on Energy Reform and the White Book Energy in China's New Era that was released by the State Council Information Office of the People's Republic of China ("PRC") in 2020, which stressed the direction of building a clean and diversified energy supply system.

Standing at the connecting link between the preceding 13th Five-Year Plan and 14th Five-Year Plan that aims to materialise the strategy of strengthening clean energy industry, China Primary Energy Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group" or "We") has been aware of its mission and responsibility to play a leading part. Being one of the prominent brands in the natural gas industry that mainly engages in the transmission and distribution of natural gas, and some trading of electronic components and consumables business and property investment in the PRC, the Group has unwaveringly adhered to its original aspirations and sustainability vision, keeping delivering on its environmental and social commitments. The Group has been working hard to contribute to the global transition by providing more and cleaner natural gas energy in a responsible way, and insisting on creating shared value to all its stakeholders and society groups, especially under the unprecedented turbulence in 2020, when the spread of the COVID-19 pandemic ("pandemic") hit the global economy badly and seriously affected people's lives across the world.

To forge an eco-friendly, resilient and reliable enterprise that pioneers in sustainable development in the industry, the Group is committed to improving its business model and operating practices proactively, especially in contributing to addressing climate-related risks and the achievement of the grand carbon neutrality goal of China by 2060.



Environmental, Social and Governance Report

II. ABOUT THIS REPORT

The Group is pleased to present Environmental, Social and Governance (“ESG”) Report (“ESG Report”) for the financial year ended on 31 December 2020 (“FY2020”) from 1 January 2020 to 31 December 2020, to detail the Group’s approach and performance in terms of ESG management and corporate sustainable development for FY2020, as well as the key sustainability challenges and opportunities the Group has been facing and the effective ways in which the Group will be responding.

The information in this ESG Report was gathered through a wide range of channels to ensure data richness, including internal policies of different subsidiaries of the Group, the factual evidence of the implementation of ESG practices in the Group, the feedback from staff via online surveys in the format of quantitative and qualitative questions based on the reporting framework, and the verified statistics of the Group’s annual performance in business operations and sustainable development. This ESG report was prepared in full compliance with the ESG Reporting Guide as set out in Appendix 20 of the GEM Listing Rules on The Stock Exchange of Hong Kong Limited (“HKEx”). To align its reporting framework with the new ESG requirements issued by the HKEx, the Group referenced recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) to improve the integrity, international compatibility and industrial comparability of the report. A complete content index and a linkage table of GRI (Global Reporting Initiative) Standards are available at the end of the ESG report for readers’ convenience to check its integrity.

Reporting Scope

This ESG Report covers the environmental and social performance within the operational boundaries of the Group that includes the business of transmission and distribution of natural gas, property investment business, trading of electronic components business and the Group’s offices located in Hong Kong and cities in the PRC. Given the Disposal of Wuhu China Primary Natural Gas Pipeline Company Limited on 27 December 2019, corresponding information in relation to the company and its business is not included in the ESG Report. For corporate governance section, please refer to the Group’s 2020 Annual Report on pages 29 to 38 therein. This report has been prepared in both English and Chinese. If there is any conflict or inconsistency, the English version shall prevail.

Environmental, Social and Governance Report

Reporting Principles

The preparation of this ESG Report strictly followed the Reporting Principles set out in the ESG Guide. The main content of this ESG Report was determined, organised and presented under the principles of Materiality, Quantitative, Balance and Consistency, which were applied throughout the entire reporting process.

Materiality:

The Group has implemented a broad, inclusive and science-based materiality assessment by gathering the feedback of various stakeholder groups about their concerns and expectations in terms of the company's sustainable development. Following the procedures recommended by GRI in identifying material topics, the Group assessed its business context, found actual and negative impacts in economic, environmental and social areas and prioritised the most significant impacts for management and report. The outcome from the materiality matrix provided the valuable insights from both internal and external stakeholders about sustainable development to the Board of Directors of the Group (the "Board"), who can then make informed decisions by allocating more resources to and putting more focus on topics including "Energy use", "Mitigation measures to protect environmental and natural resources", "Climate-related risks" and "Customer satisfaction", which were regarded material in FY2020 to the Group's business. Further, as a supporter of TCFD, the Group analysed and prioritised the climate-related risks and associated financial implications.

Quantitative:

The application of the reporting principle of Quantitative was primarily reflected under various sections in this ESG report such as Emissions, Use of Resources and Employment. To ensure that readers can have a deep understanding of the Group's ESG performance under environmental and social subjects, a summary of the Group's performance in greenhouse gas ("GHG") emissions, consumption of various energy resources and distribution of employees in terms of age, geographic locations and, gender and position types was shown in the measurable format. (refer to **List of Tables**).

Balance:

In order to present an unbiased landscape of the Group's sustainable development, the Group holistically analysed the global and domestic markets, objectively summarised its performance during the year under review and unreservedly revealed the areas where further improvements will be made in the future.

Consistency:

For better comparability, the Group based the presentation of its ESG management, especially the calculation and disclosure of GHG emissions on a coherent approach and adopted a consistent reporting framework that was in alignment with its previous ESG reports. In particular, the reporting scope remained the same as previous years with explanations to any significant business changes being given.



Environmental, Social and Governance Report

III. SUSTAINABILITY GOVERNANCE & STRATEGY

The Group believes that a systematic sustainability governance framework and a clear internal sustainability strategy are of paramount importance to creating values to all its stakeholders, while reducing the Group's impact on the environment and natural resources. Championed by the top governance body of the Group, the Group's ESG strategy is to strengthen its position as a leading enterprise in providing reliable and clean energy products to clients. As China's policy continues to promote the construction of a clean, low-carbon, safe and efficient energy system and network, the Group's sustainability vision is founded on the outlook for the future of the energy sector and the chance to seek the opportunities arising from the substantial structural changes. Central to the sustainability governance framework is the "top-down" management approach and leadership of the Board that takes the lead on and has the oversight of the execution of the Group's ESG issues. The Board assumes ultimate responsibility for ensuring the effectiveness of the implementation of the Group's ESG policies and sustainability reporting matters. Under its clear and effective governance structure throughout the Group, which is supported by various policies and control procedures, the management team and ESG experts are responsible for supervising and coordinating the implementation of the Group's ESG strategies, goals and policies, and importantly reviewing the practices and performance of the Group with respect to operation safety, environmental impacts, social welfare management and other relevant topics under the broader sustainability concept. The Board reviews the progress to ESG-related goals through annual meetings and ESG reports, while any urgent matters including significant ESG risks are reported by the management to the Board directly.

Risk management has been regarded as an integral part of business operations by the Group. To ensure business resilience, the Group constantly reviews and adjusts its sustainability policies to satisfy the ever-changing needs of its stakeholders and to adapt to the latest industry's trends and requirements. As the Board is particularly concerned about the efficient use of resources in the Group, the Board is able to precisely identify and assess the potential ESG risks and opportunities through means including annual budget management and commercial planning. Aiming to integrate ESG into all aspects of business operations, the Group has been committed to incorporating ESG risk management including climate-related risks into the existing enterprise risk management system. Details of its management approach in both environmental and social aspects can be found throughout different sections of this ESG Report.

Environmental, Social and Governance Report

Board

- Reviewing the Group's environmental and social impacts;
- Overseeing the Group's ESG management and making informed decisions on business development with ESG and climate considerations;
- Enforcing a materiality assessment and reporting process to ensure actions are well followed through and implemented.



Management & ESG experts

- Developing and implementing the Group's communication strategy and policies with key stakeholders;
- Overseeing the implementation of ESG policies at the operational level;
- Tracking and reporting on the progress towards well-established ESG goals and sub-targets; and
- Setting up strategic plans for sustainable development.



General employees

- Studying and executing the ESG plans from the top;
- Applying innovative methods and technologies in operations by taking into consideration ESG benefits; and
- Assessing and making relevant on the risks faced during daily operations and making relevant improvements with reference to PDCA (Plan-Do-Check-Act) framework.



Top-down: decision making and leadership

Environmental, Social and Governance Report

IV. STAKEHOLDER ENGAGEMENT

Beyond investors, the Group takes initiative to seek opportunities to engage with its stakeholders, endeavouring to foster a collaborative dialogue on a continuous basis. An effective communication with both internal and external stakeholders is essential to the Group in many areas, which not only delivers on the Group's commitment to long-term value creation, but also enables the Group to gain a better understanding of the material impacts that its business activities have on the environment and society.

Paying great attention to the stakeholders who are concerned about material issues such as labour practices and ecological integrity, the Group leverages its leadership by addressing growing concerns of its stakeholders, thereby more efficiently addressing the environmental and society's most pressing challenges. The Group has put tremendous efforts into its internal and external stakeholder inclusiveness and actively built the trustful and supporting relationship with them through their preferred communication channels, which are listed in the table below.

Table 1 Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	<ul style="list-style-type: none">- Compliance with laws and regulations- Support economic development- Business sustainability- Acceleration of energy restructuring towards clean and renewable energy	<ul style="list-style-type: none">- Supervision on complying with local laws and regulations- Routing reports and tax paid
Shareholders	<ul style="list-style-type: none">- Return on investments and achieve targets- Corporate governance and communication- Policy review and performance monitoring	<ul style="list-style-type: none">- Regular reports and announcements- Regular general meetings- Official company website
Employees	<ul style="list-style-type: none">- Employees' remuneration and benefits- Career development- Implementation of ESG strategies- Health and safety in the workplace	<ul style="list-style-type: none">- Performance reviews- Regular training programs- Regular meetings (private meetings or AGMs)- Emails, notice boards, hotline, caring activities with management
Customers	<ul style="list-style-type: none">- Production quality assurance- Protect the rights of customers- Qualified products with good performance against environmental indicators	<ul style="list-style-type: none">- Customer satisfaction survey- Customer service hotline and email- Face-to-face meetings and onsite visits

Environmental, Social and Governance Report

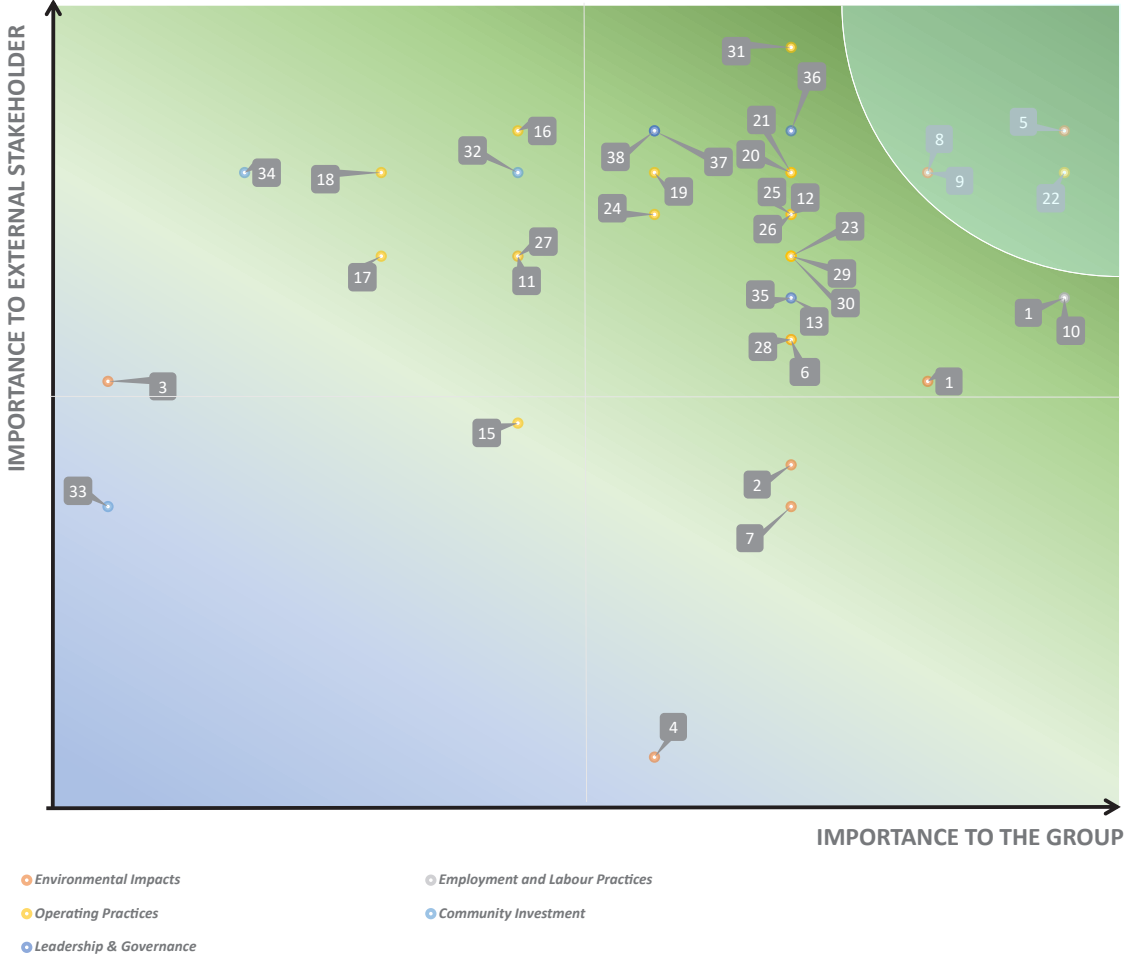
Stakeholders	Expectations and concerns	Communication Channels
Suppliers	<ul style="list-style-type: none"> - Fair and open procurement - Win-win cooperation - Business ethics - Environmental protection 	<ul style="list-style-type: none"> - Open tendering - Suppliers' satisfactory assessment - Face-to-face meetings and onsite visits - Industry seminars
Professional bodies	<ul style="list-style-type: none"> - Climate change awareness and inputs - Law and regulation compliance - Implementation of ESG strategies 	<ul style="list-style-type: none"> - Routine reports - Emails, hotline, enquires
General public	<ul style="list-style-type: none"> - Involvement in community activities - Law and regulation compliance - Awareness of environmental protection - Promotion of the use of natural gas 	<ul style="list-style-type: none"> - Media conferences and responses to enquiries - Public welfare activities - Regular reports and announcements - Face-to-face interview

Materiality Assessment

Striving to report decision-useful information to its stakeholders in an efficient and concise manner, the Group has been committed to working diligently with its key stakeholders and evaluating the topics as well as their associated impacts that matter most to the Group's business. To this end, the Group undertook an annual review in identifying its stakeholders' main concerns and material interests for the ESG report in FY2020 by engaging its stakeholders in a materiality assessment survey initiated by a third-party agency. Specifically, internal and external stakeholders including customers, suppliers, business partners, board members and employees from various business units of the Group were chosen and assessed based on their respective influence and dependence on the Group. Stakeholders were invited to express their concerns and opinions on a universe of sustainability issues via an online survey. This assessment provided a series of topics from which the Group prioritised its sustainability goals and initiatives and generated its ESG Report. A materiality assessment matrix shown below reflects the concerns of its stakeholders on ESG matters in terms of the significance of the Group's impacts and influence on stakeholder assessment and decisions, which will facilitate the Group to develop actions plans for effective ESG management.

Environmental, Social and Governance Report

Stakeholder Engagement Materiality Matrix



Environmental, Social and Governance Report

1	Air and greenhouse gas emissions	14	Preventing child and forced labour	27	Labelling relating to products/ services
2	Sewage treatment	15	Selection of local suppliers	28	Product design & Lifecycle management
3	Land use, pollution and restoration	16	Smooth communication and sound relationship with suppliers	29	Number of legal cases filed against the company about bribery, extortion, fraud and money laundering
4	Solid waste treatment	17	Environmental risks (e.g. pollution) of the suppliers	30	Anti-corruption policies and whistle-blowing procedure
5	Energy use	18	Social risks (e.g. monopoly) of the suppliers	31	Anti-corruption training provided to directors and staff
6	Water use	19	Procurement practices	32	Community engagement
7	Use of other raw/packaging materials	20	Environmentally preferable products and services	33	Participation in charitable activities and support public welfare
8	Mitigation measures to protect environment and natural resources	21	Health and safety relating to products/services	34	Cultivation of local employment
9	Climate-related risks	22	Customers satisfaction (Welfare)	35	Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
10	Diversity of employees	23	Marketing and promotion	36	Management of the legal & regulatory environment (regulation-compliance management)
11	Employee remuneration and benefits	24	Observing and protecting intellectual property rights	37	Critical incident risk responsiveness
12	Occupational health and safety	25	Product quality assurance and recall percentage	38	Systemic risk management
13	Employee development and training	26	Protection of consumer information and privacy		

Environmental, Social and Governance Report

According to the materiality analysis matrix, the Group identified four ESG issues that were of great significance to both the Group and its stakeholders, namely the “Energy use”, “Mitigation measures to protect environmental and natural resources”, “Climate-related risks” and “Customer satisfaction”. The results aligned with the areas where the Group put great emphasis in taking actions and planned for strategic development towards clean energy and more sustainable operations.

In FY2020, the Group continuously paid attention to its contribution towards the UN Sustainable Development Goals (“SDGs”), which seek to tackle the world’s economic, social and environmental challenges by 2030. Through online surveys with its stakeholders and a comprehensive analysis of its interconnections with global sustainability issues relevant to its business plans, the Group has identified and benchmarked “Goal 7: Affordable and Clean Energy” as the most relevant and concerned goals for the sustainability development, followed by “Goal 3: Good Health and Well-Being for People” and “Goal 8: Decent Work and Economic Growth” as important topics in its journey towards sustainable development. Under each goal, the Group has been committed to improving its management approach and policies. For example, the Group has internalised the requirements and its business cases set out in Goal 8, dedicated itself to providing suitable jobs and complying with applicable labour, health and safety standards in its employment practices.



**LEAVE NO ONE
BEHIND**

**Prioritised SDGs for
Contribution & Development**



**3 GOOD HEALTH
AND WELL-BEING**



**7 AFFORDABLE AND
CLEAN ENERGY**



**8 DECENT WORK AND
ECONOMIC GROWTH**



Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders’ feedback, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcomed to share their views with the Group at info@china-penergy.com.

Environmental, Social and Governance Report

V. ENVIRONMENTAL SUSTAINABILITY

Since a thriving civilisation calls for a good eco-environment, the Group has been committed to operating responsibly to safeguard the environment, respecting our sound ecosystems and advancing its environmental performance through effective policies. Facing the increasingly severe global environmental challenges such as climate change, environmental degradation and energy constraints, China embraces the ideas of building a Community of Shared Future for Mankind, and speeds up its transformation towards green and low-carbon development, as laid out in the “Guiding Opinions on Accelerating the Establishment of a Green and Low-Carbon Circular Development Economic System” 《關於加快建立健全綠色低碳循環發展經濟體系的指導意見》. Under the national strategic ambition, the Group has been dedicated to the long-term sustainability of the environment and community in which it operates, stringently controlling its emissions and consumption of resources and complying with all relevant environmental laws and regulations in Hong Kong and the PRC in its daily operations. As a company in clean energy industry, managing and minimising the environmental footprint has already been engrained in the Group’s DNA and as a central pillar of its operations.

This section primarily discloses the Group’s policies, practices, and quantitative data on emissions, the use of resources and the environment and natural resources in FY2020.

A.1. Emissions

In FY2020, the principal emissions from the Group were air emissions from electricity consumption and vehicle use, municipal wastewater and solid wastes. The Group complied with all relevant environmental laws in the operating regions, including but not limited to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) and the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) concerning air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. In FY2020, given the Group’s business nature, the GHG emissions from the Group in Scope 1 (Direct Emissions), Scope 2 (Energy Indirect Emission), and Scope 3 (Other Indirect Emissions) were 304.8 tonnes carbon dioxide equivalent (“CO₂e”), 213.7 tonnes CO₂e, and 95.1 tonnes CO₂e respectively. The Group’s total GHG emissions amounted to 613.6 tonnes CO₂e, and the GHG intensity of the Group was 4.3 tonnes CO₂e/employee. Meanwhile, the Group also generated around 10 kg of non-hazardous solid wastes (with an intensity of 0.1 kg/employee) and 28,611.7 m³ non-hazardous wastewater during the year under review. During the year under review, the Group did not generate any hazardous wastes. The air pollutants from the Group including sulphur oxides (“SO_x”), nitrogen oxides (“NO_x”) and particulate matter (“PM”) were mainly generated from vehicles for transportation for business affairs. Specifically, the Group’s air emissions of SO_x, NO_x and PM amounted to 1.5 kg, 1,166.8 kg and 55.2 kg respectively in FY2020. The Group’s total emissions are summarised in Table 2.

Environmental, Social and Governance Report

Table 2 The Group's Total Emissions by Category in FY2020 ⁸

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity ¹ (Unit/employee) in FY2020	Amount in FY2019	Intensity ¹ (Unit/employee) In FY2019)
Air Emissions²	SO _x	Kg	1.5	-	0.7	-
	NO _x	Kg	1,166.8	-	405.9	-
	PM	Kg	55.2	-	19.5	-
GHG Emissions	Scope 1 (Direct Emissions) ³	Tonnes of CO ₂ e	304.8	2.1	116.1	1.1
	Scope 2 (Energy Indirect Emissions) ⁴	Tonnes of CO ₂ e	213.7	1.5	71.5	0.6
	Scope 3 (Other Indirect Emissions) ⁵	Tonnes of CO ₂ e	95.1	0.1	40.7	0.4
	Total (Scope 1 & 2 & 3)	Tonnes of CO ₂ e	613.6	3.8	228.3	2.1
Non-hazardous Waste	Solid Wastes ⁶	Kg	10	0.1	3.1	0.03
	Wastewater ⁷	M ³	28,511.7	200.8	4,113.9	37.2

- Intensity was calculated by dividing the amount of air, GHG and other emissions by the average number of employees of the Group in FY2020 and FY2019 (the financial year ended on 31 December 2019 from 1 January 2019 to 31 December 2019), respectively;
- Air emissions included only the air pollutants in the exhaust gas from vehicles for transportation. Emission factors used in the calculation for air emissions in FY2019 were updated and re-organised considering the more comprehensive categorisation of data monitoring, measurement and disclosure in FY2020. Thus, the calculation methodology of and the results in FY2019 were altered accordingly for better comparison throughout years;
- The Group's Scope 1 (Direct Emissions) included only the consumption of diesel, petrol, and natural gas for the operation of motor vehicles and other business operations;
- The Group's Scope 2 (Energy Indirect Emissions) included only the electricity consumption;
- The Group's Scope 3 (Other Indirect Emissions) in FY2020 included only other indirect emissions from paper waste disposed at landfills and in particular incorporated the indirect emissions from electricity used for processing fresh water and sewage by government departments to be in better alignment with the requirements of HKEx. Given the pandemic in FY2020, the business air travel was adversely impacted with a drastic decline in terms of frequency. In FY2019, the GHG emissions from business air travel was approximately 9.2 tonnes CO₂e, which will be considered for yearly comparisons next year once travel restrictions and other ripple effects of the pandemic are eased;

Environmental, Social and Governance Report

6. The solid wastes covered only the commercial wastes from the places where the Group's employees worked;
7. The total amount of wastewater discharged from the Group in FY2020 was based on the assumption that 100% of the consumed fresh water entered the building drainage system; and
8. The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the IPCC Emission Factor Database. A comparison of FY2019's data is provided to display changes and progress made by the Group.

Transmission and distribution of the natural gas business

Natural gas plays a pivotal role in vitalising the sustainable energy future and strengthening the construction and maintenance of energy transmission facilities and services that enable stable energy delivery is undoubtedly significant. As the core business segment to the Group, the environmental performance and related impacts of natural gas transmission and distribution activities have drawn great attention by the Group. With the acceleration of the energy transition progress in China, the national energy structure continued to be optimised, especially since April 2020 when China's economy started to rebound from the pandemic. In FY2020, the performance of this business segment remained at a stable and good level, with various policies being implemented within the organisation effectively. Stepping into the new era of 14th Five-Year Plan, the Group will continue to develop its natural gas business in an environmentally sustainable manner and promote clean energy to reduce air pollution and tackle climate change.

Air Emissions and GHG Emissions

In FY2020, the GHG emissions of this segment consisted of direct emissions (Scope 1) from the use of vehicles and other business operations, indirect emissions (Scope 2) from the purchase of electricity, and other indirect emissions (Scope 3). The direct and indirect energy emissions still dominated the total amount of GHG emissions of the Group, while other indirect emissions were relatively insignificant, constituting only 15% of the total GHG emissions. In FY2020, the pledge announced by China to achieve carbon neutrality by 2060 reinforced the scope and urgency of addressing GHG emissions across all industries. To fathom the risks and opportunities from energy transformation, the Group has identified and evaluated various ways to lower its GHG emissions, in particular from the electrification in advancing more sustainable energy solutions and engaging on legislative and regulatory actions as well as policies that foster the deployment of cost-effective and low-carbon technologies supporting transportation and operations.

Environmental, Social and Governance Report

During the year under review, the air emissions were mainly generated from the transportation process and use of vehicles for business activities. The Group has invariably been committed to investing in exploring cleaner ways to power vehicles and operations, such as choosing a cleaner-burning alternative to improve air quality. Tetrahydrothiophene, known as THT, is generally used as an odorant as the warning agent in the natural gas industry in China. The Group paid great attention to the safe use of THT and operated in strict compliance with applicable regulations in the PRC.

The rising level greenhouse gases (“GHGs”) is universally accepted to be the culprit leading to numerous climate-related catastrophic consequences across the world, including disastrous wildfires, frequent tropical storms and long-lasting cold winters. To the Group, the material climate-related risks are

- The rising sea levels and mean temperature that may affect stability and cause Write-offs and early retirement of existing assets;
- Enhanced emissions-reporting obligations that result in higher compliance costs; and
- Increased pricing of GHG emissions in the future that increases the operating costs.

To mitigate the GHG emissions, the Group is aware of the role that the technological and economic potential plays in limiting the global temperature rise to 2°C above pre-industrial levels. As a supporter of TCFD and climate science, the Group is deeply aware that the pandemic may have stranded anthropogenic activities to some extent, but the trend of climate change kept going. As such, the Group has aligned its operating practice with global leading practices recommended by industry standards by bringing in energy-efficient technologies and electricity-saving measures. While the air and GHG emissions increased comparing to the figures in FY2019, it still witnessed that Scope 2 GHG emissions from administrative and trading businesses in offices declined, which reflected the effectiveness of policies in controlling the emissions through draconian measures in the management of electricity in FY2020. Aiming to curb the air and GHG emissions from all business operations, the Group has been making good use of natural gas synergy effect in its business development, and working on natural gas-related clean energy projects. The Group believes that the development of natural gas combined heat and power cogeneration business together with investments in other natural gas-related clean energy projects will bring more environmental benefits to the Group in the long run. Detailed measures taken by the Group to reduce its GHG emissions by improving the energy efficiency will be described further in A.2. Use of Resources of this report.

In FY2020, the rising air and GHG emissions were primarily due to the broader operation scope covering the energy consumption from all operating sites and the inclusion of property investment business into quantitative performance evaluation.

Environmental, Social and Governance Report

Waste

In FY2020, the wastewater and solid wastes generated from the Group were mainly domestic sewage and solid waste by its staff from daily operating activities. To better control and manage the waste generated by the Group, the Group has implemented the concept of Sustainable Waste Management, of which the target is to connect those threads in tangible and effective ways to help its employees enhance the awareness of environmental stewardship, and carefully behave as required by the national rubbish sorting policies, ambitious waste recycling rules and National Water-Saving Action Plan (國家節約用水行動方案).

A.2. Use of Resource

In FY2020, the primary resources consumed by the Group were electricity, gasoline, diesel, water and paper. Given its business nature, the Group did not use any packaging material during the year under review. The Group complied with applicable laws and regulations with regard to its use of resources, including but not limited to Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and Provisions on the Management of Water Conservation in Cities (《城市節約用水管理規定》). To effectively manage its resources consumption, the Group has evaluated the long-term sustainability of its practices in energy and other resources consumption, striving to select the options that can to the large extent possible minimise its disruption to the environment. In FY2020, the Group kept refining its ESG performance tracking system by expanding the monitoring scope through well-defined KPIs and launching an internal monitoring programme on the procurement and use of resources. Table 3 illustrates the amount of different resources used by the Group in FY2020.

Environmental, Social and Governance Report

Table 3 The Group's Total Use of Resources by Category in FY2020 ³

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity ¹ (Unit/employee) in FY2020	Amount in FY2019	Intensity ¹ (Unit/employee) in FY2019
Energy	Electricity	kWh	344,011.7	2,422.6	120,757.2	1,092.8
	Gasoline	L	35,630.9	250.9	22,566.1	204.2
	Diesel	L	61,069.3	430.1	20,438.7	185.0
	Natural gas	M ³	28,944.6	203.8	3,500.0	31.7
Water	Water ²	M ³	28,511.7	200.8	5,288.0	47.9
Paper	Paper	Kg	18,095	127.4	6,562.8	59.4

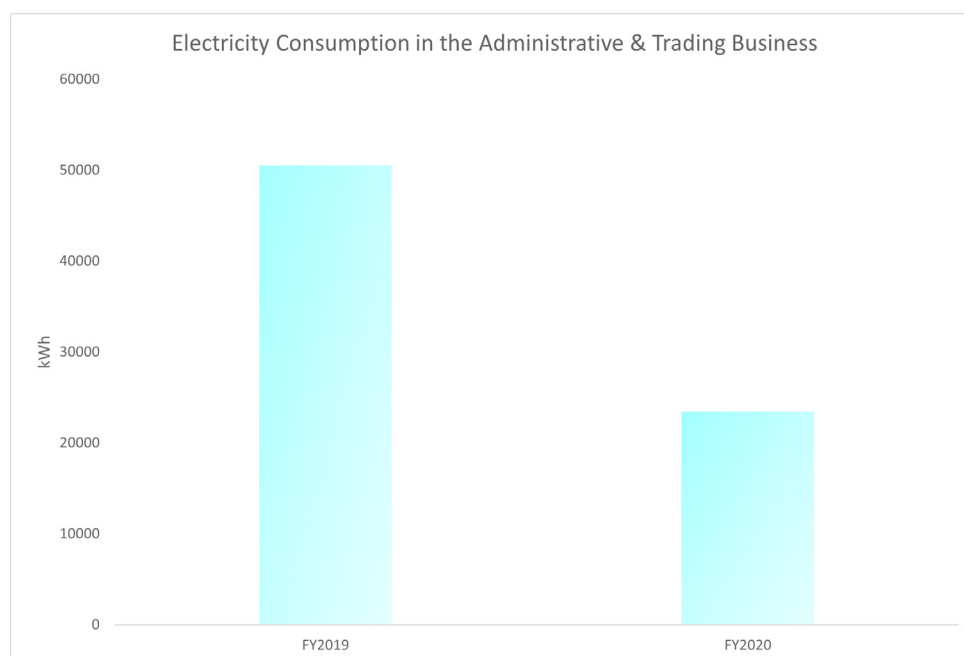
- Intensity was calculated by dividing the amount of resources by the Group's average number of employees in FY2020 and FY2019 respectively;
- The water consumption excluded the Hong Kong office of the Group in both FY2020 and FY2019 as the water bill was covered in the property management fees. The Group endeavours to further improve its measurement of water usage among all subsidiaries in the future; and
- A comparison with FY2019's data was summarised and presented to display changes and progress made by the Group in line with the reporting principle of consistency.

Electricity

In FY2020, the Group purchased electricity from local public utilities and the total electricity usage shot up due to the scope expansion covering the electricity consumption from all operating sites and the inclusion of property investment business into performance evaluation with enhancing data monitoring system and policies of the Group. It is worth noting that during the year under review, the amount of electricity consumption supporting the operations of the Group's administrative and trading business was 23,457.9 kWh in FY2020, which fell by approximately 53.6%. The Group has been committed to further controlling the consumption of electricity so as to diminish its GHG emissions by embedding the slogan of "Saving Electricity" into its business strategy and daily operations, and aims to lower the electricity intensity on a yearly basis. To achieve the goal, the Group will continue to implement the following practices:

Environmental, Social and Governance Report

- Switch off all idle lights and air-conditioning timely;
- Place “Saving Electricity, turn off the Light when Leaving” posters in prominent places to remind employees of energy conservation;
- Maintain the electrical appliances (such as refrigerator, air-conditioner and paper shredder) on a regular basis;
- Use electrical appliances with certified energy-saving labels;
- Replace electricity-intensive lamps with the LED lighting fixtures for office lighting;
- During the production at night, lighting is only available in areas where operations are performed;
- Make use of natural gas as fuels for canteen operations;
- Include electricity bills of office operations in annual budget management; and
- Prohibit heating equipment and other electricity guzzling appliances in the office.



The Group will further its commitment to sustainable energy consumption and strengthen the education of energy efficiency and cost-savings among employees in the future.

Environmental, Social and Governance Report

Energy

The Group's consumption of other energy resources mainly came from the combustion of fossil fuels for transportation and other business operations, in the format of gasoline, diesel and natural gas. In FY2020, the total amount of energy that was consumed by the Group reached 5,890,348.38 MJ (including electricity). Insisting on the exploration of innovative solutions and the application of feasible environmentally friendly technologies into its business operations, the Group kept stepping up its efforts in the management of vehicles for transportation and business affairs by monitoring the use of energy resources and building appropriate metrics for more efficient control.

Changing towards a "low carbon" business model, the Group has been dedicated to cutting down its air and GHG emissions from transportation through various measures, including but not limited to

- Regular servicing of the vehicle that enables good fuel conservation and emission control;
- Adopt vehicle sharing for business travel when appropriate;
- Plan driving routes in advance;
- Encourage staff to take public transportation instead of driving to work;
- Instil the concept of carbon footprint minimisation in the employees; and
- Correct driving habits of drivers to maximise fuel efficiency and minimise braking.

Environmental, Social and Governance Report

Water

To minimise water risks in operations at both enterprise- and project-level, the Group has been committed to training and encouraging its operation teams to embed sustainability into projects and their daily practices. In FY2020, the water consumption by the Group ascended substantially due to the inclusion of the environmental performance of the property investment business into data auditing and disclosure. As compared with FY2019, the amount of water withdrawal of the Group's Shenzhen office was recorded to drop significantly by around 55.8%, given the unremitting efforts of the promotion of water conservation among all employees. In FY2020, the Group did not face any problems in sourcing water. To improve the utilisation efficiency of water resources, the Group and all its employees have laid emphasis on water conservation and are always dedicated to saving every drop of precious water resources by various efficacious ways, including but not limited to:

- Strengthen the education of water conservation among its staff;
- Place "Saving Water Resource" posters in prominent places to encourage water conservation;
- Collect used water for cooling purposes, floor cleaning and yard washing if possible;
- Carry out regular leakage tests on water tap, washers and other defects in the water supply system;
- Set relevant goals and limitations on excessive water usage;
- Include the water bills of office operations in annual budget management;
- Adjust the output per unit time of water taps;
- Repair dripping taps timely; and
- Turn off the water supply system at night and on holidays.



Environmental, Social and Governance Report

Paper

While the Group's total paper consumption increased substantially in FY2020 due to the scope expansion that included the property investment business operations into management, the total amount of paper used by the Group by summing up all other business segments fell significantly by around 37.6%. With an ambition to promote the concept of paperless office, the Group has further emphasised the implementation of "Circular Economy" and seeks to reduce, reuse and recycle paper products in its operations. In FY2020, the Group recycled a total of 2,214.5 Kg of paper, which accounted for 12.2% of the total paper consumption of the Group. In particular, the Group highly recommended the implementation of following policies in controlling its use of paper in the offices:

- Encourage employees in the office to edit on laptops before printing, and print on the unused side of paper sheets that would otherwise be discarded when applicable;
- Develop and store administrative files in the digital way;
- Make use of electronic and voicemail wherever possible;
- Reuse file folders; and
- Keep the normal setting of the printer to the mode of printing on both sides;

Environmental, Social and Governance Report

A.3. The Environment and Natural Resources

Under the trend of and with the concerted efforts of all business partners to pursue global sustainable development, the Group has remained committed to its comprehensive sustainability framework, and never halted in making progress in transforming its business operations and the way it is influencing the entire value chain positively. As sustainability has become a mainstream development mode that impacts the long-term success of businesses, the Group aims to integrate the essential concept of sustainability into its daily operations and make it touch on all aspects of development. To this end, the Group has made a full assessment of its operations and associated material environmental impacts. Efficiently improving energy efficiency, among all strategic objectives in seeking environmental sustainability, has been regarded as the priorities of the Group, given that the major impacts of the Group's business are concentrated on the inevitable air pollutions and GHG emissions during operations. Facing the increasingly stricter regulatory requirements on environmental protection, the Group keeps refining its management approach to gas transportation through setting up and implementing more comprehensive and effective policies.

In FY2020, the Group took a wide variety of measures in minimising its emissions to the environment. Among the aforementioned practices and policies, the Group believes that formulating effective policies followed by extensive training to build internal awareness and knowledge on corporate sustainability is of paramount importance. For example, the Group highly encouraged its staff to participate in tree planting activities. In addition, transparency on the environmental performance with clear metrics also allowed the Group to track its progress towards goals, and made adjustments accordingly. In FY2020, the Group kept bettering the completeness and comprehensiveness of its data monitoring, with a broader business scope being incorporated into consideration and reporting, which was the main cause of relatively higher numbers in emissions and resource consumption. Last but not least, the Group has also laid emphasis on innovations. In FY2020, the Monitoring Centre Technical Service Project (監控中心技術服務工程) with an investment of CNY 3 million was successfully launched, which could massively improve the security while lowering the frequency of routing inspections, thereby reducing GHG emissions and air pollution.

Looking ahead, the Group will continue its endeavours in the evolvement to be a "Greener" enterprise in response to the call of central government to make a low-carbon transition, and insist on upholding the spirit of perseverance by make every effort to drive positive changes in the clean energy industry.

Environmental, Social and Governance Report

VI. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group treats its employees equally, respects their opinions and responds to their needs. Aiming to provide an appealing workplace and create great career development opportunities for employees, the Group has long been committed to growing with its employees together, who can explore their potential and achieve their vocational aspirations. Bearing in mind the principle of “paying respect to the dedicated, utilising the competent, fostering the aspired and incentivising the innovative”, the Group has provided a secure and sound working environment for all its employees. In FY2020, the Group had a total of 156 employees (including 2 part-time workers), with 147 employees in the PRC and 9 employees in Hong Kong.

Table 4 Total Workforce of the Group by Gender and Age in FY2020

By gender	By age				Total
	<30	Between 31 and 40	Between 41 and 50	>51	
Male	21	39	18	29	107
Female	12	16	12	9	49
Total	33	55	30	38	156

Table 5 Total Workforce of the Group by Gender and Position Type in FY2020

By gender	By position			Total
	General staff	Middle management	Senior management and directors	
Male	78	14	15	107
Female	39	6	4	49
Total	117	20	19	156

Environmental, Social and Governance Report

Law compliance

The Group's employment policies have been periodically updated and adjusted to cater to social changes since the inception of the Group, and importantly, to abide by the relevant laws and regulations in the PRC and Hong Kong. In FY2020, the Group complied with all relevant laws and regulations, including but not limited to the following:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China (《中華人民共和國勞動法》); and
- Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

The Human Resources Department of the Group is responsible for the reviewing and updating of relevant company policies on a regular basis in accordance with the latest laws and regulations.

Recruitment and promotion

The Group deeply understands that talent acquisition is vital to the sustainable development of the Group's business. The Group has prepared its "Yearly Recruitment Plan" to manage the recruitment activities every year. In FY2020, the Group participated in the "Job Waits For You, Get A Job Together" (職等你來·就業同行) campus recruitment of the University of Science and Technology LiaoNing. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on individuals' performance, personal attributes, job experiences, career aspiration and market benchmarks. The Group believes that its continuous efforts in optimising employment policies can tremendously help attract the most suitable and outstanding talents.

The Group refers to market benchmarks in relation to staff promotion and provides equal opportunities for promotion to eligible employees who have shown excellent performance and made giant contributions to the Group. The Group practises gender equality policies throughout its recruitment and promotion process.

Environmental, Social and Governance Report

Compensation and dismissal

As maintaining a stable and loyal workforce is fundamental to a company's business development, the Group keeps reviewing its compensation packages, performs regular appraisals of the capability and performance with its employees, and adjusts the salary packages annually for its staff in accordance with the overall market level, inflation rate and profitability of the Group.

The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have poor working performance, the Group would warn verbally before issuing a warning letter. For those who remain untamed despite repetitively making the same mistakes, the Group dismisses the person according to internal policies. In FY2020, the employee turnover rate of the Group was 19.9%.

Table 6 Employee Turnover of the Group by Gender and Age in FY2020

By gender	By age				Total
	<30	Between 31 and 40	Between 41 and 50	>51	
Male	5 (3.8%)	5 (3.8%)	8 (6.1%)	4 (3.1%)	22 (16.9%)
Female	1 (0.8%)	3 (2.3%)	0 (0.0%)	0 (0.0%)	4 (3.1%)
Total	6 (4.6%)	8 (6.1%)	8 (6.1%)	4 (3.1%)	26 (19.9%)

* Turnover rate refers to the ratio of the number of employees who left the Group and the number of employees on average in FY2020.

In FY2020, the turnover rate of the Group declined as compared to the figure in FY2019, when the Group was experiencing the business re-structuring due to the termination of its PE pipe manufacturing business.

Working hours and rest period

The "Staff Manual" (員工手冊) of the Group specifies the working time and application for annual leaves for all employees. The Group monitors and manages the working hours of its employees in accordance with relevant laws and regulations, and compensates those who work overtime. In addition to statutory holidays, employees can also enjoy special leaves including maternal leave, medical leave, bereavement leave, etc.

Environmental, Social and Governance Report

Equal-opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions, which has been widely advocated in the essential purpose of all SDGs. The Group promotes initiatives supporting the objectives under Goal 8 in particular, which is to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. Training and promotion opportunities, dismissals and retirement policies are determined irrespective of employees’ gender, race, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other non-job-related factors in all business units. The Group’s equal opportunities policy allows zero tolerance to any workplace discrimination, harassment or victimization in accordance with the relevant government legislation, ordinances and regulations, such as the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) and the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong).

Other benefits and welfare

The Group respects each employee and cares about their wellbeing both physically and mentally. In FY2020, the Group provided various types of benefits to its employees including medical subsidiaries, physical examinations and special holiday leaves. To fulfil the needs of employees working in factories, the Group also provided well-equipped dormitories. To maintain a barrier-free and efficient dialogue between the management and frontline employees, the Group has established efficient communication strategies and means to coordinate all the different activities in the Group, such as internal emails, training programmes and meetings. In FY2020, after-work activities such as diner parties, team-building activities and excursions that were based around the enjoying the beautiful rivers and mountains of our great motherland were arranged by the Group for its employees.

During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

Environmental, Social and Governance Report

B.2. Health and Safety

Health and safety are fundamental of maintaining the stability of any business. Road transport and employees' wellbeing remain a challenging and complex area for the Group's natural gas transmission and distribution business. To improve performance, the Group has focused its efforts on safe practices and called for the conformance to the Group's internal policies and industry standards. To provide and maintain a good working condition and a safe and healthy working environment, the Group's safety and health policies are in line with the workplace health and safety laws and regulations in Hong Kong and the PRC, namely:

- Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong);
- Law of the People's Republic of China on the Protection of Production Safety (《中華人民共和國安全生產法》); and
- Regulation on Work-Related Injury Insurance (《工傷保險條例》).

The Group has established a comprehensive mechanism and effective policies regulating safety and labour practices in line with applicable health and safety standards, such as GB/T29639-2013, GBZ 1-2010, GB12011-2009, GB2811-2007, to minimise the risks of accidents in the workplace and enhance employees' health and safety awareness. The internal guidelines, such as the Production Safety Emergency Plan (《生產安全事故應急預案》), have been set up to ensure that a safe working environment can be provided to all employees, which is overseen and supervised by the General Manager Office.

The Group has provided suitable personal protective equipment to employees such as helmets, safety shoes, anti-freezing gloves and cotton anti-static gloves. The Group also offers disinfectants for relevant employees and carries out environmental disinfections on a regular basis. Dust is considered as a threat to employees' health. Therefore, the Group conducts annual physical examinations for relevant employees at the operating site, ensuring that the occupational risks exposed can be recognised and addressed timely. The fire equipment such as automatic smoke spray system and powder fire extinguishers in the working place has been in place and regularly maintained as well.

Environmental, Social and Governance Report

In order to create an accident-free workplace environment, increasingly gain the trust of its customers and ensure the operational safety, the Group adheres to its well-established designing, engineering and operating principles and safety management system, which ensure that the projects and facilities are managed safely, responsibly and in a consistent way. The Group has built an emergency group for collecting relevant information and providing professional training to employees on emergency management. Regular occupational training courses are regularly held by the Group. In FY2020, the Group invited external professional organisations to provide lectures in topics of fire protection for its employees. The Group has an internal system regarding the protection of occupational health and safety, where safety policies and measures are introduced and well-managed, including the fire safety policy, labour protection management policy, onsite safety policy and safety warning sign management policy. Production and operation safety operating guidelines have been formulated and strictly implemented to prevent accidents. Security banners and slogans have been designed to create greater awareness and to enhance practices towards health and safety. The Group has installed a robust combustible gas leakage detection and alarm system that was strictly designed according to the GB50028 standard in order to monitor all relevant parameters of all sites continuously. There are comprehensive emergency rescue plans for accidents and special emergency plans for gas leakage on site. The Group regularly inspects and refills the fire protection facilities to ensure that the fire protection facilities are not damaged or expired and the fire exits are unblocked. The Group has hosted emergency fire drills annually and set safety signs to enhance employees' safety awareness. The Group has also purchased employment injury insurance for its employees and ensures that common medicine boxes are always in place.

In FY2020, the Group found no work-related fatalities or lost days due to work injury. During the year under review, the Group was in compliance with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

Response to COVID-19 Pandemic

Since the beginning of 2020, the spread of COVID-19 hit the pause button to the world, seriously threatening billions of people's lives and has brought upon unprecedented challenges to business activities. Under the robust and unified leadership of central government, the Group swiftly responded to the national call and local government's instructions such as the "Implementation Measures for Pucheng County to Support the Resumption of Work in Response to the COVID-19 Epidemic (浦城縣應對新型冠狀病毒感染的肺炎疫情支持開復工建設的實施辦法)", in implementing effective policies in epidemic prevention and control.

Environmental, Social and Governance Report

Firmly adhering to the thinking of “Life is heavier than Mount Tai, The epidemic is the command, Prevention and control is the responsibility” (生命重於泰山、疫情就是命令、防控就是責任), the Group has in particular taken the following actions:

- Actively responded to the national call and strictly implemented relevant policies in accordance with the requirements of guidelines about the resumption of work;
- During the peak time period of the pandemic, employees were given holidays to reduce the frequency and scale of gathering;
- Distributed 100,000 masks, 300 forehead thermometers, alcohol disinfectants, and donated epidemic prevention and control materials to the medical staff and people in the epicentre;
- Built the pandemic emergency team that was responsible for coordinating and overseeing the implementation of epidemic prevention and control policies in the Group;
- Changed natural gas delivery routes during the suspension of epidemic traffic flexibly, and maintained natural gas supply in the affected area;
- Strengthened workplace disinfection;
- Provided personal equipment for employees returning to work, which should be carried out under the rules of social distancing; and
- Sanitised the fleet and equipment on a daily basis.

Environmental, Social and Governance Report

B.3. Development and Training

The Group has adopted a multipronged approach to aligning the talent development with its business needs while allowing all employees to meet their professional goals. A range of learning opportunities through both offline lectures and online platforms have been designed and provided to the Group's employees to gain requisite vocational knowledge and realise self-value. The Group believes that through the provision of professional training courses, its most valued employees can keep improving service quality continuously, be qualified to carry out the tasks that involve complicated technical operations and make breakthroughs in innovations.

Specifically, the Company provides comprehensive on-the-job training for newly hired employees to help them understand the company's corporate culture, business processes, health and safety policies, vehicle management procedures and corporate development history. For experienced employees, the Group offers training opportunities to develop their own working ability and build their career path. The Group also encourages its employees to enhance their competitiveness and expand their capacity through continuous learning by attending external training programmes to enhance their competitiveness. Since the Group takes health and safety as a priority issue, which has already been reflected in its training philosophy – "Safety Matters Most", health and safety-related training courses are well-designed and provided regularly to employees.

For positions with specific requirements of holding a professional certificate, including truck drivers for the transportation of dangerous goods, employees responsible for gas refilling, safety administrators and safety management supervisors, the Group funds the employees to participate in pre-job training programmes. The employees who successfully pass the training assessment can finally be approved to work.

Environmental, Social and Governance Report

Table 7 Total number of employees receiving training of the Group by Gender and Position Type in FY2020

By gender	By position			Total
	General staff	Middle management	Senior management and directors	
Male	46	4	1	51
Female	11	1	0	12
Total	57	5	1	63

Table 8 Total training hours of the Group's employees by Gender and Position Type in FY2020

By gender	By position			Total
	General staff	Middle management	Senior management and directors	
Male	1,032	60	12	1,104
Female	132	24	0	156
Total	1,164	84	12	1,260

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child or forced labour employment.

To combat illegal employment on child labour, underage workers and forced labour, and to ensure that applicants are lawfully employable, all employees are required by the Group's Human Resources Department to provide valid identification document prior to the confirmation of employment. The Human Resources Department is responsible for monitoring and ensuring compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour. The Group has regularly reviewed the human resources policies and the reporting mechanism has been established to monitor and ensure the compliance with all relevant laws and regulations. The Group organises an onsite inspection of the administration and personnel once a year, in which compensation and employment risks in the past year are identified and evaluated. Once any practice that fails to conform to the relevant labour laws, regulations or standards is found, the relevant employment contract will be immediately terminated.

In FY2020, the Group was in compliance with relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

Environmental, Social and Governance Report

OPERATING PRACTICES

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical for the Group to maintain and manage a sustainable and reliable supply chain that makes minimal negative impacts on the environment and society. In FY2020, the Group continued to allocate more resources to and enhance the way in supplier selection with due considerations of ESG impacts and potential sustainability risks. Each of the operating subsidiaries within the Group monitors the quality of its suppliers and ensures the supply chain practice on a strict and continuous basis.

In the selection of suppliers, the Group has developed and implemented the Supplier Evaluation Criteria (供方評定準則) through comprehensive evaluations and comparisons. The Group mainly takes into consideration the follows factors in assessing and prioritising the candidate suppliers:

- Quality of goods and services;
- Business license, previous track record;
- Market reputation;
- Quality management system;
- Production capacity;
- Technical parameters;
- Financial performance; and
- Fulfilment of social and environmental responsibilities.

Every tender received by the Group is processed according to established commercial procedures and internal policies supervised by the Procurement Department of the Group. The Group is dedicated to reducing the impacts of supply chain on the environment and in particular implementing green procurement. Together with criteria including quality, price and punctuality in supplying products or services, the environmental requirements are listed in the procurement contract as well, demonstrating the Group's determination and commitment to working with suppliers that respect and preserve the environmental and natural resources. The Group has adopted a proactive approach by formulating Measures for the Environmental Impacts of the Party (對相關方施加環境影響的管理辦法) in assessing, reviewing and managing their suppliers' practices. The Group refuses to partner with suppliers who violated relevant environmental regulations in the past or may cause detrimental environmental impacts during operations.



Environmental, Social and Governance Report

The real-time monitoring system enables the Group to have a continuous review on all suppliers' performance and the quality of supplied goods which needs to comply with the Group's standards. Corrective Action Requirements ("CAR") will be issued by the Group once the supplied goods fail to meet the standards.

The Group keeps a firm and stable relationship with its suppliers and is updated of the suppliers' situation effectively through the internet, phone calls, and other means to ensure that all suppliers abide by applicable local laws and regulations and stick to their corporate ethics.

Transmission and distribution of the natural gas business & Trading business

The main raw material used in natural gas business is liquefied natural gas ("LNG"). The Group normally enters into a long-term gas supply contract and yearly supplemental agreement according to the actual demand with the selected gas suppliers with strong production capability and business reputation.

The Group is principally responsible for the sourcing of the LNG from upstream suppliers including state-owned enterprises and distributing the products to customers for industrial, commercial and household uses. The Group has set up Safety Plans and Emergency Plans, and maintained a stable communication with its suppliers via phone calls, emails and written documents. The quality of LNG must conform to the national standard of GB17820. The Group strictly audits the supplier qualification against well-defined criteria to manage the social and environment risks in the supply chain. Selected suppliers must provide the Group with a monthly "Natural Gas Quality Inspection Report", which proves that its operating practices and product quality meets the national and local laws and regulations.

In FY2020, all major suppliers supporting the Group's business operations came from the PRC.

Environmental, Social and Governance Report

B.6. Product Responsibility

Law compliance

The Group has adopted a proactive approach to maintaining a high level of reliability and robustness of its products and services through continuous improvements of its facilities, personnel and management processes. With regard to the Group's health and safety, advertising, labelling and privacy matters of its products and services, the Group was in compliance with the relevant rules, regulations and standards in the PRC and Hong Kong in FY2020, including:

- Law of the People's Republic of China on Product Quality (《中華人民共和國產品品質法》);
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》);
- Law of the People's Republic of China on Road Traffic Safety (《中國人民共和國道路交通安全法》);
- Law of the People's Republic of China on the Protection of Production Safety (《中華人民共和國安全生產法》); and
- Regulations on the Safety Administration of Dangerous Chemicals (《危險化學品安全管理條例》).

Transmission and distribution of the natural gas business

Sticking to the service principle of "Safety has no end, Unremitting efforts in Prevention" (安全沒有終點·防範常抓不懈), the Group has strictly complied with Regulation on the Administration of Urban Gas (城鎮燃氣管理條例) and Standard for Construction of City Gas Station (城市燃氣場站建設規範) during operations. Safety Operation Management Policy (安全運營部管理制度) has been set up to assess the gas safety operations which include station gas supply maintenance system, incident and hidden danger management, combustible gas leakage alarm management system and operational procedures for station workers and gas supply equipment. The gas supply practices should meet the national standard of GB 50028. Employees responsible for special operations must be trained and hold relevant certificates before being on board.

Environmental, Social and Governance Report

To address the potential risks timely, the Group performs comprehensive safety inspections (綜合性安全檢查) regularly by carrying out indoor safety checks and comprehensive emergency rescue drills to ensure gas safety. Semi-annual anti-static testing and pressure safety testing are conducted on facilities at stations. The Group has built professional teams responsible for inspecting pipe network stability, preventing any leakages or system breakdown. A 24-hour monitoring system has been set up by the Group that ensures the safety and stability of the gas delivery to its customers. The Group believes that maintaining an ongoing dialogue with upstream suppliers to carry out regular inspections of pipeline and patrol systems and equipment maintenance is of paramount importance to safeguard the safety and quality of gas supplied to its customers.

The Group

Product quality

The Group values the interests of its customers and keeps monitoring the satisfaction rate of the customers through surveys. The Sales Department is responsible for collecting customers' opinions on product quality, pricing and delivery services. Any case of receiving a low score from customer satisfaction surveys triggers a comprehensive investigation by the Group, followed by corrective actions being made and precautionary policies being set up according to the requirements of Improvement Control Procedures (改進控制程序).

Complaints

The Group welcomes any compliment or complaint from its clients, which are believed to be the driving force enabling the Group to learn from the suggestions and make improvements. The clients' feedback is normally collected and sent to the head office for substantiation. Given the types of feedback, the substantiated complaints are sent to different departments which are required to take immediate actions for correction. The processing results are public to all employees and communicated timely with its clients.

During the year under review, the Group did not receive any complaint in relation to product quality.

Environmental, Social and Governance Report

Advertising

Following its internal procedures, the Group has been committed to providing accurate marketing materials in line with applicable laws and regulations to the public and its clients. Any misrepresentation or exaggeration of products is strictly prohibited. The General Affairs Department is responsible for monitoring and verifying the legitimacy, completeness and preciseness of sales and marketing materials before publication, and taking corrective actions once any inconformity to the Group's policies is discovered.

Privacy matters

Abiding by the local privacy laws and regulations such as the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Group has set up its internal policies including Customer Property Control Procedures (顧客財產控制程式) and File Management Regulation (檔案管理規定) to protect its customers' rights. Personal data collected will only be used for the purposes as defined, while all employees are required to obey the rules and strictly prohibited from disclosing any confidential information to external parties without customers' authorisation, as being cleared stated in the "Staff Manual" (員工手冊) and Employment Contract.

Intellectual property rights

In FY2020, the Group complied with the applicable laws and regulations in relation to intellectual property rights, including the Patent Law of the People's Republic of China (《中華人民共和國專利法》), Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and Patents Ordinance (Chapter 514 of the Laws of Hong Kong).

Given the industry nature, labelling is not a material issue to the Group's business, thereby not being discussed in detail in the Report.

In FY2020, the Group was in compliance with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group.

Environmental, Social and Governance Report

B.7. Anti-corruption

Promoting honesty, fairness, integrity and transparency in operations is vital to the Group's business. The Group is committed to creating a fair, honest, open and standardised atmosphere for operations, requiring its employees as well as its business partners to perform duties in compliance with the code of conduct, which has been used to enable the achievement of the Group's sustainability vision and the creation of a compelling corporate culture. To maintain a fair, ethical and efficient working environment, the Group strictly abided by the local laws and regulations relating to anti-corruption and bribery, irrespective of the region in which the Group operated in FY2020, including the Anti-Corruption Law of the People's Republic of China (中華人民共和國反腐敗法), the Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

In FY2020, the subsidiaries of the Group, following the internal policies of anti-corruption as set out in the "Staff Manual" (員工手冊), held various courses to facilitate all employees to unswervingly push forward the undertaking of combating corruption and creating a clean working environment. In FY2020, 20 employees of the Group attended a 30-min training course related to anti-corruption.

Whistle-blowers can report verbally or in writing to the Human Resources Department of the Group for any suspected misconduct with full details of the incident and supporting evidence. The Group makes investigations against any suspect or illegal behaviour to protect the Group's interests. Where any crime is substantiated by the Group, a report will be submitted promptly to relevant regulators or law enforcement authorities when the management of the Group considers it necessary.

In FY2020, the Group was in compliance with relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.



Environmental, Social and Governance Report

COMMUNITY

B.8. Community Investment

The Group has been working closely with the communities where it operates to identify and invest in initiatives that could support the needs of indigenous people, and trying its utmost to engage itself in community activities where the bonds between the Group's employees and community members can be tightly connected.

2020 was an extraordinarily challenging year to the world, in which the pandemic ravaged economic prosperity, social welfare and the progress in moving towards an environmentally sustainable planet. In collaboration with local government departments and communities, the Group has been responding the call of central government, launching effective policies in contributing to epidemic prevention and control. During the outbreak of the pandemic, the Group donated a variety of anti-epidemic materials including masks, forehead guns and disinfectants that were urgently needed to local governments in Anqing City (Anhui Province), Yichang City (Hubei Province) and Pucheng City (Fujian), supporting the work in epidemic prevention and control.

Under the grand objective of building a clean and diversified energy supply system in China, the Group is deeply aware of its important role to play in delivering premium and safe natural gas to its clients and communities in a consistently responsible manner. In an age where clean and low-carbon energy use is highly promoted, the Group will stay true to its founding missions as a natural gas distributor, making continuous efforts in creating shared value to all.

Environmental, Social and Governance Report

VII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	GRI Standards and Disclosures	Page
A. Environmental				
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, and generation of hazardous and non-hazardous waste.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 305: Emissions, and GRI 306: Effluents and Waste) GRI 305: Emissions: Management approach disclosures guidance GRI 307: Environmental Compliance: Disclosure 307-1	12
	KP A1.1	The types of emissions and respective emission data.	GRI 305: Emissions: Disclosures 305-1, 305-2, 305-3, 305-6, and 305-7	12
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305: Emissions: Disclosures 305-1, 305-2, 305-3, 305-4	13
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Effluents and Waste: Disclosure 306-2 (a)	13
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Effluents and Waste: Disclosure 306-2 (b)	13
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 305: Emissions) GRI 305: Emissions: Clause 1.2 and Disclosure 305-5	14
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 306: Effluents and Waste) GRI 306: Effluents and Waste: Disclosures 306-2 and 306-4	15

Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures	Page
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, and GRI 303: Water)	16
	KPI 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).	GRI 302: Energy: Disclosures 302-1 and 302-3	17
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not covered by the GRI Standards	17
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 302: Energy) GRI 302: Energy: Disclosures 302-4 and 302-5	17
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 303: Water) GRI 303: Water: Disclosure 303-3	20
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301: Materials: Disclosure 301-1	In FY2020, the Group did not consume any packaging material during operations.

Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures	Page
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Effluents and Waste).	22
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI 103: Management Approach: Disclosures 103-1 and 103-2 (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Effluents and Waste) GRI 303: Water: Disclosure 303-2 GRI 304: Biodiversity: Disclosure 304-2 GRI 306: Effluents and Waste: Disclosures 306-3 (c) and 306-5	22
B. Social				
Employment and Labour Practices				
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 202: Market Presence, GRI 401: Employment, GRI 405: Diversity and Equal Opportunity, GRI 406: Non-discrimination) GRI 419: Socioeconomic Compliance: Disclosure 419-1	23

Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures	Page
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 403: Occupational Health and Safety) GRI 419: Socioeconomic Compliance: Disclosure 419-1	27
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 404: Training and Education) GRI 404: Training and Education: Disclosure 404-2 (a)	30
B4: Labour Standards	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 preventing child and forced labour.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 408: Child Labor and GRI 409: Forced or Compulsory Labor) GRI 419: Socioeconomic Compliance: Disclosure 419-1	31
Operating Practices				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 308: Supplier Environmental Assessment and GRI 414: Supplier Social Assessment)	32

Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures	Page
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 416: Customer Health and Safety, GRI 417: Marketing and Labeling, and GRI 418: Customer Privacy) GRI 416: Customer Health and Safety: Disclosure 416-2 GRI 417: Marketing and Labeling: Disclosures 417-2 and 417-3 GRI 418: Customer Privacy: Disclosure 418-1 GRI 419: Socioeconomic Compliance: Disclosure 419-1	34
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 205: Anti-corruption) GRI 205 Anti-corruption: Disclosure 205-3 GRI 419: Socioeconomic Compliance: Disclosure 419-1	37
Community				
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 413: Local Communities)	38