



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

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




**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

**2022**



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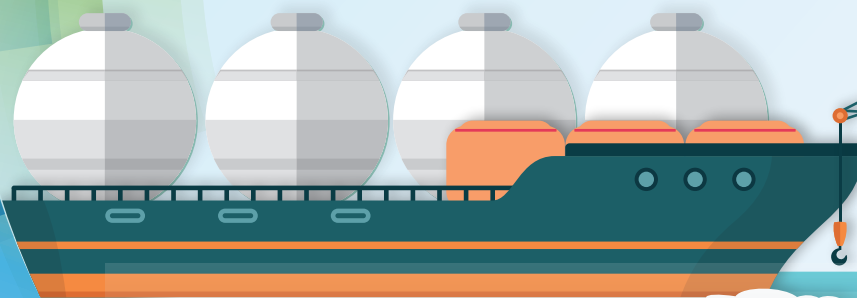
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## DEFINITIONS

“the Company”	Zhonghua Gas Holdings Limited (中華燃氣控股有限公司) (Stock Code: 8246), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM;
“Subsidiary(ies)”	a company that is then and from time to time a subsidiary of the Company (as defined in the Companies Ordinance);
“Zhonghua Gas” or “the Group” or “we”	the Company and its subsidiaries;
“Reporting Period”	1 January 2022 to 31 December 2022
“Year”	during financial year
“the Report”	the seventh Environmental, Social and Governance Report issued by the Group;
“ESG”	environmental, social and governance;
“the Board”	the Board or duly authorized thereof;
“Director(s)”	the director(s) of the Company;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“GEM”	The GEM of the Hong Kong Stock Exchange;
“Mainland China” or “China”	The People’s Republic of China, for the purposes of the Report and for geographical references only, Hong Kong Special Administrative Region, Macau Special Administrative Region of the People’s Republic of China and Taiwan are not included;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“ESG Reporting Guide”	the Environmental, Social and Governance Reporting Guide under Appendix 20 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited;
“KPI(s)”	key performance indicator(s)
“COVID-19”	novel coronavirus; and
“%”	percentage





## ABOUT THIS REPORT

Zhonghua Gas Holdings Limited (the “Company”, together with its subsidiaries, collectively referred to as “Zhonghua Gas” or the “Group” or “we”) is pleased to release its seventh Environmental, Social and Governance (“ESG”) Report (the “Report”). By reporting the Group’s ESG policies, measures and performance, the Report enables stakeholders to understand better the Group’s progress and direction on sustainable development issues.

### REPORTING SCOPE

The Report covers the performance of the Group from 1 January 2022, to 31 December 2022 (“Reporting Period”), covering the operation of the New Energy Business in the financial year (“Year”), which is the significant source of the Group’s revenue. This year’s Report covers the New Energy Business located in Tianjin and Shanghai in Mainland China, as well as the office in Hong Kong, and the scope of environmental and social performance data disclosed in the Report is only applicable to the New Energy Business in Tianjin and Shanghai.

### DATA AND DOCUMENT PREPARATION OF THE REPORT

The Group reviews all the presented data to ensure that the information in this Report is accurate and reliable to a certain extent. The Group confirms that all the information cited in this Report comes from official documents, statistical data, and other management and operating information.

### REPORTING PRINCIPLES

This Report is prepared in accordance with Appendix 20 “Environmental, Social and Governance Reporting Guide” of Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (“ESG Reporting Guide”). This Report discloses environmental and social key performance indicators in accordance with the provisions of “mandatory disclosure requirements” and “comply or explain”, so that stakeholders can fully understand the ESG performance of the Group. For an overview of the disclosure of various indicators, please refer to “Environmental, Social and Governance Reporting Guide Content Index.” This Report is based on the reporting principles outlined in the ESG Reporting Guide, including materiality, quantitative, balance and consistency. Please refer to the infographics below for details:



## ABOUT THIS REPORT

### MATERIALITY

In order to comprehensively assess the importance of ESG issues this Year, the Group used various communication channels to understand stakeholders' opinions on our sustainable development governance strategy and conducted an internal materiality assessment to identify environmental and social issues that are significant to the Group and report them in this Report. The importance of various ESG issues to the Group and multiple stakeholders is presented in a list.

### QUANTITATIVE

The Group quantitatively records environmental and social data and entrusts sustainable development consultants to refer to relevant key performance indicators, including but not limited to: "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" and "How to prepare an ESG Report Appendix 3: Reporting Guidance on Social KPIs."

### BALANCE

This Report discloses the overall environmental, social, and governance performance of the Year and the impact of business operations on it in an objective manner to assist readers in decision-making and judgment.

### CONSISTENCY

The Group has adopted consistent statistical methods so that ESG data can be meaningfully compared in the future. If there are changes in the methodology used and the scope of reporting, we will explain them in the notes for stakeholders' reference.

## REPORT CONFIRMATION AND APPROVAL

This Report has been reviewed and approved by the Board on 24 March 2023.

## REPORT VERSIONS AND ACQUISITION

This Report is released in the form of electronic reports in Chinese and English and has been uploaded to the HKEXnews website of the Hong Kong Stock Exchange and the Company's website ([www.8246hk.com](http://www.8246hk.com)). In case of conflict or inconsistency between the Chinese and English versions, the Chinese version shall prevail.


## CONTACT AND ENQUIRY

To establish a better long-term sustainable development strategy, we welcome and encourage all stakeholders to provide suggestions or opinions on this Report or the Group's sustainable development performance. If you have any inquiries or feedback, please get in touch with us through the following method:

Email Address: [info@8246hk.com](mailto:info@8246hk.com)



## ABOUT ZHONGHUA GAS



Zhonghua Gas Holdings Limited (the “Company,” together with its subsidiaries, collectively referred to as “Zhonghua Gas,” the “Group,” or “we”) is an investment holding company listed on the GEM of the Hong Kong Stock Exchange in 2011. The Company’s subsidiaries are principally engaged in the provision of 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 LNG, coupled with sales of new energy related industrial products (“New Energy Business”) and investment property leasing (“Property Investment”).

This Year, the revenue of our New Energy Business mainly came from LNG supply and management of clients’ LNG supply stations, which contributed more than 99% of the Group’s total revenue. Multiple unstable factors, such as the delay of the COVID-19 pandemic on the resumption of business back on track and the fierce competition in LNG prices, it has not only led to a decline in sales at some of our LNG supply points but also reduced the profits brought by the business. Since the coal-to-gas project in Tianjin is also gradually becoming saturated, we expect the number of new projects to continue to decrease.

Therefore, the Group’s main approach this Year is to continue to assess the development of the COVID-19 pandemic and the latest changes in the market so as to take timely measures and adjust business strategies for mitigation of the risks to our business operations.

More importantly, we want to restore, develop, and expand the scope of the New Energy Business. We look forward to gradually expanding the size and geographic area of its emerging network business and pursuing business opportunities through launching new joint ventures and purchases after the pandemic trend stabilizes in the Mainland China. The strategic partnership between Zhonghua Gas and Jiangsu Shagang Group Co., Ltd. has already supplied LNG through partners and managed the LNG supply station. The operation was begun in April 2022. The contribution to our revenue will increase when the scale of operation is established. Meanwhile, the Group will continue to maintain strategic partnerships with Tractebel Engineering S.A. from France and certain other significant partners to explore new business opportunities with potential clients. Zhonghua Gas will rely on the solid growth potential of China’s new energy business sector and its market position to create additional sources of income. In terms of Property Investment business, the Group will continue to look for investment opportunities in high-yield properties while maintaining the ownership of all existing office properties to bring stable and long-term returns to shareholders.







## MESSAGE FROM THE MANAGEMENT



2022 is the beginning of the world's entry into the "Post-Pandemic Era." The influence of the COVID-19 pandemic will continue to be far-reaching for various industries, making the economic recovery and social atmosphere out of the downturn particularly difficult and prolonged. We are encountering multiple factors, such as the lockdown of the city and the prolonged slump in natural gas prices. Zhonghua Gas will continue to devote itself to developing and expanding our New Energy Business and improving operation and governance.

Following last year's sustainable development strategy, we maintained two-way communication with various stakeholders through numerous channels, listened carefully and collected opinions, and established a mutually beneficial relationship; Zhonghua Gas effectively managed the Group's internal issues related to sustainable development, actively grasped the opportunities and identified potential risks to business operations, to strengthen the enterprise's risk resilience and promote sustainable development.


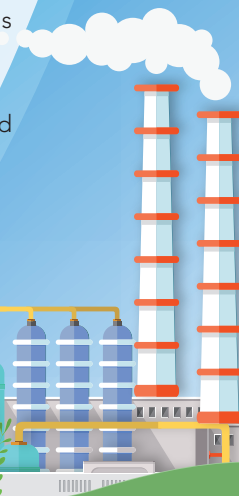
Liquefied natural gas is an indispensable energy substitute in promoting green energy in the future. In October 2022, the section "Pursuing Green Development and Promoting Harmony between Humanity and Nature" in the "Report to the 20th National Congress of the Communist Party of China" emphasized the importance of "Energy Security" that the country ought to increase the exploration and development of natural gas resources and increase reserves and production to construct a new energy system and steadily facilitate carbon-neutral plans. Zhonghua Gas actively responds to national policies, promotes the application of liquefied natural gas and new energy, and supplies natural gas safely and stably. We strictly regulate the operation and safety management of the LNG supply station and carry out constant inspection and maintenance to ensure the stable gas supply of the gas station as usual. Simultaneously, we enhance our key performance indicators from the environmental aspect by implementing relevant measures, reducing the negative impact on the environment, and even exacerbation of global warming.

We fulfil our corporate social responsibilities and protecting employees' safety, health, and welfare rights is an essential aspect of our sustainable development strategy. This Year, we signed the "Mental Health Workplace Charter" to demonstrate our commitment to promoting the mental health of our employees; at the same time, we have constantly been optimizing the retirement protection of our employees for years, and we have also been rated as the "Good MPF Employer 5 Years+" and presented the "e-Contribution Award."

Looking forward to 2023, we will seize the development potential of new energy and comply with the national energy development and transformation plan. Continue to focus on developing and expanding the scope of the New Energy Business and make steady progress on the road to becoming a leading diversified and comprehensive new energy service provider in the Greater China region.

Finally, the Board would like to sincerely thank all employees for their efforts, contributions, and support, as well as business partners, clients, and shareholders for their trust and support.

The Board of Zhonghua Gas Holdings Limited



# PROMOTING SUSTAINABLE DEVELOPMENT

The Group is committed to integrating sustainable development into daily operations, corporate management, and decision-making. Our ESG working group will begin to gradually study the establishment of environmental, social, and governance performance indicators. We set out sustainable development goals starting from employee training, and through participating in the charter signing and committing to formulating action plans, we promote them to various stakeholders, including employees. During the Reporting Period, our office in Hong Kong signed the "Food Wise Charter" and "Energy Saving Charter 2022" to encourage the implementation of environmental protection measures within the Group. In addition, we continue to fulfil our social responsibilities, pay attention to the welfare of employees, promote a healthy working environment, and signed the "Mental Health Workplace Charter" to commit to taking action to promote mental health in the workplace. We were rated as "Good MPF Employer 5 Years+" and presented with the "e-Contribution Award" during the Reporting Period.

**GOOD MPF EMPLOYER 5 YEARS+**  
e-Contribution Award



**Mental Health Friendly Organisation**  
Mental Health Workplace Charter



**Food Wise Charter**



**Energy Saving Charter 2022**



## RISK MANAGEMENT

The Group has implemented effective risk management by establishing an enterprise risk management framework. The following items are the main risks of the Group and their changes:

Risk	Description	Internal Control Measures	Changes
Market Competition	With the continuous advancement of the "X+1+X" natural gas marketization reform in Mainland China, the diversified channel supply of upstream resources has been formed. The development of centralized transportation at the intermediate unified pipeline facilitates fierce competition and price fluctuations in the downstream LNG sales market, resulting in a decrease in gross profit margin.	<ul style="list-style-type: none"> <li>The Group seeks opportunities to expand its New Energy Business to other regions in the north and the Yangtze River Delta in order to pursue business growth and mitigate risks</li> <li>The Company keeps abreast of market trends, works closely with upstream gas sources, and uses the changes in LNG prices in different seasons to reduce the economic impact arising from the rise in supply</li> </ul>	Unchanged
Government Policy Changes	<p>Mainland China's 14th Five-Year Plan and the 20th National Congress emphasize national energy decarbonization and security strategies. Energy security is essential in the change and development of oil and gas. The government will coordinate the promotion of national underground gas storage facilities, LNG terminals, and other gas storage facilities construction to improve the peak shaving level of the natural gas pipeline network during the heating season to guarantee the supply.</p> <p>China successively promulgates and publishes a series of policies and plans to promote the continuous and steady growth of the natural gas industry. Still, at the same time, the relevant guidelines and regulations will be gradually tightened to improve the overall planning and supporting facilities, which may increase our business operating costs.</p>	<ul style="list-style-type: none"> <li>The management will keep abreast of policy developments and adjust the Group's business strategies in a timely manner.</li> <li>To expand types of service provided by the Group to diversify risk</li> <li>Improve sales structure analysis in advance, strengthen the continuous optimization of customer structure and enhance LNG sales</li> </ul>	Unchanged



## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Changes
COVID-19 Pandemic	<p>The number of COVID-19 cases reached a record high in 2022 in Mainland China. Affected by the city lockdown policies adopted in some regions, the demand for LNG products in Tianjin and Shanghai, where the Group's main business is located, has dropped sharply, which has also led to restrictions on project consultations and meetings with our clients.</p> <p>The COVID-19 pandemic may also put the health of the Group's employees at risk, which will have a negative impact on the Group's business environment and regular business operations.</p>	<ul style="list-style-type: none"> <li>The management closely follows the news, information, and policies and continue to assess the impact of COVID-19 on the Group's future finances and operations and adjust the Group's business strategies, pandemic prevention measures, and work arrangements in a timely manner</li> <li>Arrange partial audit activities, client meetings, contractual negotiations, etc. by teleconference or video conference as appropriate</li> <li>Strengthen office cleaning, develop pandemic prevention measures, flexibly arrange employees' working hours and work from home, and temporary closure of some offices in Mainland China</li> </ul>	Increase



## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Changes
<p>Health and Safety</p>	<p>The Company’s business involves LNG, and improper safety management in the course of operation may lead to serious safety accidents and losses, which in turn will affect the Group’s operating performance.</p> <p>Under the state’s advocacy to optimize the planning and construction of gas storage facilities, the natural gas pipeline network in various places will undergo stricter and more comprehensive safety supervision. It may propose intelligent upgrades and legislative regulations for gas station safety management in the future, which may further increase The Group’s operating costs.</p>	<ul style="list-style-type: none"> <li>• The Company’s operations and onsite operation strictly comply with national regulations on hazardous chemicals and the relevant operational practices of the Group</li> <li>• Strengthen the maintenance and management of equipment and facilities, enhance the management level of equipment, and ensure the integrity rate of the equipment. Employ qualified professionals and improve safety awareness among employees through training</li> <li>• Timely warning of abnormal conditions through the self-control monitoring system to ensure a 100% monitoring rate of significant production operations</li> <li>• Compile the Emergency Plan and continuously improve the team’s business capabilities at all levels, such as dispatching operations, onsite operations, line patrol, repair, and maintenance</li> </ul>	<p>Increase</p>
<p>Environmental Protection</p>	<p>For the main business, if the Company fails to comply with the regulations and policies issued by China’s local environmental protection bureau and other regulatory agencies, it may cause the environmental protection bureau to shut down relevant illegal businesses until the completion of rectification and impose administrative penalties. The Company is required to pay the corresponding taxes based on its taxable pollutants, waste, and noise. If the Company does not have related energy conservation and emission reduction measures, the Company may be subject to a high environmental protection tax.</p>	<ul style="list-style-type: none"> <li>• The Company complies with the regulatory policies of local regulatory authorities and conducts internal inspections from time to time to reduce the possibility of violating laws and regulations</li> <li>• Establish environmental protection norms according to the company’s project, organized by the management and complied with by all employees; set up environmental key performance indicators within the project, and the participants in the project complete the performance indicators</li> </ul>	<p>Unchanged</p>

## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Changes
Supply Chain	<p>Insufficient natural gas supply due to surges in demand in winter may impact services such as coal-to-natural gas, gas supply, heating, and more. Weak regulation of subsuppliers may impact the Company's direct suppliers and affect the Company's business. If the Group relies too much on a small number of major suppliers, the risk of supply chain disruption and difficulty of controlling the purchase of LNG prices may increase. In the procurement process in close cooperation with other LNG suppliers, the Group may incur additional costs due to specifications such as pipeline natural gas transportation and quality inspection, which may adversely affect our business.</p>	<ul style="list-style-type: none"> <li>• A stringent assessment will be conducted when choosing suppliers and contractors</li> <li>• Terms of outsourcing contracts will be reviewed by project managers and internal or external legal professionals to ensure clearly defined responsibilities of each party</li> <li>• Person in charge of the project will conduct an onsite inspection to examine the quality and performance of suppliers and contractors to ensure that their products and services are up to the standards of the Group</li> <li>• Look for a number of stable LNG suppliers to avoid monopolizing the supply chain of the Company</li> <li>• Make reasonable forecasts for future sales volumes, reserve LNG in advance based on expected sales volumes, and reserve them in seasons with lower prices to cope with sudden price and supply fluctuations</li> <li>• Stabilize supply chain volume and price by, among others, seeking temporary solutions for the supply chain and seeking to sign a supply agreement</li> <li>• Cooperate with the Company's direct suppliers and effectively supervise subsuppliers to reduce the impact of subsuppliers on the business</li> </ul>	Unchanged



## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Changes
Human Resources	Consider the Group fails to attract, develop or retain sufficient key professionals (such as management personnel, project engineers, chief engineers, etc.) and simultaneously fails to implement appropriate training programs. In that case, it may affect the regular operation or quality of the Group or fail to support the Group development plan.	<ul style="list-style-type: none"> <li>• Maintain a healthy and positive working environment</li> <li>• Regular review of employee benefits</li> <li>• Conduct workforce planning to replenish sufficient staff as soon as possible</li> <li>• Develop an appropriate employee training plan to ensure that employees meet the needs of business operations and regulations</li> </ul>	Increase
Exchange Rate	The Group has assets and liabilities denominated in Hong Kong dollars and RMB; any fluctuation in the exchange rate may cause loss from currency exchange to the Company.	<ul style="list-style-type: none"> <li>• Risk of exchange rate will be monitored on a regular basis, and relevant response measures will be formulated</li> <li>• Sensitive analysis will be conducted to quantify the risk regularly</li> </ul>	Unchanged

## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Changes
Credit Risk	<p>In view of the instability of the COVID-19 pandemic, the Group's customers are facing financial difficulties and cash flow constraints and are slowing down repayments.</p>	<ul style="list-style-type: none"> <li>Each business unit manages customer credit risk in accordance with the policies, procedures, and monitoring mechanisms related to customer credit risk management formulated by the Group</li> <li>To minimize the credit risk of trade receivables, the Group's management has assigned a team to be responsible for the credit lines, credit approvals, and other monitoring procedures to ensure follow-up action on the recovery of overdue debts and to closely monitor the situation of each customer, conducting regular credit surveys on an annual basis and conducting individual credit assessments for all customers exceeding a specific credit limit</li> <li>In addition, the Group's management reviewed the recoverable amount of each individual debt at the end of the reporting period to ensure that sufficient provision for impairment losses was made for the non-recoverable amount of trade receivables, and we also increased the staff of the collection team to ensure a smooth collection process</li> <li>The Group applies a simplified method to make provisions for expected credit losses under IFRS 9</li> </ul>	Unchanged

## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Changes
Climate Change	<p>Abnormal weather, such as extreme heat, extreme cold, and heavy rain, is likely to cause different degrees of wear and tear or damage the gas station's infrastructure (e.g., transportation pipelines). Consequently, we will face the risk of safety accidents and increased maintenance costs. Frequent extreme weather also has a negative impact on the commuting of the Group's employees.</p>	<ul style="list-style-type: none"> <li>Regularly conduct safety inspections and rectifications for gas station facilities and ensure the safety of the entire business operation by formulating operational procedures and employee work guidelines for responding to extreme weather in the emergency plan</li> <li>In the future, research will be undertaken to strengthen the resilience of the supply chain to climate change and further identify the physical and transition risks of climate change to the Group</li> </ul>	Unchanged





# GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

## GOVERNANCE STRUCTURE

Good corporate governance enables companies to implement business strategies and create value for stakeholders. We introduce sustainable development elements into our sound governance structure and daily operations. The Board has established an ESG Working Group (“Working Group”) consisting of the Company Secretary, the Human Resources Department, and representatives from the General Management Department located in Tianjin and Shanghai, respectively. The Company Secretary acts as the overall coordinator of the Working Group and coordinates the implementation of the ESG management guidelines formulated by the Board among various departments. The Working Group supervises policies, measures, and results related to sustainable development issues and assists the Board in making decisions. We will continue to optimize and improve the ESG governance structure and implement the value concept of sustainable development at the corporate level. In addition, the Group appointed Riskory Consultancy Limited as a consultant to provide consulting services on ESG and sustainable development.

### THE BOARD

Monitor and establish the Group’s overall ESG strategy:

- Hold ESG Governance Meeting; and
- Manage ESG risks and internal control system.

### ESG WORKING GROUP

Assist the Board in supervising and implementing the following ESG-related management approaches:

- Monitor the policy and measures of ESG and evaluate their effectiveness;
- Identify and discuss the ESG risks and opportunities in the business operation, so as to provide feedback for improvement;
- Report the updates of the ESG trends, laws and regulations to the Board regularly; and
- Coordinate and communicate with various stakeholders to promote the work of sustainable development.

The Report mainly outlines the Group’s ESG governance structure and the relevant duties and responsibilities of the Board. Regarding the governance responsibilities and scope of authority assumed by the Board and its remuneration committee, audit committee, and nomination committee for other areas of the Group’s work, the Group has complied with the “Corporate Governance Code” in Appendix 15 of the GEM Listing Rules of the Hong Kong Stock Exchange. Relevant procedures and norms have been formulated and disclosed in the “Corporate Governance Report” section of the 2022 Annual Report.

### THE BOARD

### COMPANY SECRETARY

HUMAN RESOURCES DEPARTMENT

TIANJIN AND SHANGHAI GENERAL MANAGEMENT DEPARTMENT



# GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

## STAKEHOLDER ENGAGEMENT

Stakeholders refer to the groups and people who significantly impact their business or will be affected by the Company. They play a core role in our continuous progress toward sustainable development. We establish effective two-way communication mechanism with our internal and external stakeholders through various communication methods, including face-to-face, regular exchange meetings, direct mail, and hotlines. After collecting stakeholders' opinions, the Group can more effectively formulate policies and measures to respond to their needs, enabling us to establish a more comprehensive sustainable development strategy. The main communication channels between the Group and stakeholders are detailed as follows:

### STAKEHOLDER ENGAGEMENT GROUPS





## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

### MATERIALITY ASSESSMENT

The Group conducts an internal materiality assessment during the Reporting Period. The assessment aims to comprehensively identify the ESG issues that Zhonghua Gas and various stakeholders are concerned about and to confirm the ranking of material topics based on the assessment results as part of sustainable development governance strategy formulation and an essential reference for ESG report disclosure. To ensure that this Report can accurately and objectively reflect the performance of the environment, society, and governance during the Reporting Period, we have commissioned an independent sustainable development consultant to assist the Group in the following materiality analysis process:



## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

### THE MATERIALITY TOPICS LIST AND THEIR LEVEL OF IMPORTANCE DURING REPORTING PERIOD

Environmental Protection and Green Operation	Operational Practice	Product and Service Responsibility	Working Environment Quality	Community Contributions
1. Greenhouse gas emissions	9. Supply chain management	13. Product and service quality	19. Equal opportunities, diversity, and anti-discrimination	25. Participate in or organize volunteer activities
2. Exhaust emissions	10. Supplier's environmental and social performance evaluation	14. Product and service safety	20. Employment relationship	26. Charitable donation
3. Electricity and water conservation	11. Anti-fraud and corruption (including the provision of anti-corruption trainings)	15. Client satisfaction	21. Occupational health and safety	
4. Effective use of resources	12. Crisis or emergency handling	16. Complaint handling	22. Training and development	
5. Hazardous waste disposal (such as waste batteries and fluorescent lamps)		17. Client privacy protection	23. Prevention of child labour and forced labour	
6. Non-hazardous waste disposal		18. Advertising and publicity	24. Employee benefits	
7. Green procurement				
8. Risks and opportunities related to the climate change				





## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

After considering and balancing the materiality of each ESG topic towards the Group and various stakeholders, Zhonghua Gas has formulated the list with the level of the importance for each topic shown as follows:

Level of importance	Area of the ESG Materiality Topics	Name of the ESG Materiality Topics
Most Important	Environmental Protection and Green Operation	1. Greenhouse gas emissions 3. Electricity and water conservation 8. Risks and opportunities related to the climate change
	Operational Practice	9. Supply chain management 11. Anti-fraud and corruption (including the provision of anti-corruption trainings) 12. Crisis or emergency handling
	Product and Service Responsibility	13. Product and service quality 14. Product and service safety
	Working Environment Quality	20. Employment relationship 21. Occupational health and safety 22. Training and development 24. Employee benefits
Relatively Important	Environment Protection and Green Operation	2. Exhaust emissions 4. Effective use of resources 5. Hazardous waste disposal (such as waste batteries and fluorescent lamps) 6. Non-hazardous waste disposal
	Operational Practice	10. Suppliers' environmental and social performance evaluation
	Product and Service Responsibility	15. Client satisfaction 17. Client privacy protection
	Working Environment Quality	19. Equal opportunities, diversity, and anti-discrimination 23. Prevention of child labour and forced labour
Important	Environment Protection and Green Operation	7. Green procurement
	Product and Service Responsibility	16. Compliant handling 18. Advertising and publicity
	Community Contributions	25. Participate in or organize volunteer activities 26. Charitable donation





## ZHONGHUA GAS AND OPERATION

### ANTI-FRAUD AND CORRUPTION

#### Materiality Topic 11

Zhonghua Gas adheres to a clean and fair business ethics culture, eliminates bribery, extortion, fraud, money laundering, and other acts, enhances the awareness of integrity and self-discipline within the Group, and maintains a good and ethical governance level. The Group complies with relevant laws and regulations in Hong Kong and China, such as the "Prevention of Bribery Ordinance Cap. 201" and the "Anti-Money Laundering Law of the People's Republic of China". The "ESG Regulations" formulated by the Group set the commitments to prohibit bribery, extortion, fraud, and money laundering. The "Employee Handbook" also clarifies the code of conduct that employees must abide by. During the Reporting Period, we had no violations of relevant laws and regulations and no corruption lawsuits against enterprises or employees.

We firmly believe that a sound and effective reporting mechanism is the line of defense for a company to maintain good governance. It will help the company detect and correct corruption, fraud, and other business ethics violations before it is seriously damaged. The Group has established the Whistle-blowing Policy, which lists the responsibilities of relevant personnel, employees, or relevant third parties to provide reporting channels and guidelines, we ensure that the identity and content of all whistleblowers are kept strictly confidential to avoid retaliation and we promise to deal with relevant reports promptly.

The Group strictly prohibits all employees from soliciting, accepting, or providing bribes, accepting any benefits and excessively lavish hospitality from anyone when performing their duties in the Group. It also formulates regulations on entertaining guests and entertainment due to business needs, clearly stating that the per capita expenditure should not exceed the established upper limit. If an employee encounters any conflict of interest, we require the employee to use the "Conflict of Interest Declaration Form" to declare to the supervisor or superior. If any violations of regulations and disciplines are found, the Group will impose sanctions in accordance with the relevant provisions of the "Employee Handbook" and will be handed over to the judicial authorities for handling if necessary. Externally, the Group requires suppliers to formulate anti-corruption policies and improve the business activities' transparency. The Group and suppliers should conduct due diligence before selecting contractors or third-party suppliers to ensure that they comply with the "ESG Regulations" code requirement and anti-corruption laws and regulations.

Zhonghua Gas actively provides anti-corruption training for the Board and employees. During the Reporting Period, all directors have completed the online anti-corruption training. We strive to increase their vigilance against corruption temptations in daily operations and strengthen the awareness of anti-corruption laws, regulations, and internal integrity standards of the Group for curbing corruption from internal business operations.



## ZHONGHUA GAS AND OPERATION

### SUPPLY CHAIN MANAGEMENT

#### Materiality Topic 9,10

Zhonghua Gas has established a supply chain management policy in the “ESG Regulations”, which specifies the process of managing new and existing suppliers and the sustainable development factors that need to be considered in the selection process, which will enable us together to create a level playing field in the business environment. We uphold the principle of impartiality to select suppliers and ensure that the evaluation of suppliers can be carried out under the guidelines of “Fairness,” “Equitable,” and “Openness.” Zhonghua Gas maintains an excellent cooperative relationship with major suppliers. We hope both parties can work towards sustainable development to reduce environmental and social impacts in the supply chain. The Group has established a supply chain policy in the “ESG Regulations”, which specifies the process of managing new and existing suppliers and the sustainable development factors that must be considered in the selection process. During the Reporting Period, the Group has 2 suppliers from Mainland China, and all practices relating to supplier engagement have been implemented.

Number of suppliers by geographical regions	Unit	2022	2021
Mainland China	Supplier(s)	2	2

#### *New Suppliers Selection*

When screening new suppliers, the Group requires potential suppliers to provide qualification certificates for us to conduct internal evaluation and analysis. If necessary, we will set up an investigation team during the process, conduct on-site assessments, and require suppliers of general goods or raw materials to obtain relevant international quality management system certification. Afterward, we will arrange an investigation team composed of executives of each operating department to evaluate candidate suppliers in terms of operational services, quality systems, R&D capabilities, manufacturing, environmental management, labor human rights, and moral integrity. Suppliers whose evaluation results are qualified will be included in the Group’s list of qualified suppliers. At the same time, when selecting suppliers, the Group will pay attention to suppliers’ environmental and social performance and require suppliers to strive to integrate environmental and social responsibilities into their operations. For example, we will select suppliers that use fewer packaging materials.

#### *Current Suppliers Evaluation*

The Group conducts quarterly performance evaluations or annual inspections of suppliers in cooperation to ensure that suppliers meet requirements in terms of quality, delivery time, and service and regularly updates the list of qualified suppliers according to the evaluation results. If suppliers’ performance is unsatisfactory, the Group will give them suggestions for improvement. Suppose the supplier fails to comply with the “ESG Regulations” formulated by the Group or implement improvement measures according to the plan. In that case, the Group reserves the right to terminate the cooperative relationship with it.







## ZHONGHUA GAS AND OPERATION

### *Supplier's Safety Management*

The Group requires suppliers to carry out safety protection, supervision, and management before performing high-risk operations. Suppliers' employees need to handle supplies in the LNG office according to relevant safety management procedures, including proper administration of chemicals, identification of post hazards, formulation of emergency response measures and evacuation procedures, and employee safety training.

## QUALITY CONTROL AND MANAGEMENT

### Materiality Topic 12、13、14

Zhonghua Gas is committed to providing our clients with safe and clean LNG and sustainable development of "Diversified and High-efficiency" comprehensive energy utilization. While meeting clients' heating and coal-to-gas conversion needs, we also provide construction-related consulting and services such as buying and selling new energy-related industrial products.

### *Securing Stable Gas Supply*



A stable gas supply is the Group's service commitment to clients. We have always maintained a good relationship with large suppliers, providing an essential assurance for maintaining a stable LNG supply and reducing the risk of supply chain outages. In addition, the Group attaches great importance to the management and operation of LNG gas stations to ensure that users can use safe and high-quality gas. We will arrange for gas station staff to be stationed 24 hours a day during the heating season to monitor the operation of the gas station. The gas station is equipped with on-off valve systems at different locations. When the pipeline is damaged, the system can automatically sense the pressure change in the pipeline through the system, thereby triggering the alarm system to report the gas station staff for emergency repair. We also regularly inspect gas station equipment to ensure that the status of all equipment satisfies the standards.

### *Project Quality Management*

The Group has formulated different management processes in the beginning, middle, and ending phases of project construction to ensure the quality of the project. In the early stage of construction, the Group will check the construction quality with the construction unit under the "Engineering Construction Management Procedures." We request the construction unit to rectifier promptly if any problem is inspected. When key projects are completed, the Group arranges for the construction unit and the Group's project team to conduct project acceptance to ensure the quality of the project. After the construction, the Group requires the construction unit to complete the self-inspection of the project according to "Construction Work Completion and Inspection Management Procedures." The Group and client representatives will jointly conduct project acceptance. The acceptance process entails on-site measurement and inspection of engineering data. After the project is handed over to the client, the Group project team will follow up on the equipment operating condition according to the "Engineering Trial Management Procedures." The Group provides support to our clients, including personnel training and equipment maintenance advisory.



## ZHONGHUA GAS AND OPERATION



In addition to the process control on construction, the Group will conduct the maintenance of the gas station pipeline and equipment every two years, reorganize the preventive measures around the pipeline, and conduct a large-scale review and rectification of fire-fighting equipment. Relevant government departments will examine the entire process. To ensure that the quality of our operating equipment is maintained at a certain level.

### CLIENT FEEDBACK MANAGEMENT

#### Materiality Topic 15 ∙ 16

Zhonghua Gas can provide high-quality products and services based on clients' support and valuable opinions. Through the Group's Client Opinion Policy, we have an in-depth understanding of client needs and expectations to bring clients a better service experience. Client feedback is the driving force for the Group to move forward. Clients who are dissatisfied during the service process can provide their complaints to the Group by letter, phone call, or in person. After the complaint case is investigated, the Group will reply to the client on the investigation results and discuss corrective actions with the client. We will also instruct relevant staff to be responsible for client relationship management and procedures for handling client complaints.

During the Reporting Period, we did not have to recall any products and had no complaints about the products due to safety and health reasons. Since the Group's business does not involve advertisements and labels, we did not receive complaints about non-compliant advertisements and labels related to products and services during the Reporting Period.

### CLIENT PRIVACY PROTECTION

#### Materiality Topic 17 ∙ 18

The Group highly values client privacy protection and is committed to complying with relevant laws and regulations, including but not limited to:

- "Personal Data (Privacy) Ordinance Cap.486";
- "Personal Information Protection Law of the People's Republic of China"; and
- "Archives Law of the People's Republic of China"

The Group stipulates in the "Employee Handbook" that all employees shall not disclose the confidential data of the Group without authorization and stipulates in the "ESG Regulations" that employees and suppliers must protect client and consumer information. At the same time, there will be specific employees to manage clients' data and take security measures for the Group's IT equipment, such as encryption processing, to prevent client data from being misused or leaked.

During the Reporting Period, we had no cases of violating relevant laws and regulations on product health and safety, advertising, labeling, and privacy issues. The nature of the Group's business does not involve intellectual property rights because no patent has been applied for.



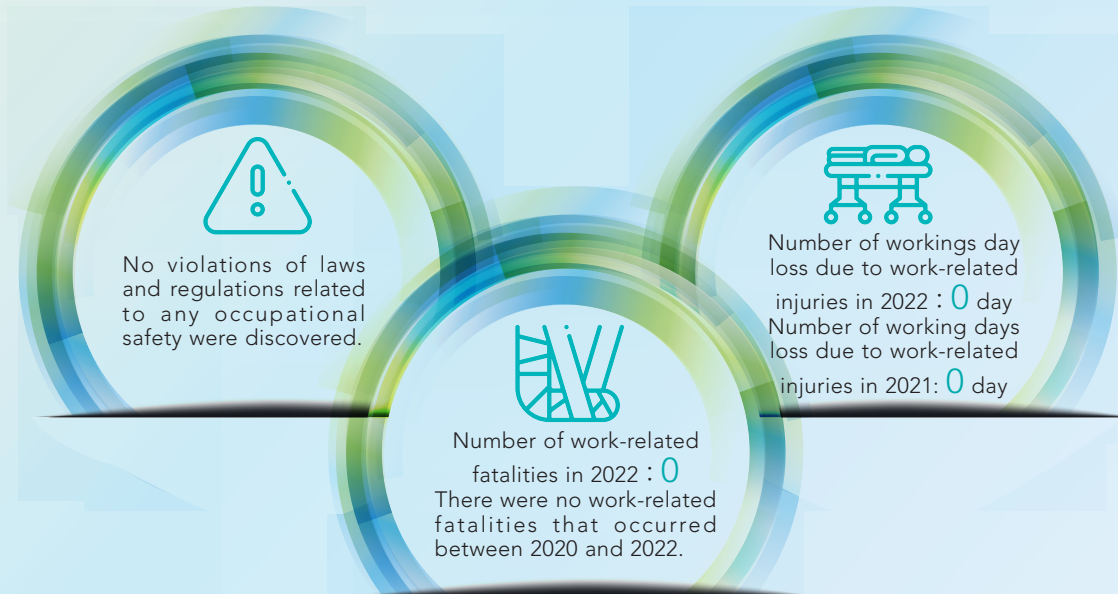
# ZHONGHUA GAS AND EMPLOYEES

## OCCUPATIONAL HEALTH AND SAFETY

### Materiality Topic 21

Zhonghua Gas has always prioritized all employees' health and safety as its top priority because we firmly believe that safety is the cornerstone of the practice of a stable LNG supply. Since the Group's business involves procedures such as transportation and storage of natural gas, weak links in the relevant safety management work may lead to serious industrial accidents and property losses. Zhonghua Gas strictly abides by laws and regulations in line with business operations, including but not limited to the "Production Safety Law of the People's Republic of China," "Identification of Major Hazards Installations for Hazardous Chemicals," and "Guidelines for Enterprises to Develop Emergency Response Plans for Workplace Accidents."

The Group's performance of occupational health and safety during Reporting Period:



The Group strictly implements safety regulations and conscientiously executes operational regulations. Zhonghua Gas is dedicated to creating a safe and healthy working environment for employees and minimizing work-related safety hazards. We have included relevant health and safety rules in the "ESG Regulations" to protect our employees. We put forward the approach of "Safety First, Prevention is Crucial" and, based on this, clearly set out the responsibilities of each rank in the gas station and formulate the safety policy for business operations, including:

- "The Policy of Safety Production in Station Area";
- "The Policy of LNG Station Safety";
- "The Fire Safety Policy of LNG Gasification Station";
- "The Policy of Outbound Management"; and
- "The Policy of Personnel Position Responsibility"



## ZHONGHUA GAS AND EMPLOYEES

### *Gas Stations Safety Inspections and Management*

We install the excess flow shut-off valve systems in storage tanks, vaporizers, self-pressurization, and other equipment. When the pipeline is damaged, the shut-off valve system can automatically sense the pressure change in the pipeline and promptly notify the gas station staff through the alarm system to make emergency repairs. We require gas station staff to strictly implement the "The Policy of Safety Production in Station Area," strengthen the management of electricity consumption, fire prevention, and explosion protection during operation, and make inspections regularly to ensure the regular operation of the safety equipment of the gas station, timely discover hidden dangers and eliminate them. Some of the measures including:



- Carry out regular inspections of the equipment in the station, specifically to check whether the operation and technical requirements of the gas station equipment meet the standards, such as safety valves, electric valves, alarming dashboard, and filters;
- A lightning protection test for grounding is required every year;
- The pressure gauge and safety valve on the processing pipeline in the gas station needs to be calibrated every year; and
- During the heating supply season (approximately from November to March), staff are on duty 24 hours a day at the gas station to monitor the operation of the gas station.

### *Fire Safety of Gas Stations*

Given the high flammability of LNG and the characteristics of easy accumulation of static electricity, there are hidden hazards of fire and explosion in gas stations. We have identified the relevant risk and formulated a series of preventive measures to enhance the fire management level in the gas station, including:



- Setting up safety operating rules as well as equipment operation and maintenance management at LNG office and LNG station;
- Equip appropriate fire extinguishing equipment at the locations where different appliances are located under relevant fire regulations;
- Carry out a comprehensive inspection and maintenance of the alarms and fire extinguishing equipment in the station every year and file relevant records;
- Regular fire drills will be conducted to strengthen employees' awareness of fire safety; and
- Provide technical personnel with safety training, such as water monitors, unloading operations, and basic safety rules.







## ZHONGHUA GAS AND EMPLOYEES



### *Emergency Response*

Zhonghua Gas has established the “Emergency Plan” to standardize the emergency management and response procedures of LNG gas stations managed by the department, and to quickly and effectively control and deal with possible accidents, reducing casualties and property losses caused by accidents. Based on the “Emergency Plan” foundation, we have an emergency team responsible for handling emergencies. The plan details the program on command, organization, coordination, communication, alarm, and medical emergency response to sudden production safety accidents. Various safety accidents include fire and explosion, electric shock, container explosion, and low-temperature frostbite; in response to the risks identified, we have disposal plans and regularly arrange for employees to conduct drills.

After the drill, we will record the progress and implementation of the actions for summary evaluation and timely improvement. Although there were no work-related accidents occurred in the Group during the Reporting Period, we have established comprehensive on-site emergency procedures. If any work-related injuries are found, we will immediately evaluate the condition of the injured and their injury status, provide first aid, and send them to the hospital for treatment according to the situation. The Human Resources Department will arrange for staff to follow up on work-related injury cases and investigate the cause of the accident, review the current safety measures, and prevent accidents from happening again. In addition to the above steps, we will provide employees with work-related injuries insurance and arrange medical clearance.

The Group strictly supervises and implements relevant safety management work. The safety awareness of employees is also fundamental to the implementation of policies. Apart from actively responding to the national “Safe Production Month” publicity, we also provide technical personnel with corresponding safety training to ensure those safe operating procedures are regulated. In recent years, the outbreak of COVID-19 pandemic has repeatedly occurred. The Group has implemented a series of anti-pandemic management measures practical to gas stations and offices to protect the health of employees:

### *Disease Prevention Measures*

- Strictly abide by the national prevention and control guidelines, such as the guidelines for pandemic prevention of the Chinese Center for Disease Control and Prevention, the “Guidance on Prevention and Control Measures for the Resumption of Work and Production in Enterprises and Institutions,” and the “Technical Guidelines for the Selection and Use of Masks for Preventing of New Coronavirus Infection in Different Populations” issued by the State Council;
- Conduct regular cleaning and disinfection in the office;
- Provide employees with sanitizing supplies; and
- Installed air purifiers in the office to improve air ventilation.






# ZHONGHUA GAS AND EMPLOYEES

## EMPLOYMENT RELATIONS AND LABOUR RIGHTS

### Materiality Topic 19、20、23



The Group's success relies on the collaborative efforts of all employees. We value the relationship with our employees, expect us to grow and make progress together, and endure to create a comfortable and friendly working environment for them, a diverse and inclusive atmosphere, and competitive returns so that employees can develop their strengths in the industry. We have detailed relevant employment terms in the "ESG Regulations" and "Employee Handbook" to ensure that employees comprehend their rights and responsibilities. The Group signs employment contracts with the hired employees. The contract defines the terms of employment, including remuneration, probation, and arrangements for the termination of the employment contract to protect employees' rights and interests.

The principal laws and regulations related to the Group's employment include the "Labour Law of the People's Republic of China," "Labour Contract Law of the People's Republic of China," "Social Insurance Law of the People's Republic of China" and the "Provisions on the Prohibition of Using Child Labour". During the Reporting Period, the Group did not violate relevant laws and regulations regarding remuneration and dismissal, recruitment, and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, other treatment and benefits, employment of child labor, and forced labour cases.

#### *Prohibition on Child Labour and Forced Labour*

The Group stipulates the position of prohibiting the use of child labour in the "ESG Regulations." When recruiting employees, we will strictly review applicants' identity documents and other age-proof records, and those who do not meet the requirements will not be hired. We also prohibit forced labour and ensure that our employees are employed voluntarily. If relevant violations are found, we will immediately terminate the contract with the employee and review the employment mechanism to prevent the recurrence of violations.

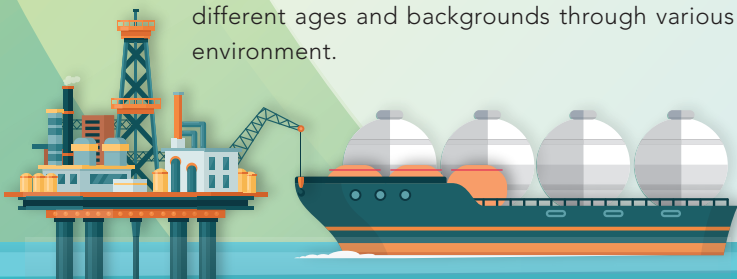
#### *Encouraging Equal Employment and Promotion Opportunities*

The Group recruits employees through the terms in the "Employee Handbook" and accepts all employees or applicants concerning race, color, age, gender, sexual orientation, gender identity and expression, national or national origin, disability, pregnancy, religious belief, political affiliation, union membership, protection of genetic information or marital status without prejudice to their chances of employment.

All new employees have a trial period of 3 months. After the probation ends and they pass the assessment successfully, they can be converted into regular employees. Providing promotion opportunities is based on considerations such as employees' professionalism, professional qualifications, work performance, teamwork, behavioral integrity, and cultural accomplishment.

#### *Creating a Diverse and Inclusive Working Environment*

The Group's "Diversity Policy" aims to achieve a corporate culture of diversity and inclusiveness for the Board, senior management, and employees. We embrace a zero-tolerance attitude towards discrimination, bullying, and persecution. At the same time, the policy also states that we will recruit employees of different ages and backgrounds through various channels to create a diverse, inclusive, and better working environment.





# ZHONGHUA GAS AND EMPLOYEES

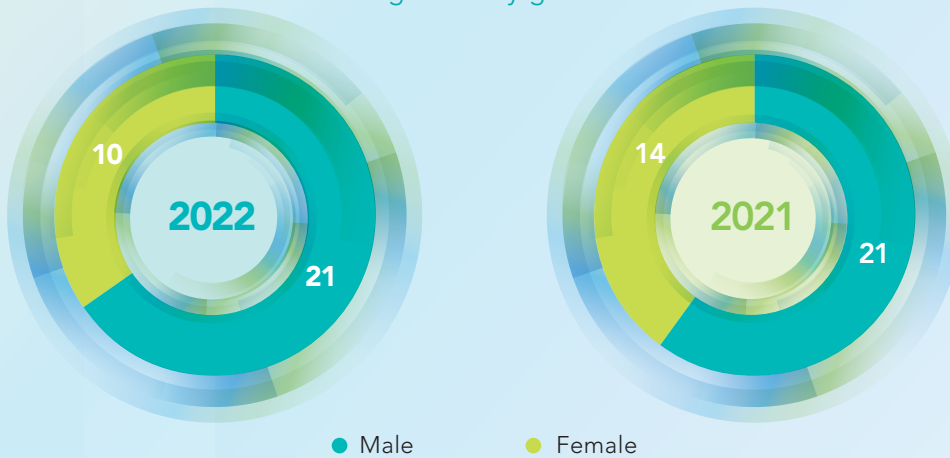
## EMPLOYEE BENEFITS

### Materiality Topic 24

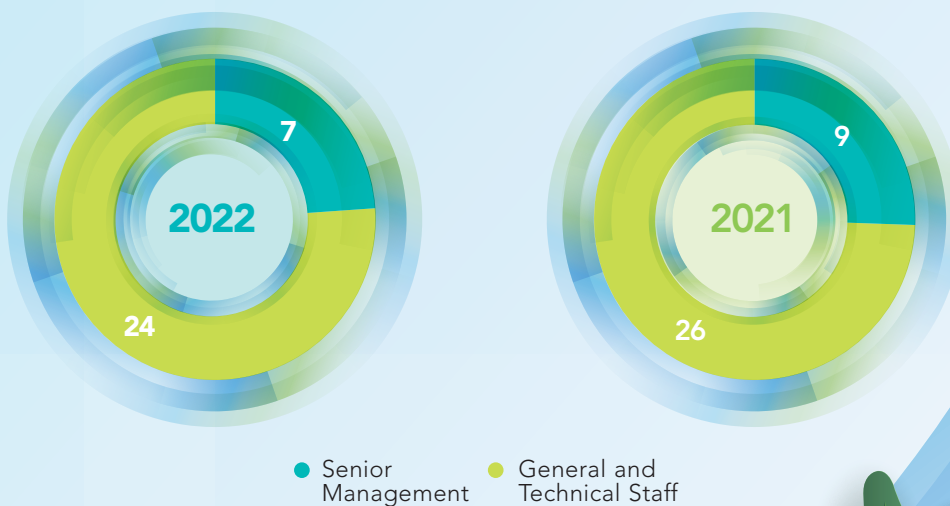
The Group provides our employees with insurance benefits such as “Five Social Insurances and One Housing Fund” (including endowment insurance, medical insurance, unemployment insurance, maternity insurance, employment injury insurance, and Housing Provident Fund) to our employees in accordance with the laws and regulations of the places where we operate. Our “Employee Handbook” lists employees’ working days and overtime arrangements. Employees can enjoy paid annual, marriage, compassionate, and examination leave according to their ranks. We also provide those female employees who can enjoy maternity leave and are protected during maternity and parenting leave, and male employees are also entitled to paternity leave.

The charts below break down the number of employees by gender, age, and employee category for the Reporting Period and 2021. As at 31 December 2022, the Group had a total of 31 full-time employees (2021: 35 full-time employees). All employees work in Mainland China.

Categorized by gender

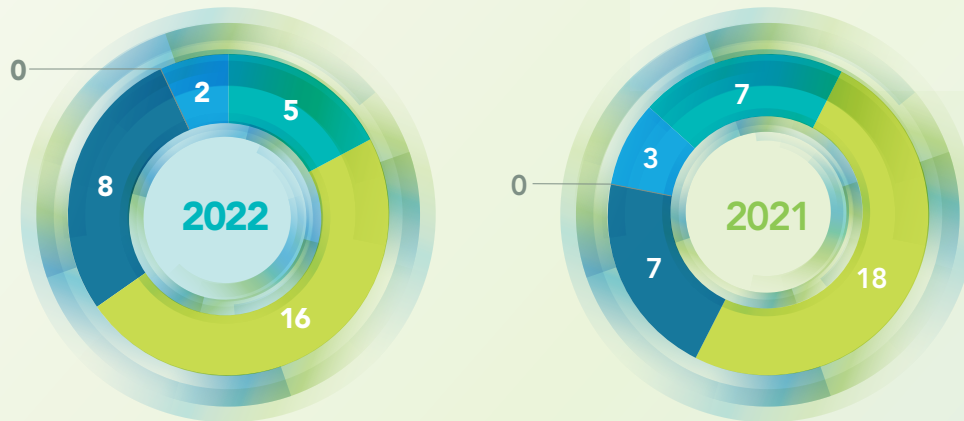


Categorized by employee category



## ZHONGHUA GAS AND EMPLOYEES

Categorized by employee age group



● Aged under 30 ● Aged 30-40 ● Aged 41-50 ● Aged 51-60 ● Aged over 60

The following table breaks down the employee turnover rate by gender, age group and geographical locations:

Employee Turnover Rate (%)	2022	2021
<b>Total Turnover Rate</b>	26%	0%
<b>Categorized by Gender</b>		
Male	19%	0%
Female	40%	0%
<b>Categorized by Age Group</b>		
Aged under 30	20%	0%
Aged 30-40	38%	0%
Aged 41-50	0%	0%
Aged 51-60	0%	0%
Aged over 60	50%	0%
<b>Categorized by Geographical Location</b>		
Mainland China	26%	0%



# ZHONGHUA GAS AND EMPLOYEES

## TRAINING AND DEVELOPMENT

### Materiality Topic 22

In response to the current natural gas market and development trends, we should adopt a policy of constant stability and long-term development, improve the team's quality and encourage employees to equip themselves so they can always meet new business opportunities and challenges. The Group allocates resources to meet the training needs of employees at different levels through formulating training policies. We discover potential employees during the training process so they can continue developing to varying stages of their careers.

We set out employee development and training policies in the "ESG Regulations" and "Employee Handbook". We are committed to providing learning and training courses for our employees. All new employees will receive induction training from the Human Resources Department, and department managers will provide on-the-job training for their positions. Employees will also receive appropriate on-the-job professional skills training. In addition, employees engaged in technical and particular work must receive training before taking up their posts. The Group encourages employees to participate in external training for self-improvement so that employees' work skills and professional knowledge can keep pace with the times and meet industry standards. The Group has launched a regular performance appraisal system to provide development and promotion opportunities for outstanding employees according to the performance appraisal results and allow employees to express their opinions through this system. During the Reporting Period, our trained employees accounted for 100 % of our total employees. The following chart breaks down the percentage of employees trained and the average training hours by gender and employee category:

	2022		2021 <sup>1</sup>	
	The Percentage of Trained Employees	The Average Training Hours Completed by Each Employee (hours)	The Percentage of Trained Employees	The Average Training Hours Completed by Each Employee (hours)
<b>Categorized by Gender</b>				
Male	100%	13	30%	2
Female	100%	12	0%	0
<b>Categorized by employee category</b>				
Senior Management	100%	12	11%	1
General and Technical Staff	100%	13	20%	1

<sup>1</sup> Affected by the pandemic quarantine measures, external training for employees has not been arranged in 2021.

## ZHONGHUA GAS AND ENVIRONMENT

The “ESG Regulations” formulated by the Group will cover emissions and resource management policies and clarify the commitment to reduce the impact on the environment and natural resources. We have complied with Mainland China laws and regulations related to the Group’s environmental protection, such as the “Environmental Protection Law of the People’s Republic of China”. During the Reporting Period, the Group did not receive any violation of relevant environmental laws or regulations on environmental issues that had a significant impact on the Group. The Group also has no significant effect on the environment and natural resources, and the New Energy Business in Tianjin and Shanghai does not involve projects that substantially impact the environment. The “Emergency Plan” also specifies the safety emergency treatments in case of leakage of hazardous chemical substances to prevent contaminated sewage from entering sewers and drains to pollute the environment.

### EMISSIONS MANAGEMENT

#### Materiality Topic 2

The Group’s air pollutant emissions are mainly derived from the fuel consumption of our vehicles. We have advocated and implemented “Green Commute” measures to gradually achieve the goal of reducing overall air pollutants and greenhouse gas emissions:

- Encourage employees to walk as much as possible instead of taking transportation if the activities and time conditions are close to the destination; and
- Encourage online video or teleconferencing.

Air Pollutants Emissions	Unit	2022	2021
Nitrogen oxides	Kg	2.18	2.43
Sulphur oxides	Kg	0.05	0.06
Particulate Matter	Kg	0.16	0.18



# ZHONGHUA GAS AND ENVIRONMENT

## WASTE MANAGEMENT

### Materiality Topic 5、6、7

Regarding non-hazardous waste, the Group has set up wastepaper recycling bins in offices to encourage employees to collect reusable paper and use recycled paper to print internal documents as much as possible during daily office work. In addition, the property management personnel of the Group's office buildings will collect domestic garbage and conduct follow-up processing. In terms of hazardous waste, the Group's business does not involve the production of significant hazardous waste. We advocate recycling the used toner cartridges in the office and sending them back to the manufacturer. Since the Group's business does not produce, it does not involve using packaging materials for finished products. We are committed to achieving waste reduction at the source through implementing relevant measures as the Group's goal. When ordering stationery supplies for the office, we will select suppliers who provide non-disposable products and less packaging to reduce unnecessary packaging materials.

The Amount of Waste Generated	Unit	2022	2021
Total Non-Hazardous Waste	Tonnes	4.06	4.23
Intensity of Non-Hazardous Waste	Tonnes/RMB million <sup>2</sup>	0.02	0.01

## RESOURCES MANAGEMENT

### Materiality Topic 3、4

We actively promote green operations and are committed to further promoting and implementing relevant measures to reduce the overall consumption of energy and water resources. We will keep monthly water and electricity consumption records to monitor usage, prevent abnormal use and propose corrective measures. In addition, the Group strengthened internal resource conservation education to enhance employees' awareness of implementation. The Group obtains water from the municipal government's water supply network; therefore, the Group has not encountered problems obtaining suitable water sources, and no significant sewage discharge has been involved. All sewage will be discharged into the municipal sewage pipe network and sent to the sewage treatment plant for purification treatment.

<sup>2</sup> The total revenue of Zhonghua Gas for the Year was RMB200.50 million, and the total revenue for 2021 was RMB 420.66 million.

## ZHONGHUA GAS AND ENVIRONMENT



### CHERISHING WATER

- Make water-saving signs to remind employees to cherish water resources;
- Utilize the remaining small amount of purchased drinking water for watering the flowers and cleaning the office;
- Replacing water-efficient appliances, such as water-saving faucets, to conserve water; and
- If any signs of water leakage are discovered in the water appliances, we will immediately arrange for personnel to repair them.



### SAVING ENERGY

- Requiring employees to turn off non-essential office electrical equipment during lunch breaks; and
- Turn off air-conditioning and non-essential lighting in unoccupied areas to reduce energy consumption.

Energy Consumption	Unit	2022	2021
Direct Energy (Vehicle Fuel)	kWh	31,935.33	35,252.28
Indirect Energy (Purchased Electricity)	kWh	40,749.00	46,973.00
Total Energy Consumption	kWh	72,684.33	82,225.28
Intensity of Energy Consumption	kWh/RMB million	362.52	195.47

Water Usage	Unit	2022	2021
Total Water Consumption	m <sup>3</sup>	312.00	319.00
Intensity of Water Consumption	m <sup>3</sup> /RMB million	1.56	0.76





# ZHONGHUA GAS AND ENVIRONMENT

## COMBATING CLIMATE CHANGE AND STRIVING TO REDUCE GREENHOUSE GAS EMISSIONS

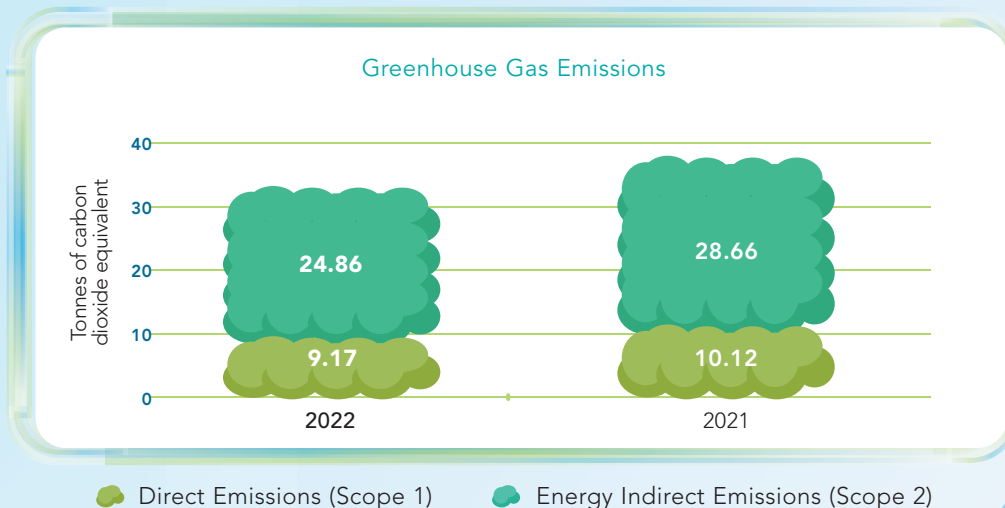
### Materiality Topic 1 ∨ 8



The Board is responsible for monitoring our risk management framework and environmental, social, and governance-related risks, including climate-related risks, and discussing related matters with the ESG Working Group. Although abnormal climate change has not affected the Group’s LNG service demand and heating season, we are aware that physical risks such as flooding caused by heavy rain and rising temperatures are driven by climate change. These extreme weather events may not only cause damage to our gas station facilities but also have a negative impact on the safety of our employees. Therefore, we regularly conduct safety inspections and rectifications for gas station facilities and ensure the safety of the entire business operation by formulating operating procedures for dealing with extreme weather in emergency plans and employee work guidelines.

Climate change has also created new opportunities for us. Mainland China proposed the “Dual Carbon Goals” as early as 2020. The Group adheres to the concept of sustainable development and actively responds to national policies. In the process of moving towards carbon neutrality, we strive to promote “coal-to-gas” and the widespread use of natural gas so that more people can benefit from clean energy. While assisting companies to reduce air pollutants and greenhouse gas emissions, Zhonghua Gas, as a socially responsible company, is committed to implementing various emission reduction measures, starting with reducing its carbon emissions to slow down the aggravation of greenhouse gases on global warming as our long-term goal.

Greenhouse Gas Emissions	Unit	2022	2021
Direct Emissions (Scope 1)	Tonnes of carbon dioxide equivalent	9.17	10.12
Energy Indirect Emissions (Scope 2)	Tonnes of carbon dioxide equivalent	24.86	28.66
Total Greenhouse Gas Emissions	Tonnes of carbon dioxide equivalent	34.03	38.78
Intensity of Greenhouse Gas Emissions	Tonnes of carbon dioxide equivalent/ RMB million	0.17	0.09



● Direct Emissions (Scope 1)
 ● Energy Indirect Emissions (Scope 2)





## ZHONGHUA GAS AND COMMUNITY



### ACTIVELY EXPLORE THE COMMUNITY INVESTMENT PROJECTS

#### Materiality Topic 25 ∙ 26

The Group adheres to the concept of “Serving the Community and Being Enthusiastic about Public Welfare,” fulfills the responsibilities of citizens to bring about positive impacts on society, and establishes and promotes a culture of caring for the community within the Group. The Group actively studies how to increase community participation and plans to help those in need through different channels in the future. The Group will continue to look for areas of community investment focus and expects to implement a series of community investment projects in the future.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

## CONTENT INDEX

Aspects	Description	Chapter of this Report/Notes
<b>Mandatory Disclosure Requirements</b>		
Governance Structure	A statement from the board containing the following elements: (a) a disclosure of the board's oversight of ESG issues; (b) the board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's businesses); and (c) how the board reviews progress made against ESG-related goals and targets with an explanation of how they related to the issuer's businesses	"About this Report", "Governance for Sustainable Development", and "Risk Management"
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles in the preparation of the ESG report	"About this Report"
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report	"About this Report"
<b>"Comply or explain" Provisions</b>		
<b>A.Environment</b>		
<b>Aspect A1: Emissions</b>		
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	"Zhonghua Gas and Environment"
KPI A1.1	The types of emissions and respective emissions data	The Group's business does not involve hazardous waste
KPI A1.2	Direct and energy indirect greenhouse gas emissions and, where appropriate, intensity	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	"Zhonghua Gas and Environment"
KPI A1.5	Description of emission target(s) set and steps taken to achieve them	"Zhonghua Gas and Environment"
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Aspects	Description	Chapter of this Report/Notes
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	"Zhonghua Gas and Environment" and "Promoting Sustainable Development"
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	
KPI A2.2	Water consumption in total and intensity	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	The Group's business does not involve the use of packaging materials
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	"Zhonghua Gas and Environment"
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	"Zhonghua Gas and Environment"
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them	





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

## CONTENT INDEX

Aspects	Description	Chapter of this Report/Notes
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
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	"Zhonghua Gas and Employees" and "Promoting Sustainable Development"
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	
<b>Aspect B2: Health and Safety</b>		
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	"Zhonghua Gas and Employees" and "Promoting Sustainable Development"
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	
KPI B2.2	Lost days due to work injury	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	"Zhonghua Gas and Employees"
KPI B3.1	The percentage of employees trained by gender and employee category	
KPI B3.2	The average training hours completed per employee by gender and employee category	



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Aspects	Description	Chapter of this Report/Notes
<b>Aspect B4: Labour Standards</b>		
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	"Zhonghua Gas and Employees"
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain	"Zhonghua Gas and Operation"
KPI B5.1	Number of suppliers by geographical region	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	"Zhonghua Gas and Operation" and "Zhonghua Gas and Environment"
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	



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Aspects	Description	Chapter of this Report/Notes
<b>Aspect B6: Product Responsibility</b>		
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	"Zhonghua Gas and Operation"; The Group's business does not involve products and services labelling
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	"Zhonghua Gas and Operation"
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	The Group's business is not involved in intellectual property matters
KPI B6.4	Description of quality assurance process and recall procedures	"Zhonghua Gas and Operation"
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	
<b>Aspect B7: Anti-corruption</b>		
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	"Zhonghua Gas and Operation"
KPI 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	
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	
KPI B7.3	Description of anti-corruption training provided to directors and staff	



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Aspects	Description	Chapter of this Report/Notes
<b>Aspect B8:Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	"Zhonghua Gas and Community"
KPI B8.1	Focus areas of contribution	
KPI B8.2	Resources contributed to the focus areas	

