



中裕燃气控股有限公司

ZHONGYU GAS HOLDINGS LIMITED

Stock Code 股份代號: 3633

2017 Environmental, Social and Governance Report

環境、社會及管治報告



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ABOUT US

Zhongyu Gas Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “Zhongyu Gas” or the “Group”), as the pioneers in the gas industry in China, provide professional gas services to customers in a number of cities. The Group’s existing network has covered nearly one third of provinces and cities across the country, expanding its presence to 11 provinces and cities including Henan, Shandong, Jiangsu, Fujian, Beijing, Heilongjiang, Zhejiang, Hebei, Anhui, Jilin and Yunnan.

During the past 15 years since its establishment, Zhongyu Gas has transformed from simply providing city gas to providing a blend of diversified business that spans from upstream to downstream in the industrial chain, covering four major businesses – gas pipeline construction and connection, sales of gas, operation of compressed natural gas or liquefied natural gas (“CNG/LNG”) vehicles filling stations, and value-added services. The Group has a diversified client base and massive usage volume as it provides one-stop natural gas solutions and various types of value-added services to over 2 million industrial and commercial customers and households across the country.

ABOUT THE REPORT

This is the third “Environmental, Social and Governance Report” (the “Report”) released by the Company. The Report aims to provide stakeholders with a better understanding of the Group’s progress and direction on the issue of sustainable development by reporting on the Group’s environmental, social and governance policies, measures and performance. This Report has been prepared in both Chinese and English and has been uploaded to the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company’s website at www.zhongyugas.com.

Scope of the Report

The Report focuses on the operations of the headquarters office in Hong Kong and the “Sales of Gas” and “Sales of Liquefied Petroleum Gas” operations of the Group in Mainland China during the period from 1st January, 2017 to 31st December, 2017 (the “Year”); the revenue generated from such operations accounts for 67% of the total revenue of the Group.

Currently, the Report does not cover all businesses of the Group, such as the segments of “Gas Pipeline Construction and Connection”, “Operation of CNG/LNG Vehicles Filling Stations” and “Sales of Stoves and Related Equipment”. The environmental key performance indicators only cover the headquarters office in Hong Kong. The Group has made continuous efforts to improve the internal data collection procedures and will include the key environmental performance indicators of the businesses of “Sales of Gas” and “Sales of Liquefied Petroleum Gas” in Mainland China in the coming year to gradually expand the scope of disclosure to cover all businesses.

Standards of the Report

The Report is prepared in compliance with the “Comply or Explain” provisions under the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) promulgated by the Stock Exchange and on the basis of its four reporting principles – Materiality, Quantitative, Balance and Consistency. To ensure the accuracy of the environmental key performance indicators, the Group has also engaged a professional consultancy, Carbon Care Asia, to conduct a carbon assessment. The Group has also reported on certain key performance indicators set out in the “Recommended Disclosures” under the “ESG Reporting Guide”.

A complete index is attached to the last chapter of the Report for the readers to read this Report in accordance with the ESG Reporting Guide.

Confirmation and approval

All of the information referred to in this Report is extracted from official documents and statistical data of Zhongyu Gas, and the information about the management and operation collected from the Group’s system. This Report was approved by the Board of Directors in June 2018.

Feedback

Zhongyu Gas highly values the opinions of stakeholders. If you have any questions or suggestions about the content or reporting format of this Report, please feel free to contact the Group.

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CHAIRMAN'S STATEMENT

I am pleased to announce the third “Environmental, Social and Governance Report” of the Company which reports on the policies, measures and performance in environmental, social and governance aspects of the Group.

All member states of the United Nations have formally approved the 2030 Agenda of Sustainable Development, which covers 17 Sustainable Development Goals with an aim to overcome the global challenges in economy, society, and environment. The business in the natural gas industry is closely linked to a number of sustainable development goals. One of the goals advocates that everyone can enjoy sustainable energy to ensure that they have universal access to affordable modern energy, improve energy efficiency and increase the share of renewable energy. The goal is consistent with the development philosophy of Zhongyu Gas, that is, to provide customers with cleaner, safer, more economical and convenient integrated energy services.

On one hand, Zhongyu Gas provides customers with lower carbon and low-pollution energy and services such as natural gas and liquefied petroleum gas, reducing emission of air pollutants. On the other hand, we have completed “Coal-to-gas Conversion” task for 110,000 households in 2017 in active response to the nation-wide low-carbon green development goal of “Coal-to-gas Conversion” project. In view of the potential safety hazards in the process of “Coal-to-gas Conversion” project in rural areas, the Group focuses on the preliminary planning and strengthens prevention in design, construction and safety. At the same time, we starts with safety awareness of users by making more efforts in publicity and education, and closely follows and maintains the facilities subsequently to ensure the safe use of gas facilities among users.

The Group values the importance to the well-being of employees. We strive to ensure of a healthy and safe working environment for employees, and provide reasonable remuneration, sound benefits and development opportunities to enable employees to grow together with the Group. The formulation of the “Training Management System” demonstrates the Group’s commitment to training various types of technical and managerial talents to provide impetus for its corporate continuous development.

Adhering to the mission of “Develop green energy and achieve a good life”, the Group is dedicated to the further expansion of its decentralized energy business and is planning to launch pilot projects for a number of decentralized energy projects, which start from decentralized natural gas and decentralized photovoltaic projects, for the purpose of creating high-standard smart energy demonstration projects, accelerating the advancement of energy supply pattern featuring high-intelligence, deep-optimization, and multi-energy complementary effects.

Wang Wenliang

Chairman

Hong Kong

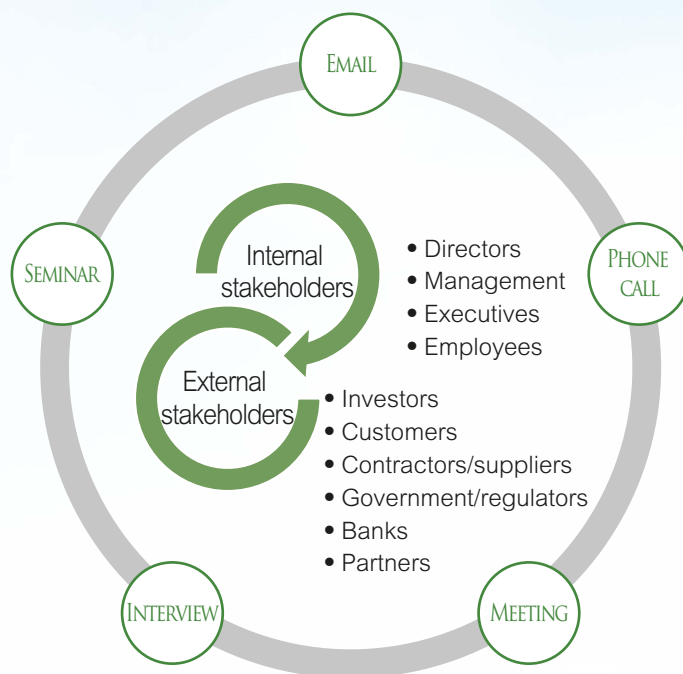
26th June, 2018

COMMUNICATION WITH STAKEHOLDERS

Communication methods with major stakeholders during the Year

The participation of stakeholders¹ constitutes an important part of the business management of Zhongyu Gas, which helps the Group to examine its potential risks and business opportunities. Communicating with stakeholders and understanding their views enable the Group to conduct business practices in a manner closer to their needs and expectations and to properly handle with the opinions of different stakeholders.

The Group constantly communicates with key stakeholders within and outside the Group through various channels. This ensures that they have the opportunity to understand the development and operational principles of the Group, and also offer an opportunity for the Group to listen to their opinions in order to prioritize different issues and develop corresponding policies.



Major sustainable development issues during the Reporting Period

In order to develop the Group's sustainable development strategy and direction, and to identify the environmental and social issues that are crucial to the Group and its stakeholders, the Group has engaged a professional consultancy, Carbon Care Asia, to conduct interviews with the management. Based on the results of the interviews and the advice of the advisors, the Group has selected three of the eleven environmental and social areas required under the ESG Reporting Guide, namely the employment system, development and training, and use of resources, as the major issues explored in this Report.

In order to ensure the effectiveness of communication with stakeholders, the Group is committed to practicing transparent, honest and accurate communication and providing responses in a timely manner. In the future, the Group will strengthen its interaction with stakeholders, explore more diversified channels, increase the opportunities of contact with them so as to create a mutually beneficial and win-win relationship.

¹ Stakeholders refer to groups and individuals who have a major impact on, or are impacted by, the Group's business, including internal directors, management, executives, and employees, as well as external investors, customers, contractors, suppliers, government and regulators, and other partners.



EMPLOYMENT AND LABOR PRACTICES

Employment system

Zhongyu Gas appreciates and respects its employees, tries its utmost to improve the employment system and promotion mechanism, and aims to establish a diverse and equal working environment. The Group has put in place a comprehensive employment system covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare. In order to meet the needs of business expansion, the Group makes active efforts to recruit talent through open and campus recruitment activities based on the principles of fair competition, two-way selection and merit selection.

| Number of employees | New employees rate | Turnover rate | Ratio between male and female employees |
|---------------------|--------------------|---------------|---|
| 3,587 | 17% | 3% | 1.7:1 |

In addition, the Group has formulated the "Administrative Measures for Reserve Cadres of Zhongyu Gas", which regulates the management mechanism for the selection and fostering of the reserve cadre team, and also covers the selection conditions and procedures. The Measures also stipulates that in case of any vacancy in senior management positions, the Group will give priority to the reserve cadres; external recruitment will not be considered unless there is no appropriate internal candidate, in order to ensure that our employees are offered opportunities for promotion. During the Year, the Group issued notices to the departments of headquarters and its subsidiaries, specifying the categories of annual reserve cadres and its requirements for recommendation. Reserve cadres can be divided into four categories: management, finance, engineering, and customer service, this measure helps to ensure the diversity of skills and background of the reserve cadres to cope with the sophisticated and dynamic operating environment in the future.

The Environmental, Social and Governance Policy of Zhongyu Gas stipulates that the Group is committed to building a diversified team and respecting differences of the individuals. All employment matters (including but not limited to recruitment, promotion and transfer, assignment of work, incentives and benefits, training and development and suspension, etc.) are managed under the principle of equal opportunity and will not discriminate against any employee based on his/her gender, disability, pregnancy, family status, race, skin color, religion, age, sexual orientation, nationality, union membership or other conditions.

Development and training

Zhongyu Gas respects the continuous development of its employees, emphasizes the development and fostering of talents, and provides training to employees in an innovative manner.

Taking into consideration the domestic operational needs, the Group has established the "Training Management System" to ensure that employees' expertise and skills are continuously improved in order to conform to the long-term strategic development direction, regulate the training programme to take into consideration of the character and development needs of employees, and achieve the goal of joint development growth of employees and business. To ensure employees fully grasp the basic knowledge and operations required for work, and to improve their integrated capabilities, the Group adopts the training principle of "primary focus on internal training, supplemented by external training, and followed by a combination of the two" to provide employees with training which covers professional expertise, skills and personal qualities. Each subsidiary shall formulate its own training management system in accordance with the "Training Management System" and the operating conditions, and organize various training activities for employees of different ranks, including classroom lectures, field exercises and online learning.

According to the "Training Management System", all newly recruited personnel must complete pre-service training such as training in corporate culture, expertise training, and training in three-level safety education within the probation period, and may only take up posts upon passing relevant assessments. The Group also encourages employees to continue their studies.

Training offered to all employees in China

Over 130 hours of training offered to each employee in China

Besides, Zhongyu Gas has formulated the "Performance Management System" and established a Performance Management Committee which is responsible for formulating relevant management systems and supervise and evaluate the performance management of each subsidiary, in order to ensure the stable, unified and standardized implementation of performance management among subsidiaries by the Group. The committee is also responsible for communications with subsidiaries to determine annual performance goals and conduct quarterly performance assessment. The assessment results will help the Group and its subsidiaries analyze the training needs so as to provide proper training and guidance in a timely manner.

Health and safety

Zhongyu Gas values the health and safety of every single employee, and is dedicated to establishing a safe working environment for employees. With the aim of zero work-related injury, the Group improves the occupational health and safety management system on an ongoing basis. The Group has formulated the "Administrative Measures on Safety Production of Zhongyu Gas" and has adopted the principle of "safety first, prevention-oriented, people-oriented, and integrated management" as their management policy for safety production.

In order to effectively implement safety production management, the Group has established a management mechanism under which the headquarters monitors whilst the subsidiaries assume responsibilities, employees participate and the community supervises. The management headquarters and the subsidiaries have established safety management committees which are responsible for safety production management, including the establishment of safety goals, implementation of safety inspections, and implementation of safety hazards management. Each subsidiary has also formulated a safety education and training system pursuant to the Administrative Measures on Safety Production, and implemented a three-level education and training system, which stipulates that all newly recruited employees are required to complete training and may only take up posts if they pass the assessment. During the Year, three employees suffered from injuries on duty accidentally and all cases were minor injuries. The Group has conducted investigations and made records of them pursuant to the established procedures and enhanced safety training to avoid the recurrence of similar accidents.

EMPLOYMENT AND LABOR PRACTICES

| Zero case of duty-related death | Number of employees suffering from work-related injuries | Work-related injury rate per 1,000 employees | Ratio of lost day due to work-related injuries | Absence rate |
|---------------------------------|--|--|--|--------------|
| | 3 | 0.8 | 0.001% | 0.2% |

The gas industry is faced with high risks. The Group places special emphasis on occupational hazard risks and positions which require working under high temperature. In addition to providing employees with sufficient protective kit and equipment (such as head covers, respirators and eye protection equipment), the Group enhances employees' awareness of health and safety by organizing safety education and training. All employees engaged in special work such as gas transportation and distribution, electricity, operation and maintenance must complete education in professional safety and fire knowledge and may only take up posts if they pass the assessment. The Group held a safety knowledge contest in the Year. As part of the contest, we established a database of safety knowledge, covering safety management systems, laws and regulations on safety, and procedures in relation to safety technology, with a view to deepening employees' understanding of safety requirements on duty via the contest.

In addition, the Group promotes training which incorporates a combination of both accident emergency arrangement and safety training. Each subsidiary must identify risks and factors of hazards, and establish emergency plans for safety accidents based on the types of accidents, including enhancing the routine management, monitoring, and training for identified hazard factors.

Labor Standards

Zhongyu Gas is committed to respecting human rights and specifies in the Environmental, Social and Governance Policy the prohibition of the use of child labor and forced labor. In our recruitment, the Group will examine the actual age of applicants, by checking their identity cards, to ensure that all recruited employees have reached the legal minimum working age in accordance with local laws. The Group has also formulated guidelines for handling child labor employment; if any child labor is found to be accidentally recruited, the Group will immediately terminate the contract, send him/her back to the place where his/her guardian is located as soon as possible and bear all expenses incurred in the process.

Meanwhile, the Group undertakes not to directly participate in or indirectly support any form of forced labor and ensures that every employee work on their voluntary wishes and that he/she is entitled to resign in accordance with the requirements of the employment contract. In addition, the Group respects the personal lifestyle of employees off duty and ensures that employees may leave the working and dormitory areas freely during their spare time.

During the Year, the Group did not identify any case of non-compliance in respect of employment (including occupational health and safety, child labor and forced labor).

OPERATIONAL MANAGEMENT

Product liability

Zhongyu Gas is convinced that only by creating the maximum value for customers can we gain the trust and support from them, it also takes various measures in relation to product responsibilities based on the principle of safety and integrity.

Health and safety of customers

The Group has formulated the “Rules on Gas Pipeline Network Safety Inspection” to regulate the inspection work of the gas pipeline network by prescribing the responsible persons of each region, as well as the scope, levels, methods of and requirements for inspection to ensure the safe operation of the gas pipeline network. It is clearly stipulated under the system that if an employee discovers a potential leak, he must report to the person in charge within one hour and the rectification should be completed within three days. For a suspected gas leaking well accident, the designated person should analyze it and complete the analysis within two days upon receiving the report to ensure timely feedback.

| | |
|---|---|
| Regional responsible person | The urban pipe network is divided into twenty-two areas; the regional responsible person is required to sign the safety target responsibility statement which defines its scope of management. |
| Principle | Pipeline inspections are conducted under the principle of “full-scale inspections, key supervision and spot checks by leaders”. |
| Scope and levels | Specify the scope of inspection, including sewage wells, cable wells, tap water wells and other inspection wells within 6 meters from the pipeline, all secondary high pressure, medium and low pressure pipe network valve wells, pressure regulating facilities and safety discharge area, intersection with heat pipe network, saddle card meeting area and pipelines crossing railways, roads and bridges and heating pipe trenches. According to factors such as pipe network pressure, pipeline materials and execution time, the pipeline network and facilities are classified into three levels. |
| Methods of and requirements for inspection | Including safety inspection week, daily inspections and supervision and spot checks by leaders and the number of spot checks is set according to the level of pipeline network facilities. |

In order to ensure the safe use of gas facilities by users, the Group has established “Guidelines for the Safety Inspection of Household Gas Facilities” regulating the safety inspection cycle, safety inspection workflow, inspection contents and inspection file records. The Group provides one-time free home safety inspection services for all gas users. The scope of safety inspection mainly includes standpipes, gas facilities (including front valves, all the gas appliances connected to meters, gas meters, valves and pipelines), connection hoses, gas meters, gas stoves, gas water heaters and heating stoves.

According to the “Zhongyu Gas Safety Production Management Regulations”, all employees must report safety risks to department heads and safety management departments at all levels. Each designated deputy general manager of security is responsible for conducting regular production safety inspections so as to identify and deal with production safety accidents in a timely manner. For major safety hazards, the Group has established a safety hazard management team to manage and formulate contingency plans on site.

With respect to the emergency repairs of gas pipelines and ancillary facilities, the Group has formulated the "Management Regulations for the Repair of Gas Pipelines" regulating the relevant preparations, operating procedures and matters of concern. This provision also specifies specific regulations for the preparation of emergency plans and exercises; the content of emergency plans must cover emergency equipment, rescue units and responsible persons, notification methods, emergency evacuation arrangements and rescue measures. In addition, the Group has formulated the "Essential Responses for Gas Accident Emergency of Residential Users" regulating relevant emergency treatment procedures including closing valves to control gas sources, analyzing causes of gas accidents and developing risk response plans according to the classification of impact of accidents on safety and the classification of accidents. The Group has also formulated "On-site Disposal Plan for Flammable Gas Leakage Fire and Explosion Accident" based on the characteristics of pipeline leakage (including corrosion, piercing stress cracking, pipe bursting and cracking) setting forth the emergency repair plan and matters that should be taken care of by the emergency repair personnel.

The Group attaches importance to the opinions of customers and is committed to maintaining good relations with customers. Subsidiaries of the Group have established customer complaint handling mechanisms, formulated procedures for handling customer complaints and specified the phases and time limits of the processing cycle and responsible departments for each phase. In addition, the Group conducts customer satisfaction surveys from time to time. During the Year, the Group received a total of three complaints concerning the quality of services which were handled in accordance with prescribed procedures. There had been no cases of product recall due to product quality and safety or other reasons.

Product information

As a responsible utility company, the Group regards the provision of adequate and correct safety information and product labels to customers as an extended responsibility for product safety management. The Group stipulates that maintenance team personnel are responsible for propagating gas safety knowledge to users and providing complete, accurate, sufficient and timely information to external stakeholders (including customers, investors and partners) through the Company's website. All publications, product labels and business-related information must be approved by the Group's Office of the Chief Executive or subsidiary office. If any information is found to be inaccurate or misleading, the Group should designate full-time staff to carry out rectification and replacement as soon as possible to protect the interests of stakeholders.

Customer privacy

The Group takes the privacy of customers seriously and guarantees the security of relevant information. In order to ensure the normal operation of the business, the marketing department shall collect and keep customer's information including name, gender, age, telephone number and email address. The Group has clearly stated the responsibilities and obligations of employees regarding the confidentiality of customer information through employee manuals. Employees are required to keep confidential data and documents concerning information of customers in order to prevent leakage of information. The Group has full-time staff responsible for file management, setting up the authority by default to review the files, regularly reviewing the effectiveness of the measures and proposing improvements.

Intellectual property

The Group respects intellectual property rights. In addition to requiring employees to comply with relevant regulations and agreements concerning intellectual property rights, the Group also stipulated in contract clauses that there shall be no infringement of the products and services provided by the partners.

During the Year, the Group did not find any reports or cases of non-compliance regarding product liability.

Supply chain management

Zhongyu Gas treasures the cooperation with its suppliers and believes that establishing partnerships with suppliers will help the Group continuously improve its operational procedures and provide customers with safe and quality products and services. The Group requires suppliers to abide by business ethics and fulfill corporate social responsibility. To strengthen the management of environmental and social risks in the supply chain, the Group maintains communication with our business partners and adopt the Environmental, Social and Governance Policies to ensure that our business partners have a clear understanding of the Group's expectations regarding the supply chain in terms of environmental protection, employees' health and safety, labor standards and social care.

The Group's major suppliers are gas suppliers and engineering material suppliers. For engineering projects, the Group has formulated the "Administrative Measures on Tendering" and a series of procurement systems to ensure that all procurement is made according to a series of procedures including the given tendering methods, issuance of tender invitation letters, tender preparation, tender opening, tender evaluation, award of tender and contracting.

The Group understands the great importance to the quality inspection of purchased materials. The Group conducts inspection of bulk-purchased materials in accordance with the procurement contract regulations or national standards and checks materials identification, manufacturers, implementation standards, specifications and production dates of materials, and requires suppliers to provide quality certification documents such as product certifications, product specifications and material reports. If necessary, the Group will sample the materials for inspection or appoint a third-party inspection agency for inspection.

Anti-corruption

Anti-corruption is one of the essential elements for the international community to define corporate social responsibilities. The Chinese government has also been actively fighting against corruption in recent years. Zhongyu Gas adopts the policy of zero tolerance for any form of corruption, including bribery, extorting bribe, fraud and money laundering, and undertakes to run business in an honest, ethical and faithful manner.



OPERATIONAL MANAGEMENT

Zhongyu Gas has formulated anti-corruption policies in accordance with the local anti-corruption laws and regulations and requires all employees to comply with. The Group has established procedures for reporting, investigating and handling suspected corruption cases to avoid any corruption-related misconduct. In order to ensure that all business operations adhere to the principles of high standards of ethical conduct, transparency, accountability and integrity, the Group has established an internal supervision and management mechanism to regulate the professional ethics of employees and audit supervision.

| | |
|---------------------------------|--|
| Policy system | The policy system explains the concept and form of fraud. Employees shall not abuse their powers, be corrupt or waste any property. Apart from business needs, employees shall not utilize public property, pay by public funds or swindle and bluff outside in the name of the Company. |
| Audit supervision | The Audit Supervisory Committee is responsible for internal management and risk management, reports to the Board of Directors of the Company on monitoring and provides risk warning and improvement advice. At the same time, the committee is responsible for the implementation of integrity and self-discipline propaganda and education work and set up a number of reporting channels to encourage employees to report any actual or alleged misconduct. |
| Accountability mechanism | The "Zhongyu Gas Accountability System" regulates the procedures for employees to properly perform their duties and investigate and handle employee irregularities. The system also states that the supervisors need to bear direct or indirect leadership responsibilities for violations of subordinates. |

During the year, the Group did not find any reports or cases of non-compliance in respect of corruption.

ENVIRONMENTAL PROTECTION

Zhongyu Gas values environmental protection and has formulated the “Environmental, Social and Governance Policies”, as part of its commitment to reduce the emission from business operations and the significant impact on the environment through more efficient use of natural resources. We assess the environmental impact of our business operations on each operating region and formulate appropriate environmental management measures.

Utilization of resources

Zhongyu Gas understands the importance of economizing on the utilization of resources and proactively strives to reduce the waste of resources in daily operations by increasing the efficiency of the utilization of resources. For the operational nature of the headquarters office in Hong Kong, its main resources for utilization include electricity, paper and water resources.

The Group values the great importance of employees' awareness of conservation and creates a good atmosphere in which “everyone enjoys saving and everyone understands energy conservation”. The Group reminds its employees to turn off unused lights and other office equipment and to practice to “switch off equipment, turn off lights and shut down power before leaving” to reduce the standby energy consumption of office equipment.

| Total energy consumption | Energy density |
|--------------------------|-----------------|
| 261GJ | 32.6GJ/employee |

The Group has formulated the “Environmental, Social and Governance Policies” regulating the implementation of water resources management by various departments and subsidiaries including the formulation of water conservation goals and specific measures and regular inspection of water facilities. In the event of any abnormal situation, each department and subsidiary must analyze and summarize in time and take corresponding measures. At the same time, the Group proactively promotes digital offices and makes good use of internal office platforms or emails to communicate instead of paper documents. In addition, purchase of equipment and renovation must be conducted based on the needs of the office and adhere to an economic, applicable and resource-conserving principle.

The Group will continue to record the utilization of resources so as to review the effectiveness of cost-saving measures and work out more targeted improvement measures and goals.

Emission management

Zhongyu Gas has formulated a set of emission management measures and has taken concrete measures to ensure proper management and reduction of air pollutants, greenhouse gas emission, wastes and wastewater emission from operations.

Greenhouse gas and air pollutants emission

As an urban natural gas distributor, Zhongyu Gas provides customers in different regions with natural gas products which are cleaner than coal and related services. However, the Group also takes the impact of its own operations on the environment seriously, including the generation of greenhouse gases and air pollutants. In addition, the Group understands that any leakage of gas pipeline network will have a serious impact on the surrounding environment. Therefore, the Group makes investment every year to gradually upgrade old gas pipeline networks and equipment to avoid gas leakage.

Greenhouse gas emission is closely linked with climate change and global warming. Companies in various countries have introduced carbon reduction measures and goals. In the current year, Zhongyu Gas engaged a professional consultancy Carbon Care Asia to conduct a carbon assessment by calculating the amount of greenhouse gas emission generated by the operation of the Hong Kong headquarters office. The assessment process is based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" issued by the Environmental Protection Department and the Electrical and Mechanical Services Department to ensure the accuracy of environmental key performance indicators. The domestic subsidiaries also conducted data collection for carbon assessment during the Year and are continuously improving the relevant data collection systems to cope with the expansion of the Group's scope of key environmental performance indicators in the coming year to cover the operations of "Sales of Gas" and "Sales of Liquefied Petroleum Gas" in Mainland China.

| Greenhouse gas emission | |
|---|--|
| Scope | Emission (Tonnes of CO ₂ Equivalent) |
| Scope 1: Direct greenhouse gas emission | 16.3 |
| Scope 2: Energy indirect greenhouse gas emission | 13.4 |
| Scope 3: Other indirect greenhouse gas emission (including paper waste disposed at landfills and business travel by air) | 11.5 |
| Total greenhouse gas emission | 41.2 |
| Greenhouse gas density (Tonnes of CO ₂ equivalent/number of employees) | 5.1 |

| Air pollutants emission | |
|-------------------------|---------------|
| Type | Emission (kg) |
| Nitrogen oxides | 3.22 |
| Sulfur oxides | 0.09 |
| Suspended particulates | 0.24 |

The carbon emission of the Group's headquarters office in Hong Kong mainly arises from the fuel of vehicles in the Scope 1 which accounts for nearly 40% of the total emission. In order to reduce carbon emission and air pollutants emission from vehicle fuel, the Group issued the "Notice on Further Strengthening the Management of Conference Activities" to encourage employees to make good use of the video conferencing system to hold meetings and conference activities. The notice stipulates that in addition to group meetings that must be convened in a centralized manner such as annual work conference and operational work conference, other regional or cross-regional themed conferences and training activities should be held through video conferences in order to reduce the frequency of travel.

At the same time, in order to respond to the national goal of addressing climate change and achieving low-carbon transformation and development, the Group will continue to assess, record and disclose its greenhouse gas emission and other environmental data and use the data of this Year as a benchmark for comparison with future data, so as to review the effectiveness of cost-saving measures, which will help further formulate emission reduction goal in the future.

Waste

Zhongyu Gas values the importance to the proper management of waste generated from its business operations and is committed to preventing and minimizing the pollution caused to the surrounding environment. The “Environmental, Social and Governance Policy” states that waste management shall be based on the principles of “replacement”, “reduction”, “reutilization”, “recovery” and “recycling” and emphasizes the reduction of waste from the source and the goal of reducing waste emission.

During the Year, the Group’s headquarters office in Hong Kong did not produce hazardous waste. All non-hazardous wastes were household garbage and were handled by the property management company. In the future, the Group will improve the arrangements for recording the amount of waste generated in order to formulate more targeted waste reduction measures and review the effectiveness of the measures.

Environment and natural resources

Zhongyu Gas endeavors to reduce the impact of its operations on the environment and natural resources and it is focusing on protecting the environment and developing clean energy. Based on the characteristics of the industry, the Group will continue to expand its traditional business of natural gas heating and power and will strive to promote renewable energy. The Group proactively develops various new energy businesses such as photovoltaic power generation, ground source heat pumps, and charging piles of new energy vehicle, and combines decentralized energy to further increase the efficiency of comprehensive utilization of energy, further shifting to a low-carbon and environmentally-friendly energy supply model.

During the Year, the headquarters office in Hong Kong of the Group did not find any cases of non-compliance in respect of emission or the environment.



INVESTMENT IN COMMUNITY

The public is increasingly concerned about corporate social responsibility and emphasizes that companies should not aim for short-term financial performance and shareholder returns only, but should also integrate the long-term development of the entire society into their operations.

As a gas service provider, Zhongyu Gas provides cleaner and more stable energy for the local communities by building energy infrastructure to promote social and economic development. At the same time, the Group respects the interests of the local communities where it operates and has formulated resettlement plans to avoid or minimize the impact of involuntary resettlement caused by investment projects.

In addition, Zhongyu Gas believes its expertise, skills and work experience can contribute to the communities in which it operates. Adhering to the mission of “developing clean energy and achieving a better life”, the Group focuses its community contribution on community development, poverty alleviation and education, and contributes to the society through various activities, such as volunteer services, cooperation with other groups, sponsorships and donations.

OVERVIEW OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

Environmental Performance¹

| Air pollutants | Category | Emission (kg) |
|----------------|------------------------|---------------|
| | Nitrogen oxides | 3.22 |
| | Sulfur oxides | 0.09 |
| | Suspended particulates | 0.24 |

| Greenhouse gas | Scope | Emission (Tonnes of CO ₂ Equivalent) |
|----------------|--|---|
| | Scope 1: Direct greenhouse gas emission | 16.3 |
| | Scope 2: Energy indirect greenhouse gas emission | 13.4 |
| | Scope 3: Other indirect greenhouse gas emission ² | 11.5 |
| | Total greenhouse gas emission | 41.2 |
| | Greenhouse gas intensity (Calculated by the number of employees, total emission/number of employees) | 5.1 |

| Waste | Category | Generated Quantity (Tonnes) |
|-------|--|---------------------------------|
| | Total non-hazardous waste | 0.34 |
| | Intensity of non-hazardous waste (Calculated by the number of employees, generated quantity/number of employees) | 0.04 |
| | Total of hazardous waste | No hazardous waste is generated |

| Energy | Category | | Consumption |
|--------|--|-------------------|-------------|
| | Direct energy | Gasoline (GJ) | 199.7 |
| | Indirect energy | Electricity (MWh) | 16.9 |
| | Total energy consumption (GJ) | | 260.7 |
| | Energy intensity (Calculated by the number of employees, GJ/number of employees) | | 32.6 |

¹ Environmental performance indicators only include the operation of Hong Kong office.

² Other indirect greenhouse gas emissions include greenhouse gas emissions from paper waste disposal at landfills and air business travel.

OVERVIEW OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

Social Performance

| Number of employees | Region | Gender/Age | Under 30 years old | Between 31-40 years old | Between 41-50 years old | Over 50 years old | Total number | Male/ Female ratio in number |
|---------------------|----------------|------------|--------------------|-------------------------|-------------------------|-------------------|--------------|------------------------------|
| | Hong Kong | Male | 1 | 0 | 1 | 3 | 8 | 1.7:1 |
| | | Female | 0 | 1 | 2 | 0 | | |
| | Mainland China | Male | 701 | 726 | 514 | 325 | 3,579 | |
| | | Female | 335 | 511 | 371 | 96 | | |

| | Region | Gender/Age | Under 30 years old | Between 31-40 years old | Between 41-50 years old | Over 50 years old | Total number | New employees rate |
|-------------------------|----------------|------------|--------------------|-------------------------|-------------------------|-------------------|--------------|--------------------|
| Number of new employees | Hong Kong | Male | 0 | 0 | 0 | 0 | 0 | 0% |
| | | Female | 0 | 0 | 0 | 0 | | |
| | Mainland China | Male | 187 | 102 | 47 | 96 | 618 | 17% |
| | | Female | 65 | 37 | 38 | 46 | | |

| | Region | Gender/Age | Under 30 years old | Between 31-40 years old | Between 41-50 years old | Over 50 years old | Total number | Employee turnover rate |
|------------------------------|----------------|------------|--------------------|-------------------------|-------------------------|-------------------|--------------|------------------------|
| Number of employees turnover | Hong Kong | Male | 0 | 0 | 0 | 1 | 1 | 13% |
| | | Female | 0 | 0 | 0 | 0 | | |
| | Mainland China | Male | 25 | 19 | 13 | 6 | 112 | 3% |
| | | Female | 19 | 14 | 9 | 7 | | |

| | Region | Gender | C-level senior management | Senior management | Mid-level management | Ordinary employees | Ratio of trained employees |
|-----------------------------|----------------|--------|---------------------------|-------------------|----------------------|--------------------|----------------------------|
| Number of trained employees | Hong Kong | / | 0 | 0 | 0 | 0 | 0% |
| | Mainland China | Male | 11 | 59 | 112 | 2,084 | 100% |
| | | Female | 1 | 6 | 21 | 1,285 | |
| Training hours | Mainland China | Male | 4,224 | 12,096 | 17,976 | 270,144 | Average training hours |
| | | Female | 432 | 821 | 3,101 | 172,080 | 134 |

OVERVIEW OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

| Number of work-related fatalities and/or injuries | Region | Gender | Number of work-related fatalities | Number of work-related injuries | Work-related injury rate per 1,000 employees | Lost day due to work injuries | Ratio of lost day due to work-related injuries | Absent days | Absence rate |
|---|----------------|--------|-----------------------------------|---------------------------------|--|-------------------------------|--|-------------|--------------|
| | Hong Kong | Male | 0 | 0 | 0 | 0 | 0 | 0 | 0.7% |
| | | Female | 0 | 0 | | 0 | | 14 | |
| | Mainland China | Male | 0 | 3 | 0.8 | 6 | 0.001% | 1,196 | 0.2% |
| | | Female | 0 | 0 | | 0 | 0 | 661 | |

| Suppliers | Supplier's location | Products or services provided | Number of suppliers | Percentage of suppliers implementing relevant practices |
|-----------|---------------------|-------------------------------|---------------------|---|
| | Hong Kong | Electronic equipment | 1 | 100% |
| | | Paper | 1 | |
| | | Telecommunication | 1 | |
| | | Cleaning | 1 | |
| | Mainland China | Gas source suppliers | 209 | No statistics |
| | | Material, equipment | 1,242 | |
| | | Installation, construction | 797 | |
| | | Transportation and others | 1,522 | |

| Community investment | Volunteer services hours (hrs) | Amount of charitable and other donations (RMB) |
|----------------------|--------------------------------|--|
| | 2,282 | 892,000 |

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| 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 pollutants and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste | 13-15 |
| A1.1 | The types of emissions and respective emissions data | 17 |
| A1.2 | Greenhouse gas emissions in total and intensity | 17 |
| A1.3 | Total hazardous waste produced and intensity | No hazardous waste is produced from the operations covered by this Report |
| A1.4 | Total non-hazardous waste produced and intensity | 17 |
| A1.5 | Description of measures to mitigate emissions and results achieved | 13-15 |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved | 15 |
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| A2.2 | Water consumption in total and intensity | No statistics for water consumption from the operations covered by this Report |
| A2.3 | Description of energy use efficiency initiatives and results achieved | 13 |
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| A2.5 | Total packaging material used for finished products and with reference to per unit produced | No use of packaging material from the operations covered by this Report |
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| A3.1 | Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them | 15 |

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| B3 Development and Training | | |
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| B5 Supply Chain Management | | |
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| B6 Product Responsibility | | |
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| B6.4 | Description of quality assurance process and recall procedures | 9 |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored | 10 |
| 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 | 11-12 |
| B7.1 | Number of concluded legal bases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases | 12 |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored | 12 |
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