



中裕燃氣控股有限公司

ZHONGYU GAS HOLDINGS LIMITED

Stock Code 股份代號: 3633



2018

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 the “Group” or “Zhongyu Gas”) provide professional gas services covering businesses in gas pipeline construction, sales of gas, sales of liquefied petroleum gas and operation of compressed natural gas or liquefied natural gas (“CNG/LNG”) vehicle filling stations in various cities in China. As of 31st December, 2018, the Group has been engaging in gas projects in Henan Province, Hebei Province, Jiangsu Province, Shandong Province, Jilin Province, Fujian Province, Heilongjiang Province, Zhejiang Province and Anhui Province, with the accumulated connected residential households amounting to more than 2.87 million.



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

SCOPE OF THE REPORT

The Report focuses on the operations of the businesses in sales of gas and sales of liquefied petroleum gas of Zhongyu Gas during the period from 1st January, 2018 to 31st December, 2018 (the “Year”). The revenue generated from such operations accounts for 64% of the total revenue of the Group.

The Group is continuously improving the internal data collection system to provide stakeholders with more comprehensive and accurate information. During the Year, the coverage of the Report relating to key environmental performance indicators has been expanded from just including the headquarters office in Hong Kong to further including 60 offices of the subsidiaries of the Group in Mainland China. The subsidiaries of the Company which engage in businesses relating to the sales of gas and sales of liquefied petroleum gas are as follows:

Region	Province/City	Name of subsidiary
Central China Region	Henan	漯河中裕燃氣有限公司, 偃師中裕燃氣有限公司, 焦作中裕燃氣有限公司, 濟源中裕燃氣有限公司, 新密中裕燃氣有限公司, 永城中裕燃氣有限公司, 三門峽中裕燃氣有限公司, 靈寶中裕燃氣有限公司, 武陟中裕燃氣有限公司, 沁陽中裕燃氣有限公司, 修武中裕燃氣發展有限公司, 河南中裕燃氣工程設計有限公司, 河南怡誠大有燃氣有限公司, 中裕(河南)能源貿易有限公司, 溫縣中裕壓縮氣有限公司, 原陽縣中裕燃氣有限公司, 中裕(河南)能源控股有限公司
Northern China Region	Hebei	昌黎中裕燃氣有限公司, 玉田縣中裕燃氣有限公司, 蔚縣中裕燃氣有限公司, 張家口下花園中裕燃氣有限責任公司, 南宮中裕燃氣有限公司, 寧晉縣中裕燃氣有限公司, 衡水中裕燃氣有限公司, 故城中裕燃氣有限公司, 故城明華燃氣有限公司, 吳橋中裕燃氣有限公司, 新河縣中裕燃氣有限公司, 雞澤中裕燃氣有限公司, 隆堯中裕燃氣有限公司, 行唐中裕燃氣有限公司, 臨漳中裕燃氣有限公司, 石家莊市藁城區偉業燃氣有限公司, 石家莊鹿泉區晨光燃氣有限公司, 成安中裕燃氣有限公司, 河北中燃偉業燃氣集團有限公司, 邢台中裕燃氣有限公司
	Shandong	臨沂中裕能源有限公司, 臨沂中裕燃氣有限公司, 德州中裕燃氣有限公司, 臨沭中裕燃氣有限公司
	Beijing	北京中裕燃氣有限公司 (Northern Regional Centre), 北京中裕燃氣有限公司密雲分公司, 北京晨光燃氣有限公司
Eastern China Region	Jiangsu	南京晶橋中裕燃氣有限公司, 泗洪偉業燃氣有限公司, 泗洪沃金燃氣有限公司, 灌南中裕燃氣有限公司, 徐州中裕燃氣有限公司, 東海縣中裕燃氣有限公司, 銅山縣恒信嘉業燃氣有限公司
	Fujian	武夷山中裕燃氣有限公司, 邵武中裕燃氣有限公司
	Anhui	五河中裕燃氣有限公司, 泗縣中裕燃氣有限公司
	Zhejiang	浙江中裕燃氣有限公司

ABOUT THE REPORT

Region	Province/City	Name of subsidiary
Northeastern Region	Jilin	白山中裕城市燃氣有限公司, 撫松中裕城鎮燃氣有限公司
	Heilongjiang	鐵力中裕燃氣有限公司
Southern China Region	Shenzhen	中裕城市能源投資控股(深圳)有限公司 (Management Headquarters)
Hong Kong Region	Hong Kong	Zhongyu Gas Investment Limited

Currently, the Report does not cover all businesses of the Group, such as gas pipeline construction and connection, operation of the CNG/LNG vehicle filling stations as well as sales of stoves and other services. In the future, the Group will continue to enhance the internal information collection system, and will gradually expand the scope of disclosure.

STANDARDS OF THE REPORT

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange and on the basis of its four reporting principles – Materiality, Quantitative, Balance and Consistency. In order to enhance stakeholders’ understanding of the Group’s environmental, social and governance performance, except for the key environmental performance indicators disclosed under the “Comply or Explain” provisions, the Group has also reported on key social performance indicators set out in the “Recommended Disclosures” under the Guide.

CONFIRMATION AND APPROVAL

The Group has established an internal supervision, examination and risk management system to ensure that all information presented in this Report is accurate and reliable. The Report was confirmed and approved by the Board of Directors of the Company on 27th June, 2019.

FEEDBACK

Opinions and suggestions from stakeholders will help the Group to establish more comprehensive sustainable development strategies in the future. If you have any questions about the content or reporting format of this Report, please feel free to contact the Group.

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When it comes to the international energy development trend, countries in recent years have actively adopted energy structure reforms to reduce coal consumption and promote clean energy. As a global leader in tackling climate change, China has taken the promotion of low-carbon transformation as an energy strategy, and has promised that non-fossil energy and natural gas will account for approximately 15% and 10% of the primary energy consumption in 2020, respectively. With the deepening of the national energy structure reform, “Coal-to-gas” has become an important part of the national energy strategy. At the same time, the Group actively responded to the call of the National “Blue Sky Defence War” and further carried out the “Coal-to-gas” project for nearly 450,000 residential users in 2018, using natural gas instead of coal to improve air pollution problems such as smog.

As the public pays more and more attention to sustainable development, the management of the Group has developed an effective risk management mechanism to assess the risks associated with sustainable development issues, in order to take preventive measures. At the same time, the Group believes that sustainability reporting and stakeholder communication are important. In order to continuously enhance the Group’s sustainability performance, the Group will not only disclose the performance indicators of the Hong Kong office during the Year, but also incorporate the environmental performance of the main offices in Mainland China into the scope of disclosure in the Report. In the future, the Group will continue to expand the scope of disclosure of this Report, helping stakeholders to better understand the Group’s sustainable development. At the same time, communication with stakeholder can also help the Group in identifying different sustainability risks.

Zhongyu Gas has designated 2019 as the Group’s “Deepening Management Improvement Year”, aiming to continuously strengthen the management capabilities and execution capabilities of the Group at all levels, while enhancing the brand of the Group. The management of the Group has passed the Zhongyu Gas “Deepening Management Improvement Year” Action Plan to enhance the Group’s ability to prevent and control risks and compete in the industry, creating long-term benefits for stakeholders. In view of the opportunities brought about by the climate change to the energy industry, the Group believes that smart energy and decentralized energy are important directions for future development, and is actively developing clean energy and moving towards the goal of becoming the most valuable integrated energy service provider.

Chairman

Wang Wenliang

Hong Kong

27th June, 2019

SUSTAINABILITY GOVERNANCE

The Board of Directors of the Company is committed to high standards of corporate governance. We believe that good corporate governance measures can effectively help Zhongyu Gas establish and achieve its long-term strategies and objectives, and lead the Group to grasp the opportunities and respond to risks arising from sustainable development. Currently, the Group has set up an environmental, social and governance working group. The working group is fully responsible for the work related to the Group's sustainable development and is required to report regularly to the Board of Directors. The main duties of the working group are:

Formulating environmental, social and governance strategic programmes	Assessing environmental, social and governance risks	Coordinating and communicating with external organisations, facilitating sustainable development
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As an essential component of corporate governance, the Group is of the view that, the risk management and internal control system has a key role in the management of risks that is significant to the fulfillment of corporate business objectives. The Board of Directors is responsible for the establishment of the risk management and internal control system to ensure clear management structure with well defined monitoring rights and responsibilities. The effectiveness thereof is reviewed regularly by the Board of Directors through the Audit Committee.

Based on the risk management and internal control system, and the assessment of the environmental, social and governance working group of the Group, the Board of Directors has identified the following environmental, social and governance risks and ensured that the corresponding measures are adequate and effective.

Principal Environmental, Social and Governance Risks	Impact	Control measures
Occupational safety	As an energy sales enterprise, the Group attaches great importance to the protection of employees' health and safety at work. In the course of operation, employees' trust in the Group will falter when health and safety problems occur to employees, thus affecting the performance of the Group.	<p>The Group strives to reduce possible occurrences of safety accidents in the operation process by the following means.</p> <ul style="list-style-type: none"> • Safety inspection: For instance, employees of specific types of jobs must hold the relevant safety permits. The distribution of labour protection supplies and maintenance of safety protection facilities are monitored; • Safety education and training: For instance, operation training on safety for special operation personnel, fire safety training, and emergency response drills.

Principal Environmental, Social and Governance Risks	Impact	Control measures
Product liability	The Group considers the management of product quality and safety risks to be of great importance. In case of product quality issues, the Group will not only bear the corresponding legal risks, but also cause huge impacts on the safety of residents residing in areas around the operation sites.	By improving the internal supervision and examination and risk control policies, as well as strengthening the management of pipeline maintenance, gas leakage and emergency plans, the Group is committed to ensuring that product quality is in line with national laws and regulations and the interests of users. We have also set up a hotline to encourage users to report any irregularities and gas accidents.

Future prospects: Improving sustainability governance

In order to standardize the work and progress in sustainable development of the Group, the Board of Directors will require each department of the management headquarters and subsidiaries to appoint a responsible person to manage the environmental, social and governance work of their department or subsidiary. Meanwhile, the Board of Directors understands that the existing risk management and internal control system has not adequately covered all sustainable development issues, and hence plans to include potential environmental, social and governance issues into the Group's risk management system to improve risk management.

COMMUNICATION WITH STAKEHOLDERS

Zhongyu Gas values the participation of stakeholders¹ and strongly believes that building a relationship of trust not only enables stakeholders to understand the Group's work and performance in promoting sustainable development, but also enables the Group to understand stakeholders' opinions and needs so as to examine potential risks and opportunities. The Group communicates with each key stakeholder through daily operations and various channels.

Internal stakeholders	External stakeholders
Directors, management, executives and employees	Investors, customers, suppliers, government, banks and partners
Communication means include emails, phone calls, meetings, interviews and seminars	

The Group has appointed an independent consultant to assist in the preparation of the environmental, social and governance report during the Year. In the course of preparation, the consultant assisted the management of the Group in reviewing the environmental, social and governance issues under the Guide and identifying substantive issues according to their importance to stakeholders and the extent of the Group's impact on society and the environment. Based on the results of the review, the management considers that the substantive issues of the Group during the Year remain unchanged, namely:

Utilization of resources	Employment	Development and training
Future prospects: facilitating communication with stakeholders		
<p>The Group is convinced that the opinions of stakeholders can help the management to better understand the risks of sustainable development and formulate corresponding measures for improvement. Therefore, the Group will consider using different forms of stakeholder communications, such as online questionnaires, to understand the degree of concern of internal and external stakeholders on different sustainable development issues and relevant suggestions.</p>		

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

The Group pays close attention to the management of environmental problems arising from the operation, and strives to reduce the negative impact of the operation on the environment. For such purposes, the Group has formulated the Environmental, Social and Governance Policy to coordinate the management of environmental issues. In addition, the subsidiaries have developed specific management guidelines and measures in accordance with the Group's policies and its own operating characteristics.

MANAGEMENT OF EMISSIONS AND USE OF RESOURCES

Greenhouse gas emission 11,977.0 tonnes of CO ₂ equivalent	Air pollutants emission Nitrogen oxides, sulfur oxides and respiratory suspended particles	Waste generated 237.0 tonnes	Energy consumption 21,824.4 MWh
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Air pollutants emission

The main sources of emissions from the operation of the Group's offices during the Year were nitrogen oxides, sulfur oxides and respiratory suspended particles generated from the use of vehicles, standby power generation and fossil fuel combustion in boilers. During the Year, the scope of disclosure of the key environmental performance indicators includes not only the Hong Kong office, but also the key environmental performance indicators of the main offices in five regions in Mainland China. Certain offices in Mainland China are equipped with equipment including kitchen equipment, generators and boilers, which produces air pollutants when used. As a result, the Group's emission of air pollutants during the Year as disclosed in this Report is significantly higher as compared with that in the previous year (which discloses emission from Hong Kong office only).

	Type	Emission in 2017 (kg)	Emission in 2018 (kg)	
		Hong Kong	Hong Kong	Mainland China
Air pollutants emission	Nitrogen oxides	3.2	3.7	6,229.9
	Sulfur oxides	0.1	0.1	70.6
	Respiratory suspended particles	0.2	0.3	132.9

ENVIRONMENTAL PROTECTION

Greenhouse gas emission

Zhongyu Gas pays close attention to its carbon footprint. This Year, Zhongyu Gas continued to engage a professional consultant to assess the Group's greenhouse gas emission. The quantification process of greenhouse gas emission is based on the guidelines issued by the Environmental Protection Department and the Electrical and Mechanical Services Department², guidelines issued by the National Development and Reform Commission of the PRC³, as well as the international standards such as ISO14064-1 and the Greenhouse Gas Protocol. The total carbon emission generated by the Group's office operation during the Year is about 12,000 tonnes of CO₂ equivalent, of which 70% is attributable to carbon emission of outsourcing of electricity.

Scope	Emission in 2017 (Tonnes of CO ₂ Equivalent)	Emission in 2018 (Tonnes of CO ₂ Equivalent)	
	Hong Kong	Hong Kong	Mainland China
Scope 1 Direct greenhouse gas emission ⁴	16.3	18.6	3,463.9
Scope 2 Energy indirect greenhouse gas emission ⁵	13.4	12.6	8,351.7
Scope 3 Other indirect greenhouse gas emission ⁶	11.5	10.6	119.6
Total greenhouse gas emission	41.2	41.8	11,935.2
Greenhouse gas emission intensity (Calculated by the number of employees)	5.1 tonnes of CO ₂ equivalent/employee	3.5 tonnes of CO ₂ equivalent/employee	

Waste

During the Year, the Group's office operations generated a total of 0.15 tonnes of hazardous waste, mainly including waste batteries and waste lubricating oil for vehicles, which were collected and disposed of by qualified contractors. At the same time, 237 tonnes of non-hazardous production waste such as domestic garbage and kitchen waste generated during the operation of the Group's office were substantially handed over to the municipal department for clearance.

² The "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong"

³ The "Guide for Greenhouse Gases Emission Accounting Methods and Reporting for Petroleum and Natural Gas Production Enterprises in China (Trial)" (《中國石油天然氣生產企業溫室氣體排放核算方法和報告指南(試行)》)

⁴ It includes the Group's fossil fuel combustion from fixed and mobile sources, as well as greenhouse gases released during the operations of equipment and systems. R-22, one of the refrigerants used in the refrigeration equipment, is not included in the six greenhouse gases covered by the Kyoto protocol, its emission however is included in the carbon assessment in the Report to provide true and fair information on greenhouse gases.

⁵ It includes greenhouse gas emissions produced during the Group's electricity consumption.

⁶ It includes greenhouse gas emissions from waste paper disposal in Hong Kong office and business travel by air by the Group's employees.

In order to continue to reduce different types of emissions generated by the operations of the Group's offices, the Group has established the following measures to minimize the environmental impact of office operations.

Emission	Measures
Air pollutants and greenhouse gases	<ul style="list-style-type: none"> Identify sources of emissions and greenhouse gases generated during the operation and strengthen source management; and Encourage employees to take public transportation and prohibit the excessive use of the Company's vehicles.
Hazardous and non-hazardous waste	<ul style="list-style-type: none"> Put the waste management system into practice based on the principle of reducing waste at the source, and ensure that relevant staff understands the disposal requirements of hazardous and non-hazardous waste; and Regularly review the generation and recovery of hazardous and non-hazardous waste, and develop waste reduction targets based on actual circumstances.

Energy and water resources

The Group has established and regularly reviewed energy targets and indicators through the establishment of an energy management system to continuously enhance the Group's energy performance. The Group controls the use of air conditioners at the workplace and requires employees to adjust the temperature of the workplace to around 26 degrees. Meanwhile, employees should turn off the electricity when leaving the workplace. Mid-level management from various departments should strengthen supervision on the use of electricity to reduce waste of energy.

In terms of the use of water resources, the operation of various offices in Mainland China consumed a total of approximately 110,000 cubic meter of water resources. As the Hong Kong office does not have separate metering, it was unable to provide data on its water consumption. In the future, the Hong Kong office of the Group will continue to communicate with the property management to try to obtain data of water resource consumption and disclose relative data in the Report. To reduce consumption of water resources, the Group will enhance its efficiency of water usage by introducing water-saving technologies, thereby reducing the use of water resources in its daily operation. Meanwhile, the Group will formulate a management system for water resources, thereby improving management measures of water resources in various operational sites.

Future prospects: continual assessment for emissions and use of resources

Going forward, the Group expects to continuously assess, record and disclose annual data regarding different emissions and use of resources. Data from the Year will be taken as a base figure to be compared against future data. Such comparison will become the foundation of the formulation of improvement measures as well as energy saving and emission reduction targets in the future.

ENVIRONMENT AND NATURAL RESOURCES

Zhongyu Gas understands that its operations may impact on the surrounding environment and natural resources. Meanwhile, natural gas can moderately alleviate the air pollution brought by the use of coal. Through the formulation of the Environmental, Social and Governance Policy, the Group is committed to strengthen its work related to natural gas management.

The Group is committed to avoiding conducting pipeline construction in ecologically sensitive areas based on scientific selection principles. Meanwhile, it will increase the vegetation coverage to reduce soil erosion during the construction process, thereby ensuring that construction of the whole project is in line with the Group's environmental management plan. In the future, apart from continuing to strengthen the implementation of the "Coal-to-gas" policy, the Group will continue to pay attention to the development of smart energy and decentralised energy business to promote the diversification of energy supply.

The Group complies with relevant laws and regulations, such as the Environmental Protection Law of the People's Republic of China, the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China, Waste Disposal Ordinance and Water Pollution Control Ordinance. During the Year, there were no reported cases of non-compliance in respect of emission or the environment.

EMPLOYMENT SYSTEM

The Group has formulated internal policies such as the Environmental, Social and Governance Policy and the “Administrative Measures for Reserve Cadres of Zhongyu Gas”, and it is committed to standardizing the Group’s requirements on equal opportunities, diversification and anti-discrimination. At the same time, the subsidiaries have gradually developed management systems such as the “Organizational Discipline Management System” and the “Labour Management System” to further improve the Group’s employment system and protect employees’ rights and interests from being infringed.

Employment system		
Compensation and dismissal The Labour Management System states that: <ul style="list-style-type: none"> – Salary: The human resources department formulated the specific compensation plan. After being reviewed by the financial manager and the general manager, the human resources department will implement the plan. – Resignation: If an employee resigns, he/she should complete the Resignation Application Form 30 days in advance and report to the supervisors at the relevant levels for approval. 	Recruitment and promotion The Environmental, Social and Governance Policy stipulates that: <ul style="list-style-type: none"> – Recruitment: All recruitment practices are subject to the employment law of the place of operation. Labour contracts are signed to protect the rights of both the employers and employees. – Promotion: In order to increase promotion opportunities, the Group has divided the promotion channels of “technical” and “management” according to its business condition to help different employees to expand their promotion paths. 	Working hours and rest period The Group promised to manage staff working hours, rest period and leave in accordance with the relevant laws and regulations of the place of operation.
Equal opportunity The Group values equal opportunities for all employees, including but not limited to decisions regarding recruitment, promotion, transfer, compensation and benefits.	Diversity The Group values the establishment of work teams with employees from a diverse background on the adoption of policies such as hiring employees from different nationalities and ethnic groups. Disabled people are encouraged to join the Group. The Group considers individual differences as a driving force for sustainable development.	Anti-discrimination The Group undertakes not to differentiate employees based on factors such as gender, disability, pregnancy, race, color and religion. At the same time, we will also formulate a reporting mechanism on anti-discrimination or harassment in the workplace to deal with complaints.
Other benefits and welfare The Group has provided employees with additional benefits, such as holiday benefits, seasonal benefits and medical checkup.		

EMPLOYMENT AND LABOUR PRACTICES

The Group complies with relevant laws and regulations, such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). During the Year, there was no cases of illegality related to employment.

DEVELOPMENT AND TRAINING

The Group believes that the growth of the company is inseparable from the continuous development of its employees. Therefore, the Group has expanded the scope of its career development scheme by organizing training to enhance employees' professional skills. The Group has established a Training Management System to regulate employee training programme, and the Environmental, Social and Governance Policy also sets out policies relating to training management.

The Human Resources Department of the management headquarters is fully responsible for the training programme of the Group, which mainly includes the construction and maintenance of the training system, the management and organization of the lecturer team, and the evaluation and summary of the training results. The Group provides different types of training to its employees, including:

Type of training	Description of training
Orientation training	Employees are required to receive orientation training, with content including corporate culture, corporate systems and safety production knowledge, to understand the basics of different positions.
Internal on-the-job training	In accordance with the needs of business development, the Group conducts annual and monthly training for the relevant employees to improve their work skills.
External training	The training department encourages employees to participate in professional training organised by education and training institutions, government agencies or other various associations to understand the latest developments in the industry.

After the training, if necessary, the training organization will also conduct examination to assess the performance of employees to ensure that their knowledge and skills have been improved through training.

In addition, the Group also regularly evaluates the performance of employees as a reference for employee promotion and benefits. The Performance Management System provides that the Group has established a performance management committee to assess the operation of each subsidiary and the performance of its employees, based on the principles of consistency, objectivity, fairness, impartiality and confidentiality.

HEALTH AND SAFETY

Zhongyu Gas, as a company specializing in gas supply, will cause a huge impact on the health and safety of its employees if there is a gas leakage in the workplace. Therefore, the Group has formulated policies such as the Zhongyu Gas Safety Production Management Measures and Safe Production Liability Insurance System to improve the Group's management regarding employees' health and safety.

In order to ensure the safety of employees, the Group has clearly defined the production safety responsibilities of each supervisor at all levels in the Group.

Relevant responsible person	Production safety responsibility
Head of Headquarters and Head of Subsidiaries	<ul style="list-style-type: none"> Implement the national regulations on safe production and establish corresponding safety management systems; and Formulate major accident preventive measures and emergency response plans. If a material production safety accident occurs within his/her jurisdiction, he/she should arrive at the scene promptly to organise and give commands during the rescue work.
Deputy general manager of safety	<ul style="list-style-type: none"> Organize and commence safety education and training to increase employees' safety awareness, to enhance the standards of safe operation, and to monitor employees who are engaged in safety management and special work to have their permits with them at all times when they were on duty; and Supervise each department to fulfill the production safety responsibilities and implement production safety regulations, to rectify any dereliction of duty in the production process in a timely manner, and also to supervise any rectification of major production safety hazards.
Person-in-charge for production safety of each department	<ul style="list-style-type: none"> Responsible for announcing production safety information, such as: accident and casualties statistics, etc; Organize work related to emergency drills; and Report the status of production safety to the safety supervision and management department on a monthly basis, and actively make suggestions based on the actual situation.
Safety administrator	<ul style="list-style-type: none"> The engineering and operation departments shall establish the position of safety administrators according to the arrangements for work safety, who are responsible for production safety management.

In addition, each subsidiary should conduct regular safety inspections to improve the level of safety management to ensure timely elimination of safety hazards arising during operation. Safety inspection includes:

- Distribution and use of protective products;
- Implementation of safety measures for hazardous sources and in hazardous locations;
- Accident handling mechanism;
- Safety management of fire, electricity, vehicles and construction; and
- The maintenance of equipment and protective facilities in production sites.



EMPLOYMENT AND LABOUR PRACTICES

The Group complies with relevant laws and regulations, such as the PRC Work Safety Law, the Law of the PRC on Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance. During the Year, there were no cases of non-compliance regarding health and safety in the Group.

LABOUR STANDARDS

The Group prohibits the employment of child labour and forced labour in the workplace, and strives to protect the legal rights and interests of employees.

Scope	Management measure
Child labour	The Environmental, Social and Governance Policy of the Group stipulates that all employees shall meet the minimum age requirement stated in local law. If child labour is found, the child labour will immediately be stopped from working and sent to hospital for medical examination. Meanwhile, the relevant responsible person shall contact the parents of the child labour or the education department of the place where the child labour is. All expenses incurred will be borne by the Group.
Forced labour	The Group prohibits any forced labour practices. As stipulated in the Labour Management System, all employees who are required to work overtime or be on duty during holidays must obtain prior approval from the general manager. In principle, the Group encourages employees to complete their tasks within the specified working hours and does not encourage working overtime.

The Group complies with relevant laws and regulations, such as the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and the Employment Ordinance. During the Year, there were no cases of illegality related to child labour or forced labour.

As a responsible gas supplier, it is an important responsibility of Zhongyu Gas to ensure the supply of high quality gas and abide by business ethics. Therefore, the Group has formulated a series of policies on supply chain management, product liability and anti-corruption to ensure that the Group's operation is in the interests of all stakeholders.

SUPPLY CHAIN MANAGEMENT

Supply chain management is an important part of the Group's operation. Good supply chain management enables the Group to provide quality products and services to its customers. The Group has formulated management systems such as the Material Purchase Management System and the Environmental, Social and Governance Policy to regulate the selection procedures and standards of suppliers. During the Year, the Group has employed a total of more than 200 suppliers from Mainland China and Hong Kong.

Pursuant to the Regulations on the Administration of Material Purchase Regulations, the Group has established a supplier selection mechanism to assess the supplier's product quality, price, product usage and after-sales services, and to eliminate suppliers that do not meet the requirements of the Group.

In addition, Zhongyu Gas also focuses on managing the environmental and social risks of the supply chain. The Group's Environmental, Social and Governance Policy states that all suppliers while supplying products with good quality, must also meet the environmental and social requirements, such as the supplier must:

Environmental

- ensure that no hazardous materials are being used in processing and manufacturing;
- formulate an environmental protection system to manage environmental risks arising from daily operation; and
- obtain permission for environmental impact assessment.

Social

- resolutely refuse to accept any bribes and not to misconduct itself; and
- comply with relevant labour laws and regulations to ensure that the legitimate rights and interests of employees are protected.

PRODUCT LIABILITY

In order to ensure that the health and safety of the products, intellectual property rights, customer complaint handling procedures and customer privacy protection comply with relevant national laws and regulations, the Group has formulated internal management policies such as the "Administrative Measures on Safety Production of Zhongyu Gas", "Guidelines for the Safety Inspection of Household Gas Facilities", "Daily Inspection Management System" and the "Environmental, Social and Governance Policy", the Group is committed to improving its product liability management structure.



OPERATIONAL MANAGEMENT

Health and safety

The Group attaches great importance in reducing health and safety hazards of gas users through home safety inspection services. As stipulated by the “Zhongyu Gas Safety Production Management Regulations”, for non-residential users such as commercial users and industrial users, the annual household inspection should not be less than twice; for residential users, the annual household inspection should not be less than once. The focus of the household inspection should be on the use of gas facilities, such as metres, stoves, water heaters and hoses. If a safety hazard such as a leak is found, the leak test will be performed immediately to confirm the leak point. At the same time, the maintenance personnel will be notified immediately to handle it. After conducting the safety inspection, the Group will also arrange interviews with the users, so as to further understand the feedback from users on the services of the Group. The Group requires a customer interview rate of not less than 5%.

In the event of a gas leak, each subsidiary will organize personnel to arrive at the scene for emergency rescue, repair the faulty pipeline/gas facilities, and resume gas supply after the air tightness test is passed. In the event of an indoor gas accident, each subsidiary should immediately establish an emergency work group in accordance with the “Essential Responses for Gas Accident Emergency of Residential Users” and the emergency plan requirements, cooperate with the government organization to carry out emergency rescue and rescue work, and investigate and handle accidents.

Labelling management

The Group is committed to providing customers with complete and accurate label information. If the relevant information is found to be inaccurate or misleading, it should be amended as soon as possible to protect the interests of consumers.

Customer privacy protection

The Group values the customer privacy and all data collection must be conducted in a legal manner. The management of the Group’s customer data is handled by the marketing department and the human resources department.

Intellectual property

The Group is committed to protecting its intellectual property rights from being infringed whilst protecting the intellectual property rights of partners from being infringed.

Complaint handling

The Group has established customer complaint handling mechanisms. Users can file complaints directly to the operations management department. After receiving the complaint, the relevant department must arrange personnel to handle it and respond to the customer within 24 hours.

The Group complies with relevant laws and regulations, such as The Product Quality Law of the PRC and Personal Data (Privacy) Ordinance. During the Year, there were no cases of non-compliance regarding product liability. The Group received a total of 68 complaints during the Year, mainly due to user complaints caused by the lack of timely ventilation after work or inadequate ventilation. After on-site investigation, the Group resolved such issues in a timely manner.

ANTI-CORRUPTION

In order to meet the fair and ethical requirements of the Group's operation, Zhongyu Gas has formulated the "Zhongyu Gas Audit and Supervision System" and the "Zhongyu Gas Accountability System" to ensure that the Group does not have any form of corruption, bribery, extortion, fraud and money laundering in the operating process.

The Group has set up channels for reporting corruption cases by telephone, email and post to the relevant personnel. After receiving the report, the internal audit department will process the information within two working days to decide whether to initiate further investigation. The Group undertakes to protect the personal information of the whistleblower and no personnel may provide such information to any third party. In addition, the Group also provides anti-corruption training to its employees on a regular basis to ensure that employees are aware of relevant national laws and regulations and the Group's internal policies.

The Group complies with relevant laws and regulations, such as the Anti-Unfair Competition Law of the PRC, The PRC Anti-Money Laundering Law and the Prevention of Bribery Ordinance. During the Year, there were no cases of corruption-related violations and no corruption cases related to the Group and its employees.

INVESTMENT IN COMMUNITY

Zhongyu Gas attaches importance to its commitment to social responsibility and focuses on poverty alleviation and education in the communities in which it operates. The Group has formulated the Environmental, Social and Governance Policy to further standardize the Group's approval process and investment plans for community investment. The Group has invested approximately RMB1 million in community construction work during the Year.



Participation in the “Walk of Glory” poverty alleviation event



Launching of the “Household Pairing to Help Alleviate Poverty” pairing assistance work



Participation in the “Warming Hearts-Holding Hands” event on Children's day on 1 June



Launching of the “Big Hands Holding Small Hands: Co-building a Safe and Ideal Life” safety-themed educational event

OVERVIEW OF KEY PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE

Key Environmental Performance Indicators	2018			Unit
	Hong Kong	Mainland China	Total	
Air pollutants emission				
Nitrogen oxides	3.7	6,229.9	6,233.6	kg
Sulfur oxides	0.1	70.6	70.7	kg
Respiratory suspended particles	0.3	132.9	133.2	kg
Total greenhouse gas emission				
Scope 1 Direct greenhouse gas emission ⁷	18.6	3,463.9	3,482.5	Tonnes of CO ₂ Equivalent
Scope 2 Energy indirect greenhouse gas emission ⁸	12.6	8,351.7	8,364.3	Tonnes of CO ₂ Equivalent
Scope 3 Other indirect greenhouse gas emission ⁹	10.6	119.6	130.2	Tonnes of CO ₂ Equivalent
Total greenhouse gas emission	41.8	11,935.2	11,977.0	Tonnes of CO ₂ Equivalent
Greenhouse gas intensity (Calculated by the number of employees)			3.5	Tonnes of CO ₂ Equivalent
Hazardous waste				
Total hazardous waste	–	0.15	0.15	Tonnes
Intensity of hazardous waste (Calculated by the number of employees in Mainland China)			0.00005	Tonnes
Non-hazardous waste				
Total non-hazardous waste	0.4	236.4	236.8	Tonnes
Intensity of non-hazardous waste (Calculated by the number of employees)			0.07	Tonnes
Total energy consumption				
Diesel	–	219.0	219.0	MWh
Gasoline	63.2	4,666.0	4,729.2	MWh
Natural gas	–	3,198.3	3,198.3	MWh
Liquefied natural gas	–	673.2	673.2	MWh
Compressed natural gas	–	56.0	56.0	MWh
Liquefied petroleum gas	–	2.5	2.5	MWh
Electricity	15.7	12,930.5	12,946.2	MWh
Total energy consumption	78.9	21,745.5	21,824.4	MWh
Energy density (Calculated by the number of employees)			6.5	MWh
Total water consumption				
Total water consumption	–	109,167	109,167	cubic meter
Intensity of water consumption (Calculated by the number of employees)			32.4	cubic meter

⁷ It includes the Group's fossil fuel combustion from fixed and mobile sources, as well as greenhouse gases released during the operations of equipment and systems. R-22, one of the refrigerants used in the refrigeration equipment, is not included in the six greenhouse gases covered by the Kyoto protocol, its emission however is included in the carbon assessment in the Report to provide true and fair information on greenhouse gases.

⁸ It includes greenhouse gas emissions produced during the Group's electricity consumption.

⁹ It includes greenhouse gas emissions from waste paper disposal in Hong Kong office and business travel by air by the Group's employees.

OVERVIEW OF KEY PERFORMANCE INDICATORS

SOCIAL PERFORMANCE – EMPLOYMENT AND LABOUR PRACTICES

Statistics ¹⁰			Central China	Northern China	Eastern China	Northeastern	Southern China	Hong Kong	Total
Number of employees	Gender	Male	1,084	695	235	94	118	7	2,233
		Female	705	273	91	28	40	4	1,141
	Age	Under 30 years old	519	365	117	30	31	2	1,064
		Between 30-40 years old	645	390	123	51	73	2	1,284
		Between 41-50 years old	514	151	72	28	41	4	810
		Over 50 years old	111	62	14	13	13	3	216
	Rank	C-level senior management	21	13	6	2	13	2	57
		Senior management	47	62	20	6	21	4	160
		Mid-level management	166	101	35	14	0	2	318
		Ordinary employees	1,555	792	265	100	124	3	2,839
Number of new employees	Gender	Male	116	111	50	7	42	2	328
		Female	63	29	13	3	12	1	121
	Age	Under 30 years old	130	96	34	5	19	2	286
		Between 30-40 years old	46	34	19	5	28	1	133
		Between 41-50 years old	1	9	10	0	7	0	27
		Over 50 years old	2	1	0	0	0	0	3
	Rank	C-level senior management	0	0	0	1	1	0	2
		Senior management	1	5	2	0	7	2	17
		Mid-level management	1	12	0	1	0	1	15
		Ordinary employees	177	123	61	8	46	0	415
	New employees ratio (by region)		10.0%	14.5%	19.3%	8.2%	34.2%	27.3%	13.3%
Number of employees turnover	Gender	Male	31	40	17	7	7	1	103
		Female	11	19	6	3	2	0	41
	Age	Under 30 years old	25	22	10	2	2	1	62
		Between 30-40 years old	13	22	8	3	3	0	49
		Between 41-50 years old	1	7	3	0	4	0	15
		Over 50 years old	3	8	2	5	0	0	18
	Rank	C-level senior management	0	0	0	0	0	0	0
		Senior management	1	2	1	0	2	0	6
		Mid-level management	0	5	0	0	0	1	6
		Ordinary employees	41	52	22	10	7	0	132
	Employee turnover rate (by region)		2.3%	6.1%	7.1%	8.2%	5.7%	9.1%	4.3%

¹⁰ A total of 3,374 full-time employees and 93 part-time employees have been employed in offices of subsidiaries in Mainland China and the Hong Kong office of the Group. All social performance is based solely on the number of full-time employees.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Region	Number of work-related fatalities	Number of work-related injuries	Work-related injury rate per 1,000 employees	Lost days due to work injury	Ratio of lost days due to work-related injuries ¹¹	Absent days	Absence rate ¹¹
Central China Region	0	0	0	0	0%	144	0.03%
Northern China Region	0	2	2.1	346	0.1%	351	0.1%
Eastern China Region	0	2	6.1	182	0.2%	787	1.0%
Northeastern Region	0	0	0	0	0%	0	0%
Southern China Region	0	0	0	0	0%	19	0.05%
Hong Kong	0	0	0	0	0%	9	0.3%
Total	0	4	1.2	528	0.06%	1,310	0.2%

Statistics ¹²			Central China	Northern China	Eastern China	Northeastern	Southern China
Number of trained employees	Gender	Male	1,050	565	235	80	118
		Female	679	128	91	24	40
	Rank	C-level senior management	21	8	6	0	13
		Senior management	46	56	20	6	21
		Mid-level management	166	84	35	14	0
		Ordinary employees	1,496	545	265	84	124
Ratio of trained employees	Gender	Male	96.9%	81.3%	100%	85.1%	100%
		Female	96.3%	46.9%	100%	85.7%	100%
	Rank	C-level senior management	100%	61.5%	100%	0%	100%
		Senior management	97.9%	90.3%	100%	100%	100%
		Mid-level management	100%	83.2%	100%	100%	0%
		Ordinary employees	96.2%	68.8%	100%	84.0%	100%
Average training hours	Gender	Male	17.0	18.6	11.0	15.3	24.8
		Female	17.3	18.0	9.2	19.5	25.6
	Rank	C-level senior management	10.9	13.9	12.8	0	25.0
		Senior management	18.5	26.4	10.9	10.0	25.0
		Mid-level management	22.4	17.9	19.5	21.9	0
		Ordinary employees	16.6	18.0	9.3	16.1	25.0

¹¹ The annual working days of offices of subsidiaries in Mainland China are calculated on the basis of 251 days/person; the annual working days of the Hong Kong office are calculated on the basis of 250 days/person.

¹² Excludes Hong Kong Office

“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Page Index/Note
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.	9-11
A1.1	The types of emissions and respective emissions data.	9, 21
A1.2	Greenhouse gas emissions in total and intensity.	10, 21
A1.3	Total hazardous waste produced and intensity.	10, 21 (Data of the Hong Kong office is not included)
A1.4	Total non-hazardous waste produced and intensity.	10, 21
A1.5	Description of measures to mitigate emissions and results achieved.	11
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	10-11
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources.	9
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	21
A2.2	Water consumption in total and intensity.	11, 21 (Data of the Hong Kong office is not included)
A2.3	Description of energy use efficiency initiatives and results achieved.	11
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	11 (The Group has no issues on sourcing water)
A2.5	Total packaging material used for finished products and with reference to per unit produced.	The Group's operations do not involve use of packaging materials
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	12
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	12
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	13-14
B1.1	Total workforce by gender, employment type, age group and geographical region.	22
B1.2	Employee turnover rate by gender, age group and geographical region.	22

“ESG REPORTING GUIDE” CONTENT INDEX

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B2.2	Lost days due to work injury.	23
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	15
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	14
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B3.2	The average training hours completed per employee by gender and employee category.	23
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	16
B4.1	Description of measures to review employment practices to avoid child and forced labour.	16
B4.2	Description of steps taken to eliminate such practices when discovered.	16
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	17
B5.1	Number of suppliers by geographical region.	17
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	17
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	17-19
B6.2	Number of products and service related complaints received and how they are dealt with.	18-19
B6.3	Description of practices relating to observing and protecting intellectual property rights.	18
B6.4	Description of quality assurance process and recall procedures.	18
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	18

"ESG REPORTING GUIDE" CONTENT INDEX

Main Aspects	Description	Page Index/Note
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.	19
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.	19
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	19
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	20
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腾飞
中裕
同心
筑梦



中裕燃气

ZHONGYU GAS

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