



# 中裕燃氣控股有限公司

## ZHONGYU GAS HOLDINGS LIMITED

Stock Code 股份代號: 3633



# 2019

Environmental, Social and Governance Report  
環境、社會及管治報告



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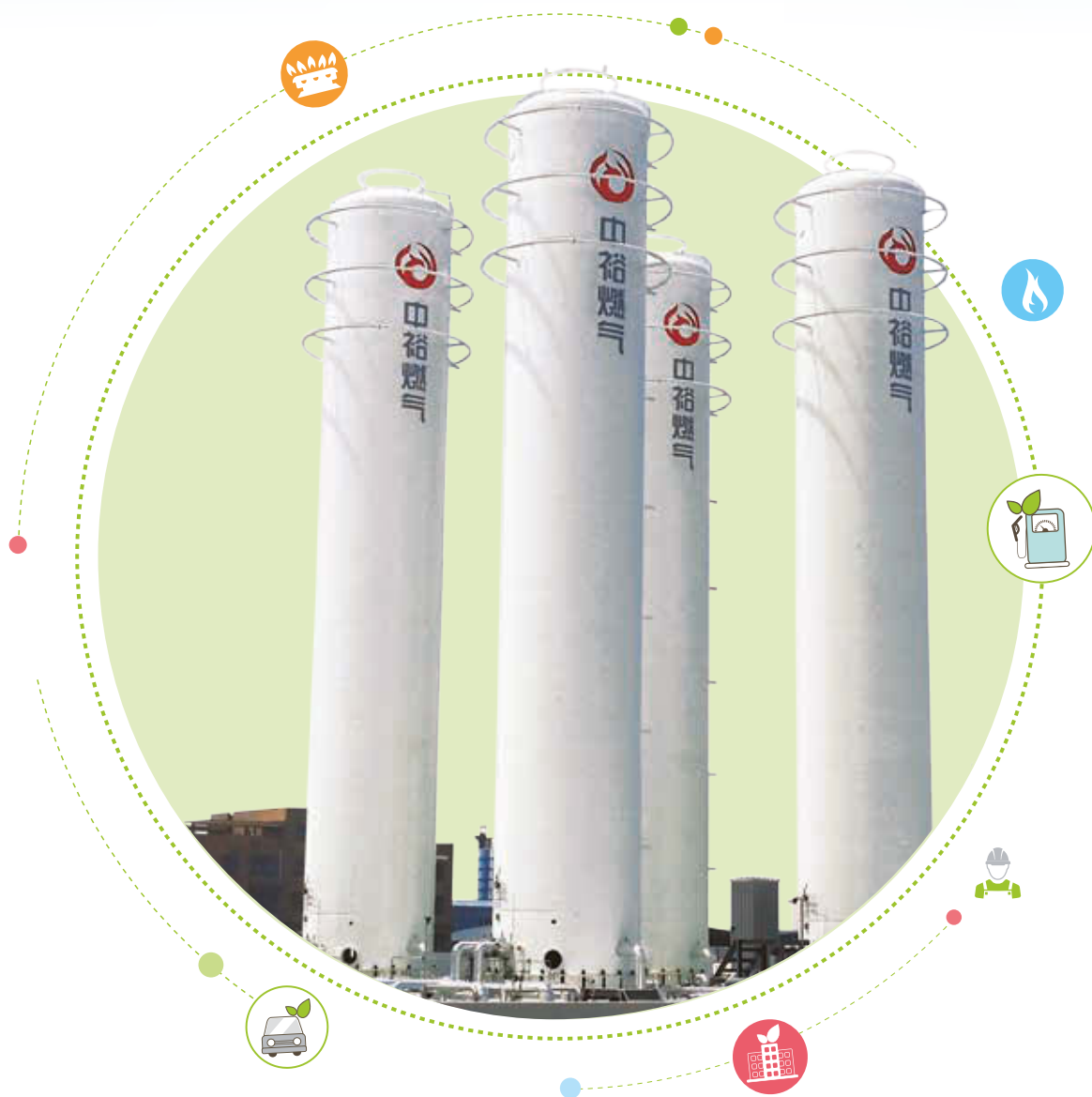
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## ABOUT US

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 stoves and other services and operation of compressed natural gas or liquefied natural gas (“CNG/LNG”) vehicle filling stations in various cities in China. As of 31st December, 2019, the Group has been engaging in 69 gas projects in Henan Province, Hebei Province, Jiangsu Province, Shandong Province, Jilin Province, Fujian Province, Heilongjiang Province, Zhejiang Province and Anhui Province, with an accumulated gas pipeline construction of 23,000 km, and providing safe and stable clean energy products and services to more than 3.48 million residential, industrial and commercial users, which assisted the development of gas business in the cities served, improved the energy structure, and enhanced the quality of life of the citizens.



The fifth “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](http://www.zhongyugas.com)).

### SCOPE OF THE REPORT

The Group is continuously improving the internal data collection system and gradually expanding the scope of disclosure. During the Year, the coverage of the Report relating to key environmental performance indicators has been expanded to include all operations and businesses of the Company in Hong Kong and Mainland China.

The operations and businesses of the Group covered in the Report mainly include sales of gases, gas pipeline construction, operation of CNG/LNG vehicle filling stations as well as sales of stoves and other services. The Group will continue to improve the internal data collection system to provide stakeholders with more comprehensive and accurate information in the future.

### 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 of Hong Kong Limited 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 15th July, 2020.

### 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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## CHAIRMAN'S STATEMENT

In recent years, countries have actively tackled climate change and adopted different ways to reduce greenhouse gas emission, and energy structure reform is inevitable. As a global leader in tackling climate change, China has turned “Coal-to-gas” into an important part of the national energy strategy as the country deepens its national energy structure reform. Since 2017, the Chinese government has established the policy of “Coal-to-gas” as a priority policy against air pollution. The rapid progression of the “Coal-to-gas” and the relevant policies and calls at the national level are both challenges and opportunities for the Group. In response to the “Coal-to-gas” policy, the Group implemented a number of “Coal-to-gas” projects in various regions in China, using natural gas instead of coal to improve air pollution problems such as smog.

The Group has always considered achieving the sustainable development of energy and environment as our obligatory responsibility, actively contributed to the communities where the Company develops with no concession, promoted the construction and prosperity of a harmonious society. 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. The Group attaches great importance to sustainability reporting and stakeholder communication. In order to continuously enhance the Group's sustainability performance, the Group incorporated the performance indicators of the Hong Kong office and the main offices in Mainland China during the Year into the scope of disclosure. In the future, the Group will continue to expand the scope of disclosure, helping stakeholders to better understand the Group's sustainable development.

In 2019, the Group initiated the first “Deepening Management Improvement Year” action ever in our development history. The action brought about effective deepening and enhancement to the basic management of the Group as a whole after one year of work, achieving results at this stage. In 2020, the Group will continue the “Deepening Management Improvement Year” action to accelerate the accomplishment and continuously improve the organizational capabilities and market competitiveness of the Group. The concrete progress of the “Deepening Management Improvement Year” action will provide a driving force for the continuous enhancement of the organizational capabilities, profitability, capability to prevent and control risks, sustainability and market competitiveness of the Group in times of complicated situations, which will lay a solid foundation for the long-term stable development of the Group. The Group will continue to expand the piped gas market and raise the penetration rate of natural gas value-added services, strive to achieve the goal of becoming the most valuable integrated energy service provider in order to create larger values for the customers and the society and higher returns for the shareholders.

*Chairman*

**Wang Wenliang**

Hong Kong

15th July, 2020

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:

1. Formulating environmental, social and governance strategic programmes
2. Assessing environmental, social and governance risks
3. Coordinating and communicating with external organisations, facilitating sustainable development

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"> <li>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;</li> <li>Safety education and training: For instance, operation training on safety for special operation personnel, fire safety training, and emergency response drills.</li> </ul>

## SUSTAINABILITY GOVERNANCE

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 stakeholders<sup>1</sup> 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:

1. Utilization of resources
2. Employment
3. Development and training

### Future prospects: facilitating communication with stakeholders

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.

<sup>1</sup> 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.



## ENVIRONMENTAL PROTECTION

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

<b>Greenhouse gas emission</b> 30,796.2 tonnes of CO <sub>2</sub> Equivalent	<b>Air pollutants emission</b> Nitrogen oxides, sulfur oxides and respiratory suspended particles	<b>Waste generated</b> 643.1 tonnes	<b>Energy consumption</b> 133,139.7 MWh
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#### Air pollutants emission

The main sources of air pollutants 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 the Hong Kong office and the offices in Mainland China. Certain offices in Mainland China are equipped with equipment including kitchen equipment, generators and boilers, which produces air pollutants emission when used. Moreover, since the scope of disclosure of the Report in the Year has been expanded to cover all businesses, together with the fact that the number of subsidiaries of the Group in Mainland China has increased in the Year, therefore the overall emission of air pollutants cannot be directly compared with that in the previous year.

	Type	Emission in 2019 (kg)	
		Hong Kong	Mainland China
<b>Air pollutants emission</b>	Nitrogen oxides	4.9	2,941.0
	Sulfur oxides	0.09	100.1
	Respiratory suspended particles	0.36	72.0

## 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, including carbon dioxide, methane, and nitrous oxide. The quantification process of greenhouse gas emission is based on the guidelines issued by the Environmental Protection Department and the Electrical and Mechanical Services Department<sup>2</sup>, guidelines issued by the National Development and Reform Commission of the PRC<sup>3</sup>, 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 was about 30,800 tonnes of CO<sub>2</sub> equivalent, of which 43% was attributable to carbon emission of outsourcing of electricity. Since the scope of disclosure of the Report in the Year has been expanded to cover all businesses, together with the fact that the number of subsidiaries of the Group in Mainland China has increased, the overall emission of greenhouse gas cannot be directly compared with that in the previous year.

Scope	Emission in 2019 (Tonnes of CO <sub>2</sub> Equivalent)	
	Hong Kong	Mainland China
Scope 1 Direct greenhouse gas emission <sup>4</sup>	16.9	17,087.5
Scope 2 Energy indirect greenhouse gas emission <sup>5</sup>	12.6	13,250.9
Scope 3 Other indirect greenhouse gas emission <sup>6</sup>	7.1	421.2
Total greenhouse gas emission	36.6	30,759.6
Greenhouse gas emission intensity (Calculated by the number of employees)	7.0 tonnes of CO <sub>2</sub> equivalent/employee	

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

<sup>3</sup> 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)》)

<sup>4</sup> 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.

<sup>5</sup> It includes greenhouse gas emissions produced during the Group's electricity consumption.

<sup>6</sup> It includes greenhouse gas emissions from waste paper disposal in offices and business travel by air by the Group's employees.

## Waste

During the Year, the Group's office operations generated a total of 0.011 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, 643.1 tonnes of non-hazardous production waste such as domestic garbage and kitchen waste generated during the operation of the Group's offices were substantially handed over to the municipal department for clearance.

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
<b>Air pollutants and greenhouse gases</b>	<ul style="list-style-type: none"> <li>Identify sources of air pollutants and greenhouse gases generated during the operation and strengthen source management; and</li> <li>Encourage employees to take public transportation and prohibit the excessive use of the Company's vehicles.</li> </ul>
<b>Hazardous and non-hazardous waste*</b>	<ul style="list-style-type: none"> <li>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</li> <li>Regularly review the generation and recovery of hazardous and non-hazardous waste, and develop waste reduction targets based on actual circumstances.</li> </ul>

\* Since the scope of disclosure in the Year has been expanded to cover all businesses, together with the fact that the number of subsidiaries of the Group in Mainland China has increased, the overall emission figures cannot be directly compared with that in the previous year.

## Energy and water resources

In terms of the use of energy resources, it mainly comes from the energy consumption of office operations in Hong Kong and Mainland China, and the non-renewable fuel used by passenger cars and transportation trucks, including diesel, unleaded gasoline, liquefied petroleum gas, gasoline, kerosene, natural gas and liquefied natural gas, while the use of purchased electricity accounted for approximately 11% of the total energy consumption. The total energy consumption amounted to approximately 133,000 MWh in the Year. The total energy consumption increased as compared with that of last year. However, given that the scope of disclosure of the Report in the Year has been expanded to cover all businesses, together with the fact that the number of subsidiaries of the Group in Mainland China has increased, the total energy consumption in general cannot be directly compared with that in the previous year. In addition, the Group has established and regularly reviewed energy targets and indicators through the establishment of an energy management system based on the data from the previous year to lower the electricity consumption per capita and 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 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. Through implementing the above measures, although the total energy consumption in general has increased as compared with that of last year, the Group's electricity consumption per capita decreased from 3.8 MWh in the previous year to 3.2 MWh in the Year, reduced by nearly 16%, in terms of the use of purchased electricity.

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, and the attempt to obtain the data on water resource consumption was unsuccessful after communicating with the property management, it was unable to provide data on its water consumption. As the number of employees in the Hong Kong office only accounts for approximately 0.2% of the total number of employees of the Group, water consumption of that office is negligible. To reduce consumption of water resources, the Group has enhanced its efficiency of water usage by introducing water-saving technologies, thereby reducing the use of water resources in its daily operation. Meanwhile, the Group has also posted water-saving slogans in the operation sites, educated the staff to save water, and encouraged the staff to treasure water resources, thereby improving management of water resources in various operational sites. Through implementing management measures of water resources, the Group's water consumption per capita reduced from 32.4 cubic meter in the previous year to 25.8 cubic meter in the Year, decreased by approximately 20%.

### Packaging materials

The scope of disclosure of the Report in the Year has been expanded as compared with previous year, among which the newly included businesses involve the usage of packaging materials, which were mainly generated from the packaging for sales of stoves. The Group has used a total of 0.1 tonne of plastic and 17.1 tonnes of paper for packaging in the Year.

#### 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. At the same time, the Group will encourage employees to reduce the utilization of resources and increase the tendency of reusing and recycling resources, and optimize its energy management. Data from the Year will be taken as a base figure to form 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 AND LABOUR PRACTICES

### 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		
<b>Compensation and dismissal</b> The Labour Management System states that: <ul style="list-style-type: none"> <li>– 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.</li> <li>– 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.</li> </ul>	<b>Recruitment and promotion</b> The Environmental, Social and Governance Policy stipulates that: <ul style="list-style-type: none"> <li>– 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.</li> <li>– 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.</li> </ul>	<b>Working hours and rest period</b> 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.
<b>Equal opportunity</b> The Group values equal opportunities for all employees, including but not limited to decisions regarding recruitment, promotion, transfer, compensation and benefits.	<b>Diversity</b> 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.	<b>Anti-discrimination</b> 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.
<b>Other benefits and welfare</b> The Group has provided employees with additional benefits, such as holiday benefits, seasonal benefits and medical checkup.		

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
<b>Orientation training</b>	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.
<b>Internal on-the-job training</b>	In accordance with the needs of business development, the Group conducts annual and monthly training for the relevant employees to improve their work skills.
<b>External training</b>	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. The Group has formulated the External Training Management Measures (Trial) in early December 2019 to further standardize the management of external training, effectively coordinate the use of resources on external training, ensure the learning results and meet the learning and development needs of the employees.

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 an incident, such as 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.

## EMPLOYMENT AND LABOUR PRACTICES

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
<b>Head of Headquarters and Head of Subsidiaries</b>	<ul style="list-style-type: none"> <li>Implement the national regulations on safe production and establish corresponding safety management systems; and</li> <li>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.</li> </ul>
<b>Deputy general manager of safety</b>	<ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul>
<b>Person-in-charge for production safety of each department</b>	<ul style="list-style-type: none"> <li>Responsible for announcing production safety information, such as: accident and casualties statistics, etc;</li> <li>Organize work related to emergency drills; and</li> <li>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.</li> </ul>
<b>Safety administrator</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>

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.

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
<b>Child labour</b>	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.
<b>Forced labour</b>	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.



## OPERATIONAL MANAGEMENT

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 231 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.

### 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 customer service 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.

### Delivered product recall

During the Year, there were no sold or delivered products recalled by the Group due to safety and health reasons.

### Complaint handling

The Group is committed to listening to customers' need and has established rigorous customer complaint handling mechanisms. Users can file complaints directly to the operations management department, satisfying customers' expectation and enhancing service quality. After receiving the complaint, the relevant department must arrange personnel to provide an explanation and respond to the customer within 24 hours. In addition, the Group has been taking initiatives to create a healthy business environment, and through various means such as online communities, WeChat official account and other online platforms, as well as publicity activities, in order to promote the Company's image to external parties.

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 1,078 cases of inquiry and complaint in 2019, which are involved in four main categories. Each department has taken initiatives to handle various complaints and enhance the communication with customers with an aim to enhance customer satisfaction.

	Description	Handling methods
Inquiry of gas payment policy	Users made inquiry of the concession policy, gas price, payment method and relevant government policies.	The relevant company or department must arrange personnel to provide an explanation or respond to the customer within 24 hours.
Unable to understand the recovery notice of gas fee	Control meters malfunctioned by cutting off automatically, or failing to count users' gas usage. Personnel in charge communicated with users on matters in relation to malfunctioned meters and required to replace them. Users did not understand the fee incurred and complaints were received accordingly.	The Company has replaced the malfunctioned meters through household safety inspection. The safety inspection department of the Company will continue to step up its efforts in residence safety inspection, and will replace abnormal meters and recover outstanding gas fee in a timely manner, avoiding the losses and adverse effects to the Company incurred by meter malfunctioning and further protecting the Company's image to external parties.
Urge for the opening up of gas service	The Company provides weekly service to villagers in remote rural areas at a scheduled time to open up gas service for them. Since there were plenty of new users waiting at the service hall at the same time, leading to an excessively long waiting time and users were unable to open up accounts, and complaints were made accordingly.	Relevant companies is actively considering an extension of service hours to provide services to more new users.
Busy customer service and product repair hotlines	Some companies were only equipped with very few customer service and product repair hotlines but the service demand was large. Therefore, users were unable to put through their calls and complaints were made.	The Company has currently begun to solve the problem by setting up more customer service and product repair hotlines to meet the users' need.

## 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. Regulations and processes have become more specialized and specific this year, and a new rule, among others, was implemented to heavily punish those involved in non-compliance or disciplinary offences, enhancing the strength in demanding accountability.

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 should 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. In 2019, the Group donated approximately RMB1.52 million in community construction and poverty alleviation work and actively participated in social welfare activities.



- Visited Jiudu Village, Changping Town together with Love Alliance of Jiaozuo Charity Federation to assist the commencement of poverty alleviation and caring events



- Visited Liuxiagou Village in Shaoyuan Town, the designated village for poverty alleviation, before Chinese New Year



- Actively responded to the poverty alleviation pairing assistance initiated by the Yanshi Federation of Industry and Commerce and launched the poverty alleviation and caring events



- Launched the "Gas Safety Knowledge in Campus" campaign in Yuchuan Road Primary School in Jiyuan and vividly explained the safe use of gas and the emergency treatment measures after gas leakage to students

## OVERVIEW OF KEY PERFORMANCE INDICATORS

### Environmental Performance

Key Environmental Performance Indicators	2019			Unit
	Hong Kong	Mainland China	Total	
Air pollutants emission				
Nitrogen oxides	4.9	2,941.0	2,945.9	kg
Sulfur oxides	0.09	100.1	100.2	kg
Respiratory suspended particles	0.36	72.0	72.4	kg
Total greenhouse gas emission				
Scope 1 Direct greenhouse gas emission <sup>7</sup>	16.9	17,087.5	17,104.4	Tonnes of CO <sub>2</sub> Equivalent
Scope 2 Energy indirect greenhouse gas emission <sup>8</sup>	12.6	13,250.9	13,263.5	Tonnes of CO <sub>2</sub> Equivalent
Scope 3 Other indirect greenhouse gas emission <sup>9</sup>	7.1	421.2	428.3	Tonnes of CO <sub>2</sub> Equivalent
Total greenhouse gas emission	36.6	30,759.6	30,796.2	Tonnes of CO <sub>2</sub> Equivalent
Greenhouse gas intensity (Calculated by the number of employees)			7.0	Tonnes of CO <sub>2</sub> Equivalent
Total hazardous waste	–	0.011	0.011	Tonnes
Intensity of hazardous waste (Calculated by the number of employees in Mainland China)			0.0025	kg
Total non-hazardous waste	0.6	642.5	643.1	Tonnes
Intensity of non-hazardous waste (Calculated by the number of employees)			0.15	Tonnes
Consumption of non-renewable fuels <sup>10</sup>	55.5	119,868.8	119,924.3	MWh
Consumption of renewable fuels	–	–	–	MWh
Consumption of charcoal	–	–	–	MWh
Energy consumption of other biofuels	–	–	–	MWh
Electricity purchased for consumption	15.8	14,103.7	14,119.5	MWh
Self-generated electricity	–	0.6	0.6	MWh
Electricity sold	–	904.7	904.7	MWh
Total energy consumption <sup>11</sup>	71.3	133,068.4	133,139.7	MWh
Energy density (Calculated by the number of employees)			30.3	MWh
Total water consumption	–	113,368.9	113,368.9	cubic meter
Intensity of water consumption (Calculated by the number of employees)			25.8	cubic meter
Total packaging materials				
Packaging plastic	–	0.1	0.1	Tonnes
Packaging paper	–	17.1	17.1	Tonnes
Intensity of packaging materials (Calculated by the number of employees)			0.004	Tonnes

<sup>7</sup> 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.

<sup>8</sup> It includes greenhouse gas emissions produced during the Group's electricity consumption.

<sup>9</sup> It includes greenhouse gas emissions from waste paper disposal in offices and business travel by air by the Group's employees.

<sup>10</sup> It includes diesel, unleaded gasoline, liquefied petroleum gas, gasoline, kerosene, natural gas and liquefied natural gas used in fixed and mobile combustion sources.

<sup>11</sup> Total energy consumption = consumption of non-renewable fuels + consumption of renewable fuels + consumption of charcoal + energy consumption of other biofuels + electricity purchased for consumption + self-generated electricity - electricity sold

## OVERVIEW OF KEY PERFORMANCE INDICATORS

### SOCIAL PERFORMANCE – EMPLOYMENT AND LABOUR PRACTICES

Statistics <sup>12</sup>			Mainland China	Hong Kong	Total
Number of employees	Gender	Male	2,897	6	2,903
		Female	1,481	4	1,485
	Age	19 years old or under	6	–	6
		Between 20-29 years old	1,124	2	1,126
		Between 30-39 years old	1,673	2	1,675
		Between 40-49 years old	1,097	4	1,101
		50 years old or over	478	2	480
	Rank	General manager or above	220	2	222
		Senior manager or above	400	4	404
		Officer, clerk or above	432	4	436
		General employees	3,326	–	3,326
Number of employees turnover	Gender	Male	101	1	102
		Female	39	–	39
	Age	19 years old or under	–	–	–
		Between 20-29 years old	72	1	73
		Between 30-39 years old	43	–	43
		Between 40-49 years old	20	–	20
		50 years old or over	5	–	5
	Employee turnover rate (by region)		3.2%	10.0%	3.2%

<sup>12</sup> All social performance is based solely on the number of full-time employees as at 31st December 2019.



## OVERVIEW OF KEY PERFORMANCE INDICATORS

Region	Number of work-related fatalities	Lost days due to work injury
Mainland China	–	100
Hong Kong	–	–
Total	–	100

Statistics <sup>13</sup>			Mainland China
Number of trained employees	Gender	Male	2,601
		Female	1,334
	Rank	General manager or above	66
		Senior manager or above	165
		Officer, clerk or above	312
		General employees	3,392
Ratio of trained employees	Gender	Male	89.8%
		Female	90.1%
	Rank	General manager or above	30.0%
		Senior manager or above	41.3%
		Officer, clerk or above	72.2%
		General employees <sup>14</sup>	102%
Average training hours	Gender	Male	41.3
		Female	41.3
	Rank	General manager or above	50.7
		Senior manager or above	51.8
		Officer, clerk or above	46.5
		General employees	39.6

<sup>13</sup> Excludes Hong Kong Office.

<sup>14</sup> Since the general employees resigned or lost have received training, the ratio of training is higher than 100%.



## “ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Page Index/Note
<b>A1 Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air pollutants and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	8-11
A1.1	The types of emissions and respective emissions data.	8, 21
A1.2	Greenhouse gas emissions in total and intensity.	9, 21
A1.3	Total hazardous waste produced and intensity.	10, 21
A1.4	Total non-hazardous waste produced and intensity.	10, 21
A1.5	Description of measures to mitigate emissions and results achieved.	10
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	10
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources.	8
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	9, 21
A2.2	Water consumption in total and intensity.	11, 21
A2.3	Description of energy use efficiency initiatives and results achieved.	10
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.	11, 21
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	11
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	11

## “ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Page Index/Note
<b>B1 Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	12-13
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
<b>B2 Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	13-15
B2.1	Number and rate of work-related fatalities.	23
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.	13-14
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	13
B3.1	The percentage of employees trained by gender and employee category.	23
B3.2	The average training hours completed per employee by gender and employee category.	23
<b>B4 Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	15
B4.1	Description of measures to review employment practices to avoid child and forced labour.	15
B4.2	Description of steps taken to eliminate such practices when discovered.	15
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	16
B5.1	Number of suppliers by geographical region.	16
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	16

## “ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Page Index/Note
<b>B6 Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	16-18
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	17
B6.2	Number of products and service related complaints received and how they are dealt with.	18
B6.3	Description of practices relating to observing and protecting intellectual property rights.	17
B6.4	Description of quality assurance process and recall procedures.	17
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	17
<b>B7 Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	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, and how they are implemented and monitored.	19
<b>B8 Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	20
B8.1	Focus areas of contribution.	20
B8.2	Resources contributed (e.g. money or time) to the focus areas.	20



### SCOPE AND OBJECTIVE

Hong Kong Quality Assurance Agency (“HKQAA”) conducted an independent verification for the Environmental, Social and Governance Report 2019 (“the Report”) of Zhongyu Gas Holdings Limited (“Zhongyu Gas”). The Report states the sustainability performance of Zhongyu Gas for the period of 1st January 2019 to 31st December 2019.

The objective of this verification was to provide a reasonable assurance on the reliability of the contents stated in the Report. The Report has been prepared in accordance with the Appendix 27 “Environmental, Social and Governance Reporting Guide” (“ESG Guide”) of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited.

### LEVEL OF ASSURANCE AND METHODOLOGY

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the ESG Guide.

HKQAA’s verification process included verifying the mechanisms for collecting, calculating and reporting the sustainability performance information, reviewing relevant documented information, interviewing responsible personnel with accountability for preparing the Report and verifying selected representative samples of data and information. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification process.

### INDEPENDENCE

Zhongyu Gas was responsible for the collection and preparation of the information presented. HKQAA did not involve in the collection and calculation of data or the compilation of the reporting contents. Our verification activities were entirely independent from Zhongyu Gas.

## VERIFICATION STATEMENT

### CONCLUSION

Based on the verification results, HKQAA has obtained reasonable assurance and concluded that:

- The Report has been prepared in accordance with the requirements of the ESG Guide;
- The Report covers the sustainability performance of Zhongyu Gas in a balanced, clear, comparable and timely manner, including description of material sustainability aspects; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA's attention that the selected sustainability performance information and data stated in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria. Overall, the Report reflects truthfully the sustainability performance of Zhongyu Gas and is commensurate with its sustainability context and materiality of Zhongyu Gas.

### SIGNED ON BEHALF OF HONG KONG QUALITY ASSURANCE AGENCY



**Connie Sham**

*Head of Audit*

June 2020

逐梦同行 基业长青

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BUILT TO LAST



中裕燃气  
ZHONGYU GAS

於開曼群島註冊成立之有限公司  
INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

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