



中裕能源控股有限公司

ZHONGYU ENERGY HOLDINGS LIMITED

Stock Code 股份代號: 3633

2022 環境·社會及 管治報告

Environmental, Social and Governance Report



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ABOUT THE REPORT

Zhongyu Energy Holdings Limited (“Zhongyu Energy” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) publishes the “Environmental, Social and Governance Report 2022” (the “Report”) whereby reporting on the policies, measures and performances in the environmental, social and governance aspects of the Group, provides stakeholders with a better understanding of the Group’s progress and direction on sustainable development. The Group publishes annual ESG report regularly for the public to access and continues to improve the transparency of information disclosure.

To facilitate representation and easy for reading, Zhongyu Energy uses “Zhongyu”, the “Group” and “We” respectively as the representation in the report.

The 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 Group (www.zhongyugas.com). In case of any conflict or inconsistency between the Chinese and English versions, the Chinese version shall prevail. In case of any conflict or inconsistency between the Report and the annual report, the annual report shall prevail.

SCOPE OF THE REPORT

The environmental and social key performance indicators disclosed in the Report remains unchanged, and cover all operations and businesses in Hong Kong and Mainland China.

The Report covers the sustainability performance of the Group’s daily operations and businesses from 1st January, 2022 to 31st December, 2022 (the “Year”). Businesses of the Group mainly include the sales of gas, the operation of CNG/LNG vehicle filling stations, gas pipeline construction, value-added services and smart energy. 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 Rule 13.91 and 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. The Report will be prepared on the basis of four reporting principles – Materiality, Quantitative, Balance and Consistency.

Materiality principle – conduct regular materiality assessment to identify the issues with significant impact on the Group and related stakeholders, and ensure those issues are reflected in the Report.

Quantitative principle – report quantifiable data, whenever possible, with explanations.

Balance principle – reasonably disclose the risks and opportunities faced by the Group currently and in the future as well as the positive and negative influences brought by the businesses, to enable readers to make a reasonable assessment of the overall performance of Zhongyu Energy.

Consistency principle – adopt consistent methodologies as much as possible in preparation and specify and explain the significant changes in the Report to allow for meaningful comparisons.

INFORMATION COLLECTION AND CONFIRMATION

The content and data presented in the Report is derived from documents and statistical information of all functional departments of the Group. With reference made to the related systems and policies, consolidation and integration with monitoring, management and operational data from related departments and subsidiaries have been carried out. Should there be no specific explanation, all amounts disclosed in the Report shall be denominated in RMB.



The Report is prepared by the ESG Office of the Group and has been confirmed by the ESG Committee and the board of directors. The Group has established an internal supervision, examination and risk management mechanism to ensure that all information presented in the Report is accurate and reliable.

The Report was confirmed and approved by the board of directors of the Company and the ESG Committee on 21 April, 2023.

FEEDBACK

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

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ABOUT US

Zhongyu Energy (Stock Code: 3633.HK), under the current new situation of energy transformation and “carbon neutrality”, starting from its own business, has extensively deployed smart energy business, made breakthroughs in the Group’s original business model, and promoted national theme strategies such as low-carbon transformation.

INTEGRATED ENERGY SERVICE PROVIDER

As a forerunner in the domestic gas industry with “developing clean energy and achieving a better life” as its mission, Zhongyu Energy strives to optimise the energy structure of the regions where it operates, promote the conservation of resources, enhance the quality of life of the citizens, and make due contribution to the quality of environment. Since its establishment in 2002, from establishing a foothold in a region to operating a network across the nation, Zhongyu Energy has been forging ahead with determination towards the goal of “becoming the most valuable integrated energy service provider”. As at 31st December, 2022, the Group has 75 gas projects with concession rights across 11 provinces, serving approximate 4.66 million residents and 24,000 industrial and commercial customers with safe, reliable and clean energy products and services, and currently has central and main pipeline of 27,263 km.

Currently, Zhongyu Energy involves in a variety of businesses in the city gas sector, such as residential cooking, gas boiler heating, hotel hot water system, gas air-conditioning and commercial catering. At the same time, it actively explores one-stop services and has provided one-stop services of gas boilers for numerous schools. It also provides one-stop services of central heating for various residential communities. In the industrial fuel sector, the Group involves in dozens of industries such as chemical industry, construction materials, metal smelting and food processing, including central enterprises, state-owned enterprises and leaders of various industries. To coordinate with the state on strengthening the prevention and control of air pollution and adapt to the needs of optimising and adjusting its own business structure, Zhongyu actively develops the gas filling station upgrade and transformation business based on its own business characteristics. Currently, the Group has 56 gas filling stations.

“DUAL-WHEEL DRIVE” TO CREATE A GREEN AND LOW-CARBON FUTURE

In response to the national “30-60” dual-carbon goal, and in response to the energy market reform, Zhongyu Energy, based on its main business, continuously explores the industrial chain, builds an ecosystem, and is committed to expanding new business forms and creating new values. Focused on the operating principle of “market-driven, customer-oriented, and efficiency-centred”, In 2021, Zhongyu Energy put forward the development strategy of transformation and development, “dual-wheel drive”, and established itself as a smart energy conglomerate. The Group’s business diversification and innovation and upgrading has shifted from “start and thrive” to “steady and acceleration”.

In 2022, the Group obtained the “Green and Sustainable Finance Certification” from the Hong Kong Quality Assurance Agency. The certification demonstrates the Group’s determination to promote the investment direction of green and sustainable development to the public, demonstrates the Group’s achievements in green finance and sustainable development, and will also actively promote the progress of “dual-carbon” goals, laying a solid foundation for the implementation of low-carbon energy transformation. Since its establishment, Zhongyu Energy has always kept its development mission in mind, bravely assumed social responsibilities, actively involved in the construction of “Beautiful China” and the national “Battle of Pollution Prevention and Control”, and promoted ecological priority and green development.

New strategy of business layout

The Group will resolutely implement the “Dual-wheel Drive” development strategy. The Group is deeply rooted in the core urban gas business, and has built a customer-oriented high-quality industrial and commercial service system for labours, expanding value-added business and new retail market based on high customer stickiness. At the same time, the Group will adopt the strategy of industry chain integration, actively respond to the market changes after the establishment of PipeChina, and promote gas source protection and energy trade.

Focusing on the natural advantages in the energy industry brought by the urban gas business, the Group vigorously promotes low-carbon parks, low-carbon courtyards, energy custody services, industrial energy-saving transformation, incremental power distribution operations and other related businesses. Actively expand the clean energy market and contribute to the green and sustainable development of the country.

BUSINESS OVERVIEW

Currently, the pace of diversified development and innovation upgrade of the Group's business has shifted from a vigorous start to a stage of steady acceleration.

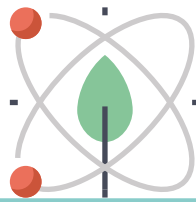
City Gas Service

Stick to the safety bottom line and enjoy high-quality service



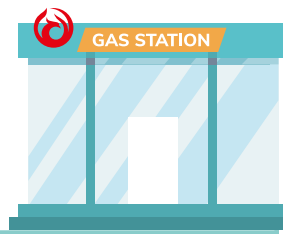
Smart Energy

Building a diversified, low-carbon, safe, intelligent, clean, and efficient new energy system



Value-added Business and New Retail

Protect high-quality gas life and provide brand-new living experience



Energy trading

Integrate channel resources and build an energy competitiveness platform



AWARDS AND ACCOLADES

In addition, Zhongyu Energy has made great efforts on the area of green finance and ESG risk management for the years and has received the following awards and accolades in 2022.

Awards and accolades received in 2022



2022 ESG Pioneering Organisation in ESG Disclosure Enhancement & 2022 Outstanding Award for Green and Sustainable Loan Issuer (Integrated Energy Service)



Award for the ESG leading enterprise of the Greater Bay Area



Listed Company Awards of Excellence 2022



Best Infrastructure and Utilities Company

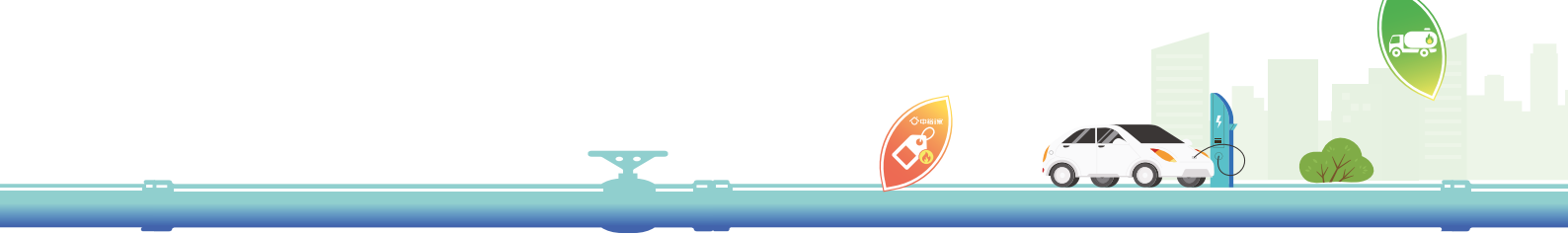
CHAIRMAN'S STATEMENT



To our valued shareholders,

The year 2022 is the 20th anniversary of the Group's establishment, and it is also a year full of challenges. Internationally, geopolitical issues intensified, bulk commodity prices fluctuated frequently and the aggressive interest rate hike by the US Federal Reserve triggered a global "interest rate hike". Domestically, the recurring epidemic and continued weakness of the real estate industry have caused different levels of impact on all walks of life. Under the complex and volatile macro situation, the Group promptly adjusted its strategy and put forward the concept of "dual-wheel drive and synergetic development". At present, the smart energy business has made a good start and is progressing in synergy with the gas business, jointly creating a new situation of high-quality development for the Group.

In 2022, the Group actively participated in the national energy revolution with the goal of "carbon peak and carbon neutrality". Among them, the city gas segment seized market opportunities and expanded its business territory to Jiangxi Province again. The smart energy segment achieved collaborative innovation, empowered enhancement and rapid growth in business scale. Leveraging the existing regional advantages in the gas segment, the Group has achieved remarkable market expansion, enriched business types, and put high-quality projects into operation one after another. The new "dual-wheel drive" pattern of gas and smart energy has initially achieved results.



The year 2022 is also the closing year of the PRC State Council's three-year special rectification action on production safety. The Group has always put safety and stable operation in the first place in management and operation, and has successfully become the director unit of the Safety Committee of China Gas Association. The Group continued to nurture safety talents and constantly enhanced technical protection measures to ensure zero accident in production and operation throughout the year. At the same time, in order to ensure sufficient supply of natural gas to residents in the northern area during the heating season, the Group continued to strengthen the optimization of gas sources, vigorously promote interconnection between regions, fulfill its corporate social responsibility and achieve critical breakthroughs in difficult issues. While ensuring safe operation and gas supply, the Group successfully achieved the development goal of stable growth and won the continuous trust and praise of customers and regulators.

Based on the steady development of gas business, the Group has achieved several innovative breakthroughs in integrated energy business fields such as photovoltaic, incremental power distribution, industrial steam, industrial energy saving, etc. The Group has established a smart energy business development and management system with Zhongyu characteristics. At present, the Group has signed a number of regional and integrated energy development agreements with local governments such as Linyi, Linzhang and Puyang, and is actively promoting technology exchange and innovation with multiple parties, laying a solid foundation for the future development of the smart energy business. With the gradual increase in number of projects in operation, the Group has established a set of institutionalized and standardized smart energy management system and has realized digital management of smart energy, which can meet real-time access to four types of business data: photovoltaic, charging station, energy station and regional energy supply.

While striving to develop its business in various segments, the Group further innovated service model, optimized service quality, strengthened market competitiveness to enhance brand influence. By actively exploring green and sustainable financial instruments, the Group has enhanced its position in the capital market while reducing finance costs. Through efforts, the Group has become the first private enterprise in the domestic natural gas industry to integrate a sustainable framework (SLL) into offshore financing structure. At the same time, we continue to optimize the governance system of the listed vehicle and actively practice the concept of sustainable development under environmental, social and governance (ESG), opening new windows for more international strategic cooperation in the future.

Prospects

In 2023, the international geopolitical situation is still uncertain and the price fluctuation of bulk commodities has become normal. However, with the optimization of national epidemic prevention and control measures and the continuous efforts of the central government to expand domestic demand, the impact of the epidemic on economic growth and supply chain stability is gradually receding. It is expected that China's economy will usher in an overall rebound.

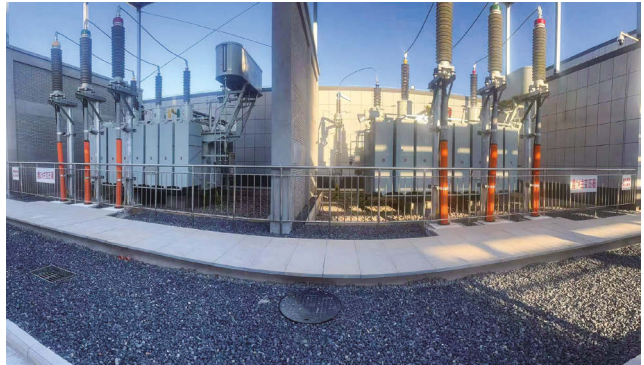
In the new year, the Group will make precise efforts and respond quickly, seizing the opportunities after the easing of Covid-19 restrictions. We will grasp the new opportunities of economic recovery and policy promotion, cooperate with local economic revitalization strategies, vigorously explore industrial and commercial gas demand, and further improve the stability of gas business operating profits. At the same time, the Group will firmly grasp the trend of green and low-carbon transformation and development, and adapt to local conditions to achieve efficient synergy between city gas and smart energy.



CHAIRMAN'S STATEMENT

In terms of gas business, the Group will continue to improve its pipeline network and the level of informatisation and digitisation to promote the Group's overall healthy development. In addition, the Group will devote efforts to its main gas business, coordinate overall resources, actively explore quality projects and expand the gas business footprint in an orderly manner. The Group will also continue to develop value-added business potential and make every effort to expand markets outside its operating regions. Meanwhile, the Group will gradually improve its gas source structure, and while achieving stable supply assurance, explore domestic and international energy trading business and vertically develop the gas industry business chain.

In terms of smart energy business, the Group will expand its industrial integrated energy services, develop smart energy concession projects in industrial parks, explore the construction of energy storage and hydrogen energy demonstration projects. We will carry out research on energy digital technology, advanced technology for energy-saving renovation of industrial enterprises and other energy and carbon asset management, give full play to the advantages of the Group's technology platform and enhance its core competitiveness.





In the new year, the Group will continue to insist on the business principles of “market-oriented, customer-centered, and economic efficiency”, providing customers with high-quality and efficient energy integrated services, and strive to become the “most valuable integrated energy service provider”, promoting the Group to create a new situation of high-quality development.

APPRECIATION

Over the past two decades, we appreciate all Zhongyu people for their commitment and contributions to the development of the Group. The Group’s achievements today do not come easy and deserve our applause.

As the epidemic comes to an end and the economy is recovering, a new journey and a bright future awaits. Let us continue to adhere to our original aspirations, be confident, resilient, and cohesive to create a better future together. On behalf of the Board of Directors, I would like to express my sincere gratitude to our customers, shareholders, investors, people from all walks of life who have been following and supporting our company, and to our dedicated and innovative colleagues.



Wang Wenliang

Chairman

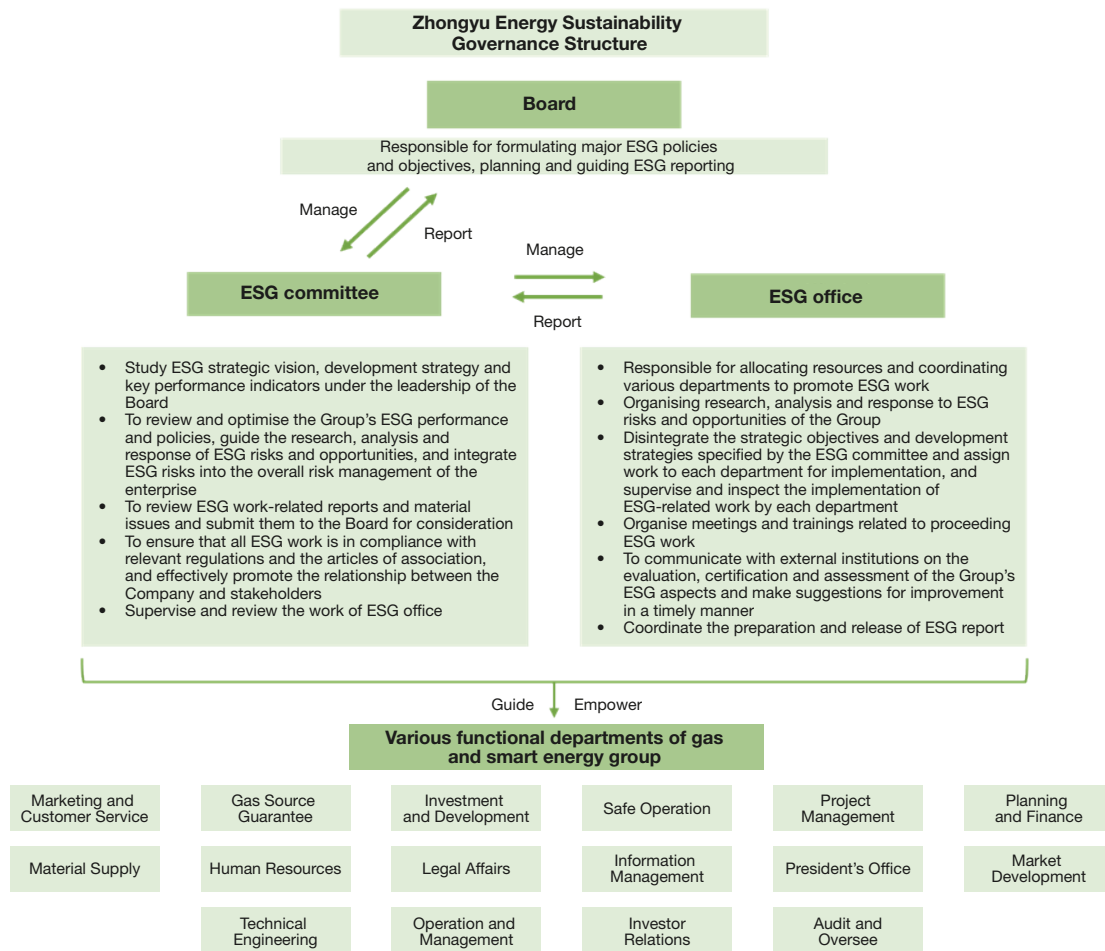
Hong Kong

28th March, 2023



SUSTAINABILITY GOVERNANCE

Good corporate governance measures can effectively help Zhongyu Energy establish and achieve its long-term strategies and objectives. To better realise the standardisation and governance transparency under the sustainable development tasks of the Group, we establish the structure which comprises the board of directors, ESG committee and ESG office to be responsible for the environmental social and governance tasks of the Group.





Statement of the Board

The board of directors of the Company is committed to high standards of corporate governance, and lead the Group to grasp opportunities and respond to risks arising from sustainable development. The board of directors is the highest authority in the Group's governance structure. The board of directors is fully responsible for the Group's environmental, social and governance strategies and reporting, and is responsible for the developing the long-term strategy of the Group and is vested the highest decision-making authority for the related tasks.

In 2022, in accordance with the Board's deployment for the Group's strategic transformation and upgrading, and in order to actively respond to the national "dual carbon" goal and the requirements for green economic development, we established the environmental, social and governance committee (the "ESG committee"), which is led by the Group's executive directors, to improve the Group's ESG management level and enhance the Group's competitiveness.

The ESG committee has set up the environmental, social and governance office (the "ESG office"), which acts as a standing body responsible for the specific work of the ESG committee, and comprises the officers from various functional departments of the listed company, gas and smart energy group for assisting the committee in coordinating, implementing and supervising the sustainable development of the Group.

We also regularly communicate with stakeholders, hold internal and external activities, collect opinions from stakeholders, and conduct ESG materiality assessment. The results of the materiality assessment will be discussed at the ESG Committee meeting. The ESG Committee will consider the Company's development strategy and the external macro-environment assessment results, and take the management and improvement of key issues as a reference for the annual strategic work of sustainable development.

The Group has formulated Environmental, Social and Governance Policy and optimised internal management system for environmental, social and corporate governance. The purpose of formulating the policy is to strengthen internal communication and ensure all staff members understand as well as implement the policies and specific measures in a proper manner. Zhongyu has also developed ESG targets, covering greenhouse gas emission reduction, safety management and staff training, and conducts regular review over the progress of achieving the targets.

CORPORATE RISK GOVERNANCE



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 and is significant to the fulfillment of business objectives.

In order to enhance risk management and control, the Group established the audit and supervision committee as well as management system. 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 Audit Committee. The board of directors conducts regular review on audit report and progress of rectification work to ensure that each department is able to analyse the causes of problems, actively improve the system and modify the deficiencies, and take effective measures to avoid risks.

Based on the risk management and internal control system, and the assessment of the ESG committee of the Group, the following four major environmental, social and governance risks have been identified and the risk management responsibilities are clearly defined ensured that the corresponding measures are adequate and effective to avoid the Group from incurring significant losses.




SUSTAINABILITY GOVERNANCE

Major risks	Impact	Control measures
<p> Occupational safety</p>	<p>As an integrated energy services enterprise, the Group attaches great importance to the protection of employees' health and safety at work.</p> <p>In the course of operation, employees' trust in the Group will falter when health and safety problems occur to employees, thus affecting the operating performance of the Group.</p>	<p>The Group strives to reduce possible occurrences of safety accidents during operation by the following means.</p> <ul style="list-style-type: none"> • Safety inspection: We established a team of internal safety auditors to carry out safety audit on the basis of safety inspection, covering the acquisition of working permits for employees who engage in specific types of jobs, distribution of work protective devices and maintenance of safety facilities. • Safety education and training: For instance, operation training on safety for special operation personnel, fire safety training, and emergency response drills. • Regular reporting: Hold monthly production safety meeting regularly, and supervise the reporting of the person in charge of production safety. Prepare mid- and long-term and annual plan for production safety.
<p> Product liability</p>	<p>The Group considers the management of health and safety risks of the products 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.</p>	<ul style="list-style-type: none"> • 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 and service centre to encourage users to report any irregularities and gas accidents. • The Group has also formulated the "Administrative Measures for Spot Check on Materials" to conduct regular spot check annually, spot checks on quality incidents, spot checks on newly admitted products and spot checks on management demand.





Major risks	Impact	Control measures
 Policy risk	<p>The proposal of China's "30-60" dual carbon goal has released a strong signal for the development of clean energy. The Group understands that natural gas has become a traditional energy source. As a natural gas service provider, it needs to always pay attention to the energy layout and continuously follow up the development of the renewable energy market.</p>	<ul style="list-style-type: none"> • The Group's strategic goal is to transform from an energy development operator to an integrated energy service provider, focusing on the comprehensive development of the clean energy sector. • The Company actively develop new sustainable development-related businesses such as natural gas distributed energy, photovoltaic power generation, smart energy power sales and hydrogen energy.
 Climate risk	<p>Climate change is becoming increasingly serious, and the physical and transformational risks caused by extreme weather will have a huge impact on the Group's daily operations. For example, extreme weather events caused by climate change (such as hurricanes, rainstorms, floods, snowstorms, etc.) may cause direct physical damage to equipment, such as collapse, air leakage, etc. In addition, extreme weather events may also cause supply chain disruptions, affecting the supply of natural gas.</p>	<ul style="list-style-type: none"> • The Group has established the ESG committee and the ESG office to be responsible for the designation, implementation, and supervision of sustainable development. • We have formulated the Group's emission reduction goals and guidelines for the next three years and developed a low-carbon strategy for the smart energy segment. • We actively invest in climate adaptation strategies, such as photovoltaic projects, and carry out a range of climate insurance tasks to address the loss arising from climate change. Subsidiaries are also required to strengthen risk assessment and management, such as strengthening equipment maintenance and overhaul, strengthening flood prevention drills and strengthening risk early warning and monitoring.



COMMUNICATION WITH STAKEHOLDERS

The Group believes that establishing good interaction and long-term cooperative relationship with stakeholders can help realise our sustainable development vision. The Group is committed to communicating with key internal and external stakeholders through daily operations and various communication channels to understand their expectations and opinions on the Group's sustainable development performance, so as to formulate corresponding strategies, examine potential risks and opportunities, and build common values. During the Year, we continued to maintain regular and orderly communication with various stakeholders.

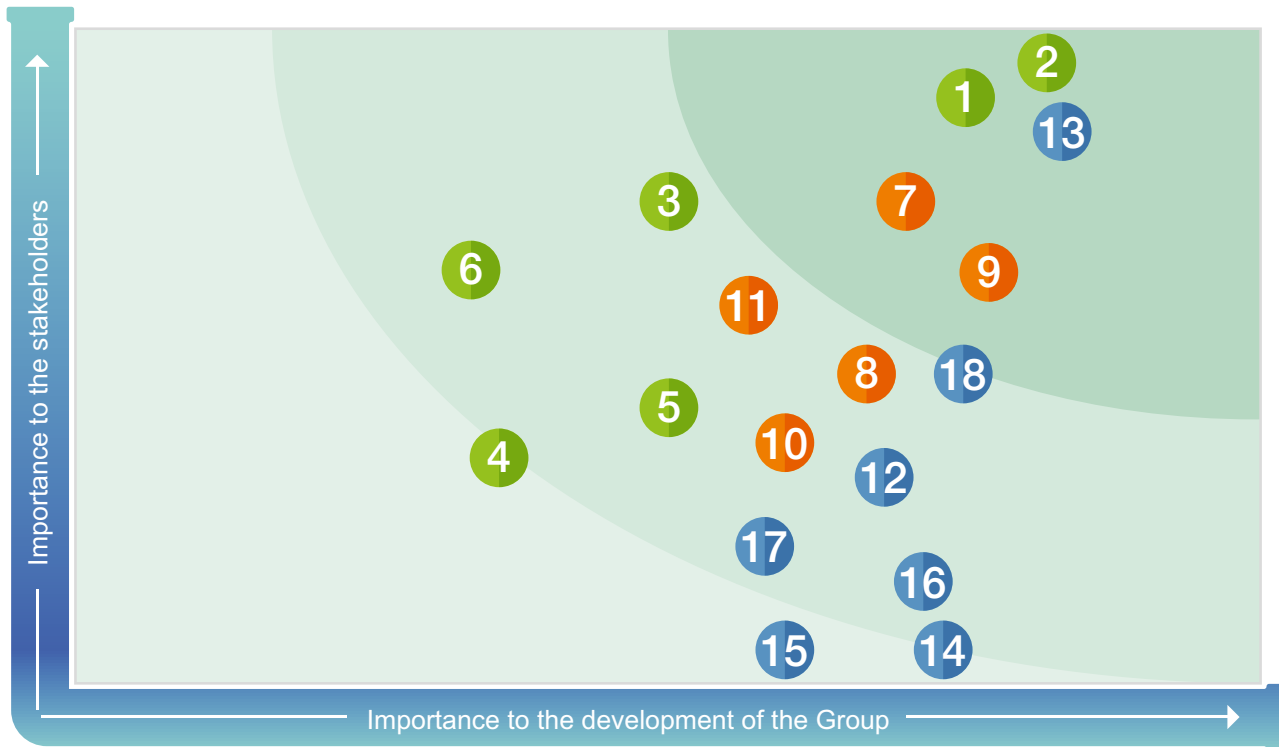
Stakeholders	Communication means
Employees	Meeting, regular communication, email, trainings and activities, internal grievance redress mechanism
Shareholders and investors	Meetings, regular communication, announcements, circulars, financial reports
Customers	Service supervision calls, community service centres and counters, social media, lectures, satisfaction survey
Suppliers and partners	Tender meeting, strategic cooperation, technical exchange, on-site inspection
Government	Regular communication, cooperation project, inspection guidance, seminars
Community	Visits and exchanges, publicity and public education, community services

MATERIAL ISSUES

The Group has carried out a fresh assessment of material issues in this year, in order to identify the sustainability issues which are mostly related to business operation and stakeholders. The material issues assessment of the Group employs the major steps as follows:

01 Identify sustainability issues	Identify 19 issues which are the most closely related to the Group's business and its impact, covering the three major areas, namely environment, society and operation.
02 Distribute survey questionnaire and data collection	For potential issues left after elimination, questionnaire survey will be conducted, grading system will be used to allow stakeholders to assess the materiality of different potential material issues.
03 Adjust matrix and analyse issues	For the two dimensions of "Importance to the development of the Group" and "Importance to the stakeholders", material issues matrix is formulated. Meanwhile, we will compare against our peers and combine with industry development trend to perform adjustment over the material issues.
04 Review material issues	To submit the material issues matrix under adjustment to the ESG committee for review and approval, in order to develop the final material issues matrix.





Environmental	Social	Governance and Operational
1 Climate change	7 Employment rights and benefits	12 Anti-corruption
2 Greenhouse gas and air emission	8 Legal employment	13 Safe and steady gas supply
3 Environmental and ecological protection	9 Employee health and safety	14 Risk management
4 Waste management	10 Talent development	15 Supply chain management
5 Energy efficiency	11 Community involvement	16 Product responsibility
6 Water Consumption		17 Protection of customer privacy
		18 Customer health and safety

Zhongyu Energy will continue to understand issues concerned by stakeholders based on their interests, and respond to the concerns of stakeholders through carrying out key initiatives .



CLIMATE CHANGE

Climate change is one of the issues that the Group pays close attention to and helps China reach “carbon peak” by 2030 and “carbon neutrality” by 2060.

Climate change is a global challenge. In order to effectively identify and manage risks and opportunities, Zhongyu formulated the Climate Change Policy during the Year, striving to respond to the national dual-carbon goals and incorporate sustainable and low-carbon development into its strategic planning. Our employees should also follow this policy to help achieve our goals, provide users with a new low-carbon and intelligent energy system, and strive to reduce greenhouse gas emissions and other air pollutants generated from operations through energy conservation and consumption reduction measures.

The Group has the following three approaches in response to climate change governance:



SEIZE OPPORTUNITIES

Climate change and people’s pursuit of high-quality life will further promote energy transformation and upgrading, and continuous technological innovation will accelerate the development of clean and low-carbon global energy. Zhongyu Energy has always kept abreast of the trend of energy transformation.

As a clean, safe and efficient energy source, natural gas is playing an increasingly significant role in the global low-carbon energy transformation and has entered a golden period of development. The efficient and comprehensive utilisation of natural gas is crucial and practical for industrial and commercial emission reduction and cost reduction. Recently, Zhongyu Energy has formed an integrated service system for gas supply, which can assist in realising energy transformation in more cities and regions in the future.



Zhongyu Energy actively cooperated with the government to promote the “energy transformation” initiative. It utilised smart information technology, focused on the development of distributed energy, regional energy supply, renewable energy charging stations, and established a low-carbon smart energy system to help carbon neutral strategy. Based on intelligent technologies, the Group focused on developing intelligent clean energy industry chain, zero-carbon industrial parks, clean and smart micro-grids, energy storage and energy-saving services, and further realises the strategic pattern of gas and smart energy dual driving. Zhongyu Energy provided smart and low-carbon energy solutions to industries and commerce with large energy consumption, which focused on improving the comprehensive utilisation rate of energy and reducing corporate carbon emissions. The Group has successively signed strategic cooperation agreements with large and local state-owned enterprises such as Shandong Shuifa Paisi Gas Co., Ltd., in which cooperation in smart energy project development, equipment promotion and technology development will be commenced.

Under the current new situation of energy transformation, the Group is also exploring the utilisation of low-carbon energy such as photovoltaics and geothermal energy. According to the preliminary assessment, domestic geothermal energy resources are equivalent to 853 billion tonnes of standard coal. In addition, hydrogen is also a very promising energy source. As a zero-carbon energy source, hydrogen has extremely high strategic value for China to improve its energy security and achieve the goal of “carbon neutrality”. The advantages of using natural gas pipeline network to transport hydrogen include low capital investment, reaching far distances, and adjustable volume, making it an economical and efficient transportation method. In 2022, Zhongyu Energy continued to focus on low-carbon renewable energy, and utilised other clean energy such as solar energy, geothermal energy and biomass. Through multi-energy complementary

technologies such as distributed energy, photovoltaic, heat pump, incremental distribution network and smart energy management and control platform, it focuses on providing professional integrated smart energy services for users such as industrial parks, large-scale public buildings (data centres, airport stations, hospital schools, commercial complexes, etc.), and rural residents.

RESPONSE TO RISKS

Zhongyu is aware of the physical and transitory risks arising from climate change which will have significant impact on our daily operation, such as service disruptions, facilities depletion, as well as a range of asset impairment and economic loss resulting from the increase of operating costs. The Group is actively carrying out climate change risk analysis to formulate a risk list and assess the significance of such risks over the operation, and response strategy will be developed accordingly.

RESPONSE TO PHYSICAL RISKS

Of which, physical risks may be the various safe production incidents arising from extreme disastrous weather, such as typhoons, high temperature, heavy rain and flooding.

In order to further improve the closed-loop risk management and control, the Group has clarified the three principles of unified insurance, comprehensive insurance and systematic insurance. The Group has formulated and issued the Notice on the Establishment of the Group’s Insurance Work Leading Group to clarify the organisational structure of the Group’s insurance work and the division of responsibilities of relevant units.



CLIMATE CHANGE

In 2022, Zhongyu Energy carried out insurance work in an orderly manner, drafted and issued the *Administrative Measures for Insurance Work of Zhongyu Energy Group*, which clarified the target and requirements for the Group to carry out unified insurance work, and provided guidance for subsidiaries to effectively implement the unified insurance work and tasks deployed by the Group. As of 31st December, 2022, the Group's total insured assets of the company increased by 14.8% compared to the same period in 2021. The insurance coverage includes various types of insurance policies such as *Property All Risk Insurance*, *Public Liability Insurance*, *Construction and Installation Project All Risk Insurance*, *Employer's Liability Insurance*, and *Machinery Breakdown Insurance*.

To better cope with the disasters caused by climate change, Zhongyu Energy has continuously improved the emergency response plan for natural disasters, implemented the responsibilities and measures in each link, and strengthened emergency drills and investigations to improve employees' self-protection and response capability in dangerous situations. Henan encountered extreme rainfall causing large-scale flooding in many cities throughout the province in 2021, and in some areas, the short-term rainfall had even exceeded the historical extreme value. The operational safety of the gas pipelines was severely compromised, causing gas leakage in several pipeline branches. Zhongyu Energy immediately initiated the natural disaster response plan to implement flood prevention and relief measures and stabilise the gas supply. The natural disaster response plan covers six aspects, including emergency rescue, strengthening of leadership, implementation of plans, engagement between the government and the corporations, reporting of information, and guidance from headquarters to ensure safe operations and personnel safety. The Safety Operation Department issued the "Zhongyu Gas Safety Warning" in time, which required all subsidiaries to pay close attention to the meteorological disaster warning information, and prepare well in responding to strong convective weather and possible natural disasters. Each subsidiary had established several emergency groups to prepare for 24-hour situations, which includes investigating hidden dangers of cross-river pipelines, valve wells, outdoor gas facilities, etc. Certain

veterans had also been dispatched to join the flood-rescue and emergency militia team to perform emergency rescue tasks. By undertaking rapid actions to eliminate potential safety hazards, prevent accidents and control dangerous situations, it can effectively avoid economic and property losses.

RESPONSE TO TRANSFORMATIONAL RISKS

Under the current new situation of energy transformation and carbon neutrality, the Group has also formulated a three-year low-carbon strategy for sustainable development of the smart energy sector.

- Objective 1: By 2024, to launch a number of projects that adopt advanced renewable energy technologies in form of smart cities, zero-carbon industrial parks, photovoltaics, distributed energy, regional energy supply, etc., and form a well-known Zhongyu brand in the industry.
- Objective 2: By 2025, to achieve 600 MW photovoltaics installed capacity and will be increased to above 2000MW installed capacity of smart energy business by 2030.
- Objective 3: In-depth research and development to achieve substantial breakthroughs in energy storage, hydrogen energy, energy digitalization, carbon finance and other cleantech fields; to form a new pattern of low-carbon economic momentum in short- and long-term, together with existing renewable energy projects.
- Objective 4: Take strategic plan in fields with great future development potential such as energy storage and hydrogen energy sector, invest into substantial projects, and achieve breakthroughs in business models in carbon finance, project M&As, and refined energy project management services along with the macro-economic development in low-carbon sectors. This will be supported by carbon sequestration through nature-based solutions and supporting local GHG reduction initiatives.



The first distributed photovoltaic project of Luohe Zhongyu Intelligent Energy was successfully connected to the grid for power generation

In 23rd June, 2022, Luohe Zhongyu Intelligent Energy Shilin Metallurgical Distributed Photovoltaic Project achieved grid-connected power generation. Luohe Shilin Metallurgical Distributed Photovoltaic Project has an installed capacity of 2.2MWp and an annual power generation of approximately 2.3 million kWh. Compared with the thermal power of the same power generation, around 604 tonnes of standard coal could be saved each year, reducing carbon dioxide emissions by approximately 1,830 tonnes.



GREENHOUSE GAS EMISSION MANAGEMENT

Zhongyu Energy is continuously committed to reducing its own carbon footprint, in order to achieve the objectives of sustainable development and green development. In response to the objectives of the Paris Agreement, the Group has formulated a series of emission reduction plans, aiming at decreasing the greenhouse gas emissions and mitigating the impact on the environment, and making contribution towards the society and the environment.



Greenhouse Gas Emission Reduction Target: 1.5% annual Scope 1 and Scope 2 greenhouse gas emission reduction until 2023, taking 2020 as baseline.



CLIMATE CHANGE

In 2022, the Group's total greenhouse gas emissions were approximately 30,384.8 tonnes of CO₂ equivalent with greenhouse gas intensity of 6.0 tonnes of CO₂ equivalent per capita. Among which, the total emission of Scope 1 and Scope 2 was 30,022.8 tonnes of CO₂ equivalent, representing a decrease of 2.48% compared with last year, and achieved the emission reduction target for the Year.

Greenhouse gases	Unit	2022	2021	2020
Scope 1 Direct greenhouse gas emission (includes emissions from stationary and mobile fossil fuel combustion, and fugitive emissions from refrigerants and fire extinguishing agents)	Tonnes of CO ₂ equivalent	18,681.3	19,810.3	18,964.2
Scope 2 Energy indirect greenhouse gas emission (includes indirect emissions from purchased electricity consumption)	Tonnes of CO ₂ equivalent	11,341.5	10,976.1 (Restated)	12,299.3
Scope 3 Other indirect greenhouse gas emission (includes waste paper disposal, water sourcing, sewage discharge and business travel by planes)	Tonnes of CO ₂ equivalent	362.0	354.2	534.0
Total greenhouse gas emission	Tonnes of CO ₂ equivalent	30,384.8	31,140.6 (Restated)	31,797.5
Greenhouse gas emission intensity	Tonnes of CO ₂ equivalent/employee	6.0	6.4	6.8
	Tonnes of CO ₂ equivalent/HK\$'000 (Turnover)	0.0023	0.0027	0.0037
Emission reduction target (1.5% annual reduction in Scope 1 and Scope 2 greenhouse gas emission)		✔	✔	Baseline
Methane emission (gas leakage emission)	Tonne	4,007.1	-	-

Notes:

- (1) The methane emissions due to gas leakage were estimated based on the default emission factors from the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of China's Petroleum and Natural Gas Production Enterprises and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Revision). Due to a unified measurement standard for methane emissions due to gas leakage is yet to be established, the methane leakage emission of the Year is excluded from the total greenhouse gas emissions and the Group's greenhouse gas emission reduction targets. Once a minimum of two years of reliable gas leakage emissions data has been established, the baseline will be adjusted to take into account such gas leakage emissions data with an adjusted reduction target in line.
- (2) The 2021 Scope 1 and Scope 2 greenhouse gas emissions have been restated to correct the rounding error.



METHANE EMISSION MANAGEMENT

Reduction of methane emissions is an important part of global greenhouse gas emission reduction, and is the most direct and effective way to slow down the pace of climate warming in the short term. However, the methane emission sources in the natural gas industry are complex and diverse, and there are highly uncertain emission sources. There are many challenges, including the lack of accurate identification of key emission sources, emission monitoring and auditing.

This year, apart from carrying out the greenhouse gas emission reduction work across the Group, Zhongyu also actively promoted the identification of methane emission sources and carried out the estimation of methane leakage emission. The group plans to continue and improve relevant work, including exploring methane emission monitoring technologies and enhancing disclosure transparency. The goal is to establish reliable methane fugitive emissions data for at least two years and incorporate it into the emissions reduction target, while also implementing methane reduction measures.

At present, all of our gas stations adopt a cloud-based laser natural gas monitoring system combining laser absorption spectrometry (TDLAS) technology and IoT technology to provide real-time full-coverage leakage monitoring for equipment and pipelines in gas stations. The system is to achieve a high-performance and high-reliability leakage monitoring system for gas stations, which can be operated independently and can be integrated with the station control system, forming a complete station safety operation system plan. The methane monitoring equipment of the system can accurately monitor the natural gas leakage information in the air at the large-scale monitoring station around the clock, quickly identify and lock the location of the leakage point and immediately trigger the alarm procedures, guide the operators to quickly deal with the natural gas leakage problem, and start the alarm video recording throughout the whole process until the leakage point is handled by the experimental personnel, so as to effectively prevent the safety risks caused by natural gas leakage.

The Group will strengthen technological and management innovation to promote the identification and control of methane emissions. The Group will also actively adopted new methane emission reduction technologies and best practices, and promoted methane emission reduction through institutional governance and market mechanism.

FUTURE PROSPECTS

In the future, the Group will continue to improve the internal data collection system and ESG reporting scope to provide stakeholders with comprehensive and accurate information. Meanwhile, the Group will also further clarify and improve the supervisory responsibilities of the management, discuss climate change-related issues regularly, and incorporate climate change issues into its investment planning and risk management policies.

The Group will also take reference of the Task Force on Climate-related Financial Disclosure (TCFD) framework to actively disclose climate-change related information. Its objective is to ensure that the operating companies of the Group are well prepared for the negative impacts of climate change and will be capable of withstanding such impacts. At the same time, we regularly review the greenhouse gas emissions brought by business operations and the effectiveness of existing measures, establish a low-carbon office system, review emission reduction targets and propose improvement plans when necessary.



ENVIRONMENTAL PROTECTION

Zhongyu Energy always adheres to the philosophy of low-carbon and green development, actively undertakes environmental responsibilities, conforms to the trend of energy transformation, and contributes to realising the national “carbon neutrality” goal.

ENVIRONMENTAL MANAGEMENT POLICY

In order to reduce the impact of its daily operations on the environment, Zhongyu strictly abides by the environmental laws and regulations of each operating region, such as the *Environmental Protection Law of the People’s Republic of China*, the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Waste Disposal Ordinance*, the *Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People’s Republic of China on the Prevention and Control of Soil Pollution* and the *Law of the People’s Republic of China on the Prevention and Control of Water Pollution*. This year, we have formulated the “Zhongyu Energy Environmental Policy” and are committed to continuously improving the environmental and resource management system. During the Year, there were no reported cases of non-compliance in respect of emission or the environment.

Zhongyu understands that its operations may make certain potential impacts on the surrounding environment and natural resources. As one of the leading national energy service companies, the Group vigorously promotes energy transformation and enhances its ability to supply clean energy, thereby helping to reduce air pollution caused by the use of fuels with high greenhouse gas emission by its end users through its own business. The Group is committed to strengthening its work related to natural gas management based on the Group’s internal environmental policies, so as to ensure that the Group’s operations are in compliance with the principles of sustainability in various aspects, and is dedicated to set ecology protection and clean energy development as its main work direction. We actively carry out cooperation in energy conservation and emission reduction programs with relevant government departments, and minimise air pollution from operations under national carbon neutrality strategy. In the future, we will continue to develop clean and efficient smart energy and distributed energy development to improve comprehensive energy utilisation.

At the same time, the group promises to adhere to the principle of scientific site selection and avoid pipeline construction in ecologically sensitive areas as much as possible. Before starting any project, the group strictly follows the legal process of environmental impact assessment to analyze, predict, and evaluate the potential environmental impact of the project, and formulate measures to prevent or mitigate adverse environmental impacts. During project design, construction, and operation, pollution prevention and control measures and supervision inspections should be strictly implemented in accordance with internationally recognized standards to reduce the impact on natural ecology and habitats, and protect biodiversity and natural resources.



AIR EMISSION

The main sources of exhaust emissions include nitrogen oxide, sulphur oxide and particulate matter generated from the combustion of fossil fuel in natural gas transport vehicles, business vehicles, backup generators and boilers. Zhongyu Energy is committed to reducing its carbon footprint and minimizing the amount of air pollutants generated during its operations.

Considering that the Group's business is concentrated in mainland China, in order to reflect the national situation and improve the accuracy of data, the emission factors used in the calculation of air emissions for the Year have been updated. Emission factors from the Guidelines for the Compilation of Technologies for Emission of Air Pollutants for Motor Vehicles of the People's Republic of China were adopted. Therefore, the data will be significantly different from previous years.

Type	Unit	2022
Nitrogen oxides NO _x	kg	17,285.2
Sulphur oxides SO _x	kg	767.3
Particulate matter PM	kg	34.5

Currently, all kitchen equipment, generators and boilers in the Group use natural gas to improve energy efficiency and reduce air pollution. With the growth of natural gas business, in order to reduce carbon emissions and air pollution caused by natural gas transportation vehicles, the Group plans to gradually replace transportation vehicles of energy trading companies with LNG tank vehicles. The Group also mandates that all newly purchased commercial and repair vehicles be electric vehicles to achieve clean energy transformation.

The Group also actively promotes green transportation and encourages employees to use low-carbon travel methods such as shared bicycles, electric vehicles and public transportation. Through these measures, not only can carbon emissions and air pollution be reduced, but also traffic congestion and energy consumption.



ENVIRONMENTAL PROTECTION

WASTE MANAGEMENT

During the Year, the Group generated a total of 167.3 tonnes of waste, including 6.2 tonnes of hazardous waste (such as waste batteries and waste oil) and 161.1 tonnes of non-hazardous waste (including office waste and general waste).

Types of wastes	Disposal methods	Unit	2022
Non-hazardous waste	Classified for recycling and processed by municipalities	Tonne	161.1
Hazardous waste	Periodically collected and processed by qualified contractors	Tonne	6.2

Zhongyu Energy has implemented several waste management measures to reduce environmental pollution, which include

- adopt the “4R” principle to manage wastes by “reducing”, “reusing”, “recovering” and “recycling”
- put the waste management system into practice based on the principle of reducing waste at source, and ensure that relevant staff understands the disposal requirements of hazardous and non-hazardous waste
- Green procurement – understand the amount of materials consumed, avoid over-purchasing, and select materials/products with recycled content
- Set up waste separation and recycling facilities to handle all recyclable materials separately, such as metals, plastics, toner cartridges, batteries, etc.
- Set up recycling corners to promote and publicise various environmental protection activities
- Specialists will regularly examine the situation of waste disposal and recycling, and review waste reduction targets and measures

In order to protect natural resources and reduce pollution, the Company has also established a number of measures to help the office reduce the generation of waste paper. For example, single-sided paper and brand-new paper are placed on different paper trays of photocopiers to encourage employees to print or photocopy on both sides of the paper in black and white, and to purchase paper with recycled content for the printing of newsletters, brochures, leaflets, business cards, envelopes, letters, etc. We also encourage employees to transmit documents electronically to reduce unnecessary printing. Single-sided paper collection boxes and paper recycling bins are also placed next to printers to promote paper reuse and recycling.



ENERGY USE MANAGEMENT

The Group continues to optimise its energy usage structure and energy efficiency, and strictly abide to the *Zhongyu Energy Environmental Policy*.

In the Year, the total consumption of Zhongyu Energy is 395,181.9GJ, mainly arising from the diesel, gasoline, LNG, LPG and purchased electricity used during the operation of offices, gas stations, business vehicles, equipment of gas-filling vehicles and the construction of pipelines.

Indicator	Unit	2022
Purchased electricity	MWh	19,516.8
Gasoline	Tonne	1,663.7
Diesel	Tonne	72.6
LNG	Cubic meter	3,825,053.0
LPG	Tonne	2,017.9
Total energy consumption ⁽¹⁾	GJ	395,181.9
Energy consumption intensity (in terms of the number of employees)	GJ/employee	78.0
Energy consumption intensity (in terms of turnover)	GJ/HK\$'000	0.03

Note:

- (1) Total energy consumption includes purchased electricity, gasoline, diesel, LPG and LNG consumption. Conversion factors from China Energy Statistical Yearbook 2021 were adopted for energy conversion.



ENVIRONMENTAL PROTECTION

Zhongyu actively promotes green and energy-saving office and operation models to meet the needs of sustainable development of enterprises for energy conservation, carbon reduction and efficient operation and maintenance. The Group has clarified the responsibilities of middle management personnel of each department in terms of electricity consumption. In addition, the Group has also adopted various effective energy conservation measures to promote the energy efficiency and cost savings. These measures include but are not limited to:

Increase the utilisation rate of new energy vehicles

- Newly purchased vehicles must be new energy vehicles
- New energy vehicles will gradually replace fuel vehicles
- New energy vehicle will be “rented” instead of “purchased”
- Using two-wheel electric vehicles for pipeline patrol and inspection

Low-carbon office mode

- Paperless office, recycling and reuse of waste single-sided paper
- Renovation and reuse of old furniture
- Set up shared office stationery areas and reduce the use of disposable items
- Turn off the power when leaving the office
- Adopt natural ventilation for air exchange as appropriate, and set the temperature of air conditioning at no lower than 26 °C when manual cooling is required

Office lighting

- Adopt energy-saving lighting fixtures with electricity saving, high efficiency and energy saving
- Lighting will gradually replace traditional lighting
- Switch off unnecessary basic lighting during lunch break

Energy Saving and Consumption Reduction Measures

- Upgrade the electrical circuit facilities in the office area to achieve automatic power cut function
- Installation of inverter control facilities for central air-conditioning
- Install reactive power compensation cabinets to reduce grid loss
- Utilize the price difference between peak and off-peak electricity rates to start up

In the future, the company will continue to review its efforts to conserve electricity in its offices and strengthen its energy management to improve energy use efficiency and contribute to sustainable development.



WATER RESOURCES USE MANAGEMENT

Zhongyu Energy values to the use of water resources and advocates water conservation. The Group strictly abides the *Zhongyu Energy Environmental Policy*, and aims to reduce per capita water consumption continuously. We adopt various water conservation technologies, such as water-saving faucets and water-saving toilet systems, to improve water efficiency and reduce water consumption. By promoting water conservation, the company can reduce its environmental impact, conserve resources, and support sustainable development.

In addition, the Group has also posted water-saving slogans in various operation sites, educated staffs to save water and encouraged them to treasure water resources, thereby improving management of water resources in various operation sites. Such measures are helpful to improve employees' knowledge and awareness of environmental protection, thereby promoting the universality and promotion of environmental protection concept.

In the Year, the total water consumption of the Group was approximately 144,049.5 cubic meter, which was mainly for municipal water supply, and there was no problem encountered for obtaining suitable water sources. The Group will continue to make active contributions towards achieving its environmental protection goals by actively promoting water resource management and water conservation.





Indicator	Unit	2022
Total water consumption	Cubic meter	144,049.5
Water consumption intensity	Cubic meter/person	28.4



ENVIRONMENTAL PROTECTION

ENVIRONMENTAL TARGETS

Zhongyu Energy reviews the progress of ESG targets on an annual basis, guiding various departments to promote sustainable development and low-carbon elements in all aspects of its operations and business decisions. In addition to greenhouse gas emission reduction targets, the company has set the following environmental goals:

Environmental targets	Content
 Exhaust emission reduction target	<ul style="list-style-type: none"> • Strengthening vehicle exhaust inspection • Give priority to purchasing new energy and clean energy vehicles (LNG vehicles and pure electric vehicles) • Promoting low-carbon commuting
 Energy saving target	<ul style="list-style-type: none"> • Procure energy-saving equipment, implement energy-saving plans, reduce electricity consumption • Regular review of energy efficiency and management system
 Waste reduction target	<ul style="list-style-type: none"> • Establishing a green and low-carbon office system • Reduce the use of disposable materials • Promote waste recycling and reuse
 water conservation target	<ul style="list-style-type: none"> • Advocate water conservation for cleaning • Procurement of water-saving equipment • Explore more effective water-saving technologies



Practises environmental protection: Zhongyu's Environmental Protection Practice Month

In September 2022, the “Energy Conservation First” environmental protection practice month activity integrated the concept of “green and low-carbon” and the mission of developing clean energy, actively practised corporate social responsibility, promoted the transformation of clean energy, and effectively integrated the ESG concept into the Group’s daily operation and management by organising various themed activities of each member company, so as to reduce its own carbon footprint and promote green and sustainable development.

In the past month, 46 member companies of the Group carried out various activities such as posting energy saving and consumption reduction posters, environmental protection charity walking activities, energy saving and consumption reduction “Little Good Tips” collection, and re-circulation of old goods, and conducted extensive publicity through social media platforms, which achieved good results.

Among them, the management headquarters and Qinyang, Xinmi, Gongyi Zhongyu Gas and other companies organised environmental protection themed hiking activities in local areas. On the way, the participants of each company popularised the knowledge of low-carbon environmental protection to the people passing by, explained the knowledge related to gas safety, conducted inspections of gas pipeline facilities along the way, and cleaned up the garbage on the road along the way, creating a strong atmosphere of activities and shaping a good corporate image.

In addition, Nangong, Mengzhou Zhongyu Gas and other companies promoted the concept of green environmental



protection to citizens through green cycling, calling on everyone to travel green and civilised. Sanmenxia Zhongyu Gas customised online exclusive activities through Tencent’s “Walking Together” step donation platform to help Alashan area plant shuttlecock trees to save deserts and increase green for the earth.

More than 2,700 participants participated in this environmental protection practice month, with approximately 320 km of environmental protection promotion walking distance, 115 km of gas pipeline inspection along the route, and promoted environmental protection concepts and gas safety to around ten thousand users. At the same time, a total of 168 “Little Good Tips” of energy conservation and consumption reduction were collected within the Group. After a period of promotion and implementation, it can effectively reduce carbon emissions, improve the office environment, and promote energy conservation and emission reduction.





PEOPLE-ORIENTED

Zhongyu energy adheres to the talent development concept of “people-oriented”, and is committed to ensuring the well-being and safety of employees, establishing a healthy work environment, and helping employees grow together with the company.

EMPLOYMENT AND RIGHTS OF BENEFITS

The Group emphasises talent management and strictly abides by 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 (Chapter 57 of the Laws of Hong Kong)*. As such, internal policies such as *Management Measures for Back-up Cadres of Zhongyu Gas*, *Management Measures for Employee Rewards and Punishments* and *Management Regulations on Personnel Rejection* were formulated to improve the employment relationship and promotion mechanism, and regulates the Group’s efforts in equal opportunities, diversity and anti-discrimination and other aspects, with the goal of establishing a diverse and equal work environment. Meanwhile, each subsidiary has gradually formulated and

improved the Organisational Discipline Management System, Human Resources Management System, Subsidiary Welfare Payment Regulations and Labour Management System to further improve the employment system framework of the Group. This protects the legitimate rights and interests of employees, and comprehensively covers areas of compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other treatment and benefits.

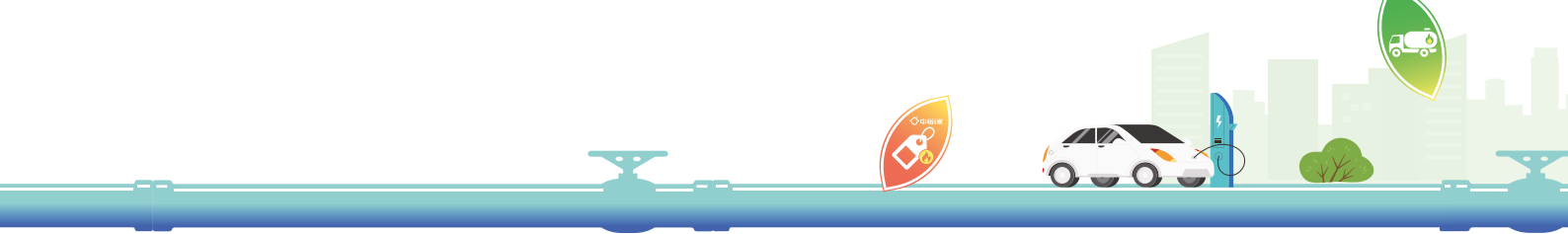
Equal opportunity, diversity and anti-discrimination

The Group attaches great importance to providing equal opportunities for all employees and building a diverse work team, and takes individual differences as the driving force for sustainable development. The Group undertakes to observe the principle of equal opportunities in all employment matters, ensure that employees are respected, and not to differentiate employees by their gender, disability, pregnancy, family status, race, colour, religion, age, sexuality, nationality and union membership. Disabled people are encouraged to join the Group to prohibit any forms of discrimination.

Employees data

During the Year, Zhongyu Energy had a total of 5,067 employees.

Number of employees		Unit	2022	2021
By geographical region	Mainland China	Person	5,054	4,864
	Hong Kong, China	Person	13	12
By gender	Male	Person	3,333	3,257
	Female	Person	1,734	1,619
By employment type	Full-time employees	Person	4,780	4,601
	Part-time employees	Person	287	275
By age	30 years old and under	Person	1,335	1,357
	Between 31-40 years old	Person	1,984	1,882
	Between 41-50 years old	Person	1,188	1,127
	Over 50 years old	Person	560	510
By position level	Senior management	Person	291	270
	Middle management	Person	553	421
	General employees	Person	4,223	4,185



Employee turnover rate			2022	2021
By geographical region	Mainland China	Percentage	5.5	6.4
	Hong Kong, China	Percentage	0.0	0.0
By gender	Male	Percentage	6.3	7.7
	Female	Percentage	3.9	5.2
By age	30 years old and under	Percentage	6.9	9.7
	Between 31-40 years old	Percentage	4.5	7.4
	Between 41-50 years old	Percentage	3.5	3.8
	Over 50 years old	Percentage	9.8	3.9

Meanwhile, the Group encourages employees to make suggestions and advice for the Group's development. If there are any comments or suggestions on operation and management, or any objections to various matters involving self-interest, such as job remuneration and benefits, performance appraisal, rewards and punishments, they may report to higher level supervisors, such that it can be reported to the management, or to relevant departments according to their responsibilities. We will also formulate a reporting mechanism on anti-discrimination or harassment in the workplace to deal with relevant complaints, so as to ensure that all reports are fairly handled. Upon receiving consultation or feedback from employees, the management will explain or handle correspondingly according to their authorities.

During the Year, there were no reported cases of non-compliance related to employment.

Compensation system

The Group provides competitive remuneration packages and adopts unified remuneration system for employees in all city gas subsidiaries. The Group also implements a performance management system and employee reward and punishment system to encourage employees to make

continuous progress and enhance employees' motivation. The Group adopts a differentiated bonus distribution method to provide an equitable and fair compensation to employees based on their contribution, value creation and devotion.

Working hours and holidays

The Group promises to manage staff working hours, rest period and leave in accordance with the relevant laws and regulations of the place of operation. In case of overtime work, it has negotiated with its employees that compensatory time-off or overtime allowance would be granted in accordance with the law. Statutory holidays are full-paid holidays, and the number of days shall be subject to the notice issued by the General Office of the State Council. The actual day-offs are arranged by each unit in consideration of actual production and operation needs, as well as the nature of work of different positions. Other paid leaves are provided in accordance with relevant national regulations. For annual leave, marriage leave, bereavement leave, maternity leave, paternity leave, medical sick leave, work injury leave, International Women's Day leave and family reunion leave, corresponding salary will be approved and paid in accordance with the existing leave management policy of the Group. Employees applying for such leaves shall stick to the leave approval procedures in accordance with the relevant management system of the Group and each of its subsidiary. Completion of leave approval procedures are necessary for the approval and payment of paid holiday to employees.



PEOPLE-ORIENTED

Other benefits and welfare

The Group implements a unified benefit system for all employees with a consistent distribution standard. Meanwhile, employees are guaranteed various statutory benefits in accordance with the law, and are provided with corporate benefits in consideration of actual situation. The statutory benefits of employees are paid by their unit in accordance with local policy requirements and relevant systems of the Group, including social insurance and housing provident fund. For the statutory benefits for employees who are non-full-time labour dispatched employees, and other labour personnel, it shall be implemented as stipulated in their corresponding contracts.

In addition, the Group provides corporate benefits to its employees, including:

- Holiday benefits: including Lunar New Year benefits, Mid-autumn Festival benefits, Dragon Boat Festival benefits and International Women’s Day benefits for female employees.
- Seasonal benefits: including subsidies for hot summers and cold winters.
- Medical checkup: the Company provides an annual medical checkup for employees who passed their probation.
- Union benefits: gifts or condolences given by the Company in respect of marriage, illness and funeral of employees (and their immediate family members); organise cultural activities outside work for employees; lunch benefits and flexible duty reporting at important events, etc.

People-oriented: International Women’s Day



On 8th March, 2022, members of the Group organised a variety of activities, such as fun competitions, sports games, hiking, lectures on protecting the legitimate rights and interests of women and spring tours, to celebrate the annual International Women’s Day. The event not only enriched the cultural life of female employees after work, demonstrated the style of female employees, but also further improved the legal risk awareness of female employees, allowing all female employees to enjoy a healthy, harmonious, warm and meaningful festival.





LABOUR STANDARDS

The Group respects human rights and formulates management measures in accordance with 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 of Hong Kong*, such as the Zhongyu Energy Management System of Human Resources. The management system prohibits the employment of child labour and forced labour in the workplace, requiring employees and business partners to comply with corresponding preventive and remedial measures, and strives to protect the legitimate interests of employees.

Scope	Management measures
 Child labour	<p>The Group stipulates that all employees shall meet the minimum age requirement stated in local law and shall verify the age of applicants during recruitment process. If a child labour is employed by mistake, he/she will immediately be stopped from working and sent to hospital for medical examination to ensure that he/she did not suffer any physical health issue. Meanwhile, the relevant person in charge shall contact his/her guardian or local education department to receive him/her. All costs and expenses incurred will be borne by the Group.</p>
 Forced labour	<p>The Group prohibits any forced labour practices and ensures that each employee is working voluntarily. At the same time, they can also resign in accordance with the requirements of their employment contract. The relevant labour management requirements state that all employees who are required to work overtime or be on duty during holidays must obtain prior approval from the general manager. In the event of any forced labour, relevant person in charge shall receive disciplinary action and will be processed according to the procedures. In principle, the Group encourages employees to complete their tasks within the specified working hours and does not encourage working overtime, so as to ensure that they can freely leave the work and dormitory area in their spare time.</p>

During the Year, there were no reported cases of non-compliance related to child labour or forced labour.



PEOPLE-ORIENTED

TALENT TRAINING

The growth of a company is inseparable from the continuous development of its employees. The Group fully concerns the selection, employment, training and retention of talents. It gradually improves the talent training system, focuses on the exploration and training of talents, strengthens the construction of talent teams at all levels, and provides employees with more learning opportunities and a broad development platform when possible.



Diversified training system

Zhongyu Energy recognises that providing a variety of training programs can help enhancing the professional knowledge and skills of new and existing employees. The Group continuously enriched its training system, standardised and improved trainings at the operational, resource and strategic levels through the establishment of the Training Management System.





The Company continued to expand training forms, enrich training contents and explore training resources, and gradually established a diversified training pattern for different levels

with combination of internal and external training. The Group built and operated the “Cloud Learning” platform, carrying the online learning function of the Group, supporting the “measuring, learning, practicing, examining and applying” of all employees, creating an online and offline integrated learning model, and promoting the continuous transformation and application of knowledge through multiple channels and dimensions. In addition, the Group also regularly evaluates the performance of employees as a reference for employee promotion and benefits disbursement. Currently, the group has set up a dedicated online platform called “Cloud Learning” with nearly 2,000 courses, and new courses are launched monthly to enrich its learning resources.



Zhongyu Energy values and actively assists in the career development of employees through systematic training to improve employee satisfaction and work enthusiasm. The Group provides different types of training for employees, covering new and existing employees at all levels.



<p> Three-level qualification certification system</p>	<p>In order to help employees at all levels to reserve necessary management knowledge and skills in advance, and provide learning and development support for systems such as “knowledge, thinking and ability”, the Group has established a “qualification certification” training mechanism as an entry condition for senior management, middle management, team leaders/supervisors of subsidiaries.</p>
<p> Various echelon training programmes</p>	<p>According to the establishment of the Group's talent echelon, combined with the actual business and personnel characteristics of key groups of each echelon, the Group sorted out the learning and improvement needs of various personnel, created tailor-made training programmes, and continuously improved the professional capabilities of each group.</p>
<p> Professional skills training</p>	<p>The Group organised the business backbone of each subsidiary to form an internal trainer team, carried out curriculum development based on the experience extracted from various grassroots positions, and formed professional skills training for the “should know and should do” knowledge of each position.</p>
<p> Front-line practical training</p>	<p>The Group attaches great importance to vocational skills training for front-line employees, and has built a professional training base in Jiaozuo City, Henan Province. The base serves as the main base of the Group's practical training and plays an important role in promoting business development. The base also undertakes the social functions of vocational training in local gas industry.</p>



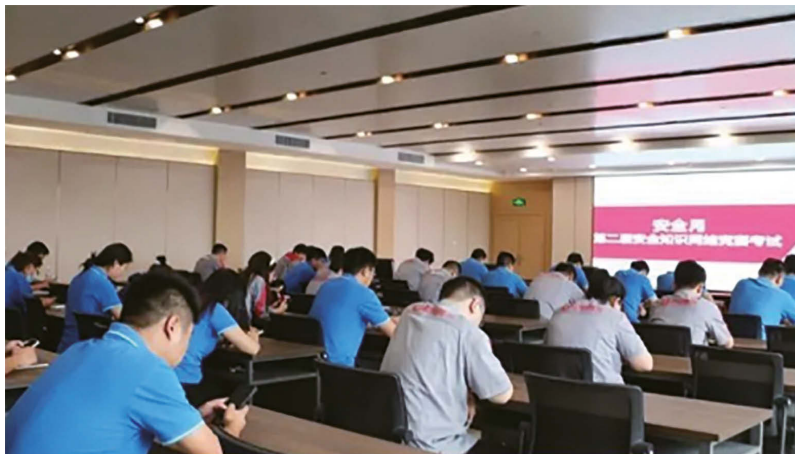
PEOPLE-ORIENTED

Online competition on safety knowledge

The Group successfully held the second safety knowledge network contest in 2022. A total of 2,623 employees participated in the contest, and around 163,000 quizzes were answered in total. During the competition, each member company attaches great importance to it. The management team leads by example and actively encourages employees to participate in learning about safety laws and regulations as well as related institutional norms. Together, they have created a good atmosphere of “learning safety, implementing measures, strengthening awareness, and promoting management” for all employees to participate in.



Spot at Puyang Zhongyu Gas Safety Knowledge Competition



Spot at Qinyang Zhongyu Gas Safety Knowledge Competition




Henan Training Base of Zhongyu Energy Natural Gas Distributed Energy

The Group actively cultivated high-level, professional and skilled talents and built a learning and exchange platform for employees. The Group's first distributed energy station project in commercial operation, the "Xinmi City Maternity and Child Health Hospital Distributed Energy Station", was successfully certified as the "Natural Gas Distributed Energy Henan Training Base of China City Gas Association". The training base helps the Group organise training on the development and construction of natural gas distributed energy projects. The training base has a complete set of training systems and teaching models, which can conduct real-life scenario simulation and practical operation practices to meet employees' needs for annual training drills and vocational skills appraisal. In addition, the base also undertakes the social function of vocational training in local gas industry.



Training program

Zhongyu values the development of its employees and has established an annual training plan for its staff. The Group aims to enhance the competitiveness of both employees and the company by continuously promoting mentoring programs, reviewing management systems, optimizing online training platforms, and enriching training courses. We believe that through these efforts, employees and the company can grow together while improving their skills and knowledge.

 **Employees training target:** 10% annual increase on the average employee training hour until 2023, taking 2020 average employee training hour as the baseline.

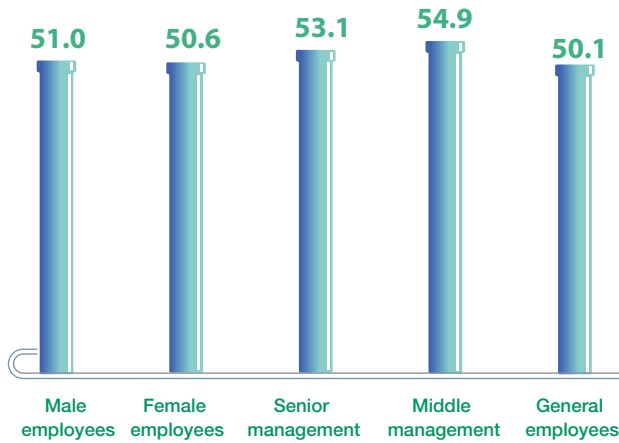
In 2022, the average employee training hours of the Group's is 50.8 hours, achieving 11.7% increase compared with that of last year.

Training indicator	Unit	2022	2021	2020
Average training hours of employees	Hours	50.8	45.5	30.9
Employees training target (10% annual increase on average employee training hours)		✓	✓	

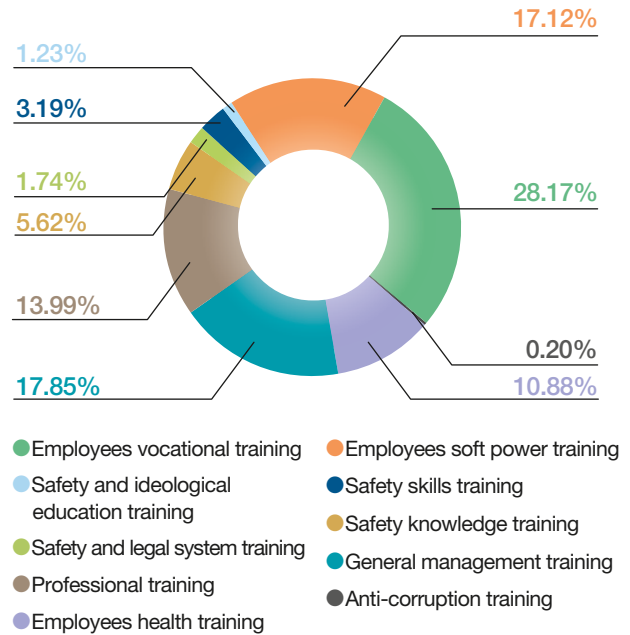


PEOPLE-ORIENTED

Average training hours (hour)



Average training hours (hour)



Emergency Rescue and Practical Exercise Training

On 20th October, 2022, Jiyuan Zhongyu Gas organised an emergency rescue practical training to further improve the on-site first-aid capabilities of relevant personnel, laying a foundation for better serving users and keeping the “safety gate” of gas use.

At the training site, the lecturer mainly explained and demonstrated the cardio-pulmonary resuscitation and triangular towel operation methods. The trainer simulated over rubber man-made appliances to tell the importance and implementation conditions of cardio-pulmonary resuscitation, and demonstrated the correct cardio-pulmonary resuscitation and artificial ventilation methods, emphasising rescue details and easy error points, etc. After the training, everyone conducted practical exercises to ensure that the action specifications meet the standards.





ANTI-CORRUPTION MEASURES

Zhongyu Energy has formulated a series of systems and measures for anti-corruption such as the Zhongyu Energy Audit and Supervision System, Zhongyu Energy Accountability System, Notice on Further Strengthening the Supervision and Contribution of the ‘Top Leaders’ and the Management Team, Zhongyu Energy Reporting Management Measures (Trial) and the Ten Red Lines of Zhongyu Energy Employee Behaviour to ensure that the Group does not have any form of corruption, bribery, extortion, fraud and money laundering during the course of operation. In the meantime, the Group also strictly complies with relevant laws and regulations such as the *Anti-Unfair Competition Law of the People’s Republic of China*, the *Anti-Money Laundering Law of the People’s Republic of China* and the *Prevention of Bribery Ordinance of Hong Kong*, and ensure that employees understand and comply with relevant requirements, and must not participate in any bribery or corruption activities.

<p> Zhongyu Energy Accountability System</p>	<ul style="list-style-type: none"> The audit and supervision department has introduced in detail the relevant contents of the “Accountability System” within the Group to ensure the apprehension and understanding of the contents of the system by employees, regulation of daily behaviours and effective implementation of the system.
<p> Notice on Further Strengthening the Supervision and Contribution of the ‘Top Leaders’ and the Management Team</p>	<ul style="list-style-type: none"> In order to enhance the professional ability and quality of the management of each company, enhance the ability of each company to prevent operation and management risks, combined with the problems discovered by the audit and supervision department over the years, a precise supervision mechanism was established to strengthen management efficiency.
<p> Zhongyu Energy Reporting Management Measures (Trial)</p>	<ul style="list-style-type: none"> It aimed at maintaining the normal production and operation order of the Group, ensuring that the interests of the Group would not be damaged. It cracked down on violations of laws and regulations such as infringement of the interests of the Group and disruption of the development order of the Group. Employees of the Company were encouraged to actively report various acts that may damage the interests of the Company and the legitimate interests of the whistleblowers would be protected. The Measures clearly set out multi-channel reporting methods, such as by telephone, email and enterprise WeChat, and it will give corresponding rewards to the whistleblowers for verified reporting information.
<p> Ten Red Lines of Zhongyu Energy Employee Behaviour</p>	<ul style="list-style-type: none"> It aimed at maintaining the normal production and operation order of Zhongyu Energy and strengthening the red line awareness of employees in the operation and management. It clearly defined ten prohibited behaviours, such as prohibits the solicitation, provision or acceptance of benefits from customers, suppliers or anyone who has business dealings with the Group in the name of the Group, and the violation of any of them will be strictly investigated for the relevant responsibilities and heavily punished according to the “Accountability System”.



PEOPLE-ORIENTED

During the Year, the Group did not receive any reported cases of corruption. The Group has set up multiple channels such as mailbox, e-mail, telephone and corporate WeChat platform to receive and report information. For the reported information received, the audit and supervision department shall conduct independent investigation and verification. After the audit investigation report is reviewed by the audit and supervision committee, the responsible person for the relevant issues shall be held accountable in accordance with the rules and regulations.

The Group attaches great importance to anti-corruption publicity and education for employees, and has held a number of special trainings on integrity and self-discipline and typical cases to further strengthen the ideological education of all employees with typical case training, establish red line awareness and bottom line thinking, and promote business rectification and improvement.

In 2022, through the online cloud learning platform, a total of 1092 employees received anti-corruption related training, with a total of 1883 training hours. The training content includes the study of anti-corruption documents of the Company, introduction of corruption-free and domestic anti-corruption situation and case analysis.

Anti-corruption training		Unit	2022
Management level (male)	Persons receiving training	Person	251
	Total training hours	Hour	621
Management level (female)	Persons receiving training	Person	38
	Total training hours	Hour	88
Managerial grade employees (male)	Persons receiving training	Person	396
	Total training hours	Hour	673
Managerial grade employees (female)	Persons receiving training	Person	155
	Total training hours	Hour	261
General employees (male)	Persons receiving training	Person	127
	Total training hours	Hour	121
General employees (female)	Persons receiving training	Person	125
	Total training hours	Hour	119



SAFETY OPERATION AND QUALITY MANAGEMENT

HEALTH AND SAFETY

In 2022, the Group continued the implementation of production safety approach and paid greater attention to the health and safety of employees. Zhongyu Energy, as a company specialising in the sales of gas, will cause huge impact on the health and safety of its employees if an accident occurs, such as a gas leakage in the workplace. Therefore, the Group has formulated internal policies such as the Zhongyu Energy Safety Production Management Regulations, Safe Production Liability Insurance System, Zhongyu Energy Safety Review Form and Zhongyu Energy Safety Production Ban, aiming to achieve zero work injury and eliminate any safety hazards incurred in the course of operation.

The Group also strictly complies with relevant laws and regulations, such as the *Production Safety Law of the People’s Republic of China*, the *Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases* and the *Occupational Safety and Health Ordinance of Hong Kong*. During the Year, there were no reported cases of non-compliance regarding health and safety.

Occupational health data

Health and safety	Unit	2022	2021	2020
Number of work-related fatalities	Person	0	0	0
Lost days due to work injury	Day	45	45	53



SAFETY OPERATION AND QUALITY MANAGEMENT

Safety Management Framework and Management System

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 to identify hazard risks and factors in the workplace and to take effective preventive and control measures. The Group will also formulate an annual safety work plan, require employees at all levels to sign the Safety Management Objective Responsibility Letter, and conduct strict assessment on the safety objectives.

Relevant person in charge	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"> • Organise and commence safety education and training to raise employees' safety awareness, to enhance the standards of safe operation, and to supervise employees who are engaged in safety management and special work to acquire permits before they work; 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; • Organise work related to production safety 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.



The Group places great emphasis on customer health and safety, which is why it has established a safety management system and implemented standardized management practices. Through supervision, inspection and measurement verification, each process (including facility design, engineering, operation and maintenance) is in compliance with safety standards.

The Group has maintained a clear division of emergency handling responsibilities between each department and formulated handling procedures by accident types to ensure timely and effective handling of gas facility emergencies. After receiving an accident report, each unit should immediately initiate the corresponding emergency plan to organise post-incident rescue to take timely measures to rescue the relevant personnel, prevent the accident from expanding and reduce casualties and property losses.

In the event of a gas leak, each subsidiary will arrange personnel to arrive at the scene in the first place for emergency rescue, repair the faulty gas pipeline/facilities, and resume gas supply after passing the air tightness test. In the event of an indoor gas accident, each subsidiary should follow the instructions of “Essential Responses for Gas Accident Emergency of Residential Users” and the emergency plan requirements of the Group. Emergency work groups should immediately cooperate with the government organisation to carry out emergency rescue and rescue work and investigate and handle the accident. Also, the post-accident team must evaluate the incident rescue process to identify deficiencies of the emergency procedures and propose improvement measures.

Safeguarding customer safety

The Group also carry out routine household safety inspection and special screening inspection to eliminate the safety hazards of users.

As stipulated in the Zhongyu Energy Safety Production Management Regulations, for non-residential users such as commercial users and industrial users, the household inspection should not be less than twice per year; for residential users, the household inspection should not be less than once per year. During safety inspection, the Group will distribute the “Instructions for Safe Use of Gas” to users and affix logos and signs promoting safe use of gas. The focus of the household inspection is 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 further identify 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 users, so as to further understand the feedback from them on the services of the Group. The Group requires a customer interview rate of not less than 5%.

In addition, the Group has established a special safety joint inspection group mainly responsible for carrying out comprehensive and in-depth investigation and rectification of potential risks of gas pipeline network facilities at LNG stations, large urban complexes, kindergartens and other places with dense populations as well as the safety of gas use by residents in some older communities. The weak links found during the inspection will undergo immediate investigation and rectification so as to eliminate potential safety hazards in a timely manner.



SAFETY OPERATION AND QUALITY MANAGEMENT

Gas usage safety: Special investigation

During the “Safety Production Month”, each subsidiary carried out around 96 special inspections on different topics. Through assisting in the inspection of college entrance examinations and joint promotion and inspection by government and enterprises, the Company focused on comprehensive investigation of various gas facilities, residents, industrial and commercial users, timely and effectively eliminated potential safety hazards, ensured the implementation of rectification measures, ensured the safe operation of the Company’s pipeline network, and made every effort to protect users’ safety and stability in using gas.



Emergency rescue capability

Zhongyu strictly requires all subsidiaries to carry out emergency response capacity assessment, identify emergency response loopholes, and focus on improving the emergency response capabilities for sudden safety accidents in the fields of weak links and strengths.

In 2022, the Group carried out 192 emergency rescue drills for this purpose, which fully tested the operability and guidance of the emergency plans of each company. While training the emergency rescue and relief capabilities of the emergency team, it effectively consolidated the relationship between the government and enterprises, improved the joint prevention and linkage capabilities of regional gas safety, and received compliments from the competent departments of local governments.





Emergency rescue drill for third party damage to gas pipeline network

Gongyi, Shaowu and Changli Zhongyu Gas cooperated with local government authorities to carry out emergency rescue drills for third party damage to gas pipeline network. The on-site drill simulated the leakage of gas pipelines caused by the illegal construction of third-party construction units. Upon receiving the alarm, each company immediately rushed to the scene and carried out safety precautions, concentration monitoring, leak detection, professional repair, and other disposal work in an orderly manner. The emergency response team successfully completed the drill task, demonstrating their high level of professional and technical expertise.



Actively prepare for supervision and inspection and ensure stable gas supply

Fan Ergang, a second-level inspector of the Department of Industry and Information Technology of Henan Province, visited Sanmenxia and Lingbao Zhongyu Gas to carry out special supervision and inspection on flood prevention emergency. The inspection team focused on understanding the arrangement and deployment of the flood prevention emergency work of the two companies in 2022. Through reviewing materials and listening to reports, the inspection team carefully examined the revision of the Company's flood prevention emergency plan, the construction of the emergency team and the emergency rescue mechanism, and inspected the reserve of flood prevention emergency rescue materials in the Company's warehouse.





SAFETY OPERATION AND QUALITY MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Supply chain management is an important part of the Group's operation. Good supply chain management enables the Group to provide high quality products and services to its users. The Group has formulated the Material Purchase Management System and Contract Template for Material Procurement to regulate the selection procedures and standards of suppliers, including environmental and social performance standards. The Material Purchase Management System set out technical specifications of various materials, requiring all tendering suppliers to strictly comply with the environmental and industrial-related standards and regulations. The suppliers of the Group are mainly shortlisted through business negotiation and tender, and in principle, three suppliers will be shortlisted for each type of materials. In 2022, the Group has employed 7,067 suppliers from Mainland China.

Pursuant to the Material Purchase Management System, 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, the Contract Template for Material Procurement provides an explicit agreement with the suppliers on the quality assurance of the products where:

- The suppliers that the Group cooperates with shall guarantee that the contract products are brand new and fully comply with the relevant national quality standards, as well as the brand, quality, specifications and performance requirements stipulated in the contract.

- The suppliers shall guarantee the warranty period of the products and the service life and performance of the products. If any product quality problem arises during the product warranty period, the suppliers shall be responsible for free replacement or repair. In case of failure to repair or replace, the suppliers are responsible for refund, and shall timely analyse the cause in order to take corrective and preventive measures.
- Adjustments on the product varieties, specifications, quality and packaging made by suppliers due to substantial changes in production materials, production equipment, production techniques or market are subject to prior negotiations with the Group, and changes could only be made upon written confirmation by the Group.

In addition, the Group also requires suppliers to use parts and components of products which are in compliance with the requirements of RoHS and verified by RoHS report, and list out the name and content of possible hazardous substances contained in such products in the product user manuals pursuant to the State's Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products in order to promote the procurement of environmentally friendly products.

Zhongyu Energy also focuses on managing the environmental and social risks of the supply chain, therefore, it undergoes assessment and supervision on its suppliers to incorporate various system certifications such as environment, occupational safety and health, and health into the assessment items, and motivates the suppliers to enhance the environmental and labour interest management. Currently, most suppliers of the Group have obtained environmental, occupational safety and health, and quality management certifications.



Other than that, the Group requested all suppliers while supplying products with good quality, must also abide by strict business ethics, pursue the highest level of business ethics and integrity in business operations, and meet the environmental and social requirements of the Group, for example:

Environmental aspect	Social aspect
<ul style="list-style-type: none"> • Ensure that no hazardous materials are being used in processing and manufacturing • Develop an environmental protection system to manage environmental risks arising from daily operation • Obtain permission for environmental impact assessment 	<ul style="list-style-type: none"> • Resolutely refuse to accept any bribes and misconduct • Maintain fair trade and competition • Comply with relevant labour laws and regulations to ensure that the legitimate interests of employees are protected • Not to differentiate employees by their gender, disability, pregnancy, family status, race, colour, religion, age, sexuality, nationality, union membership or other reasons • Respect the basic labour human rights protection principles, including the internationally recognised basic labour human rights principles

PRODUCT LIABILITY

In order to ensure that the health and safety of the products and services, 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 Zhongyu Energy Safety Production Management Regulations, Guidelines for the Safety Inspection of Household Gas Facilities and Daily Inspection Management System, committing to improving its products and services liability management structure.

The Group complies with relevant laws and regulations, such as the *Product Quality Law of the People's Republic of China*, the *Three Guarantees Rules of the People's Republic of China*, the *Law of the People's Republic of China on Protection of the Rights and Interests of the Consumers*, the *Advertising Law of the People's Republic of China* and the *Personal Data (Privacy) Ordinance of Hong Kong*. All

products are covered by product liability insurance which is undertaken by Ping An Property & Casualty Insurance Company of China, Ltd. During the Year, the Group was not aware of any cases of non-compliance regarding the health and safety of products and services, advertising and labelling.

LABELLING MANAGEMENT

In strict compliance with the *Product Quality Law of the People's Republic of China* and the *Advertising Law of the People's Republic of China*, the Group is committed to providing complete, accurate, sufficient and timely information, including promotional publications and product labels, to external stakeholders, including investors, customers and partnering institutions. If the relevant information is found to be inaccurate or misleading, it should be amended and replaced by specified staff as soon as possible to protect the interests of consumers.



SAFETY OPERATION AND QUALITY MANAGEMENT

INTELLECTUAL PROPERTY

The Group is committed to protecting intellectual property rights of the Group and its partners from being infringed and complying with the confidentiality agreement and licensing system agreed by both parties. In addition, to ensure the use of genuine software in all operational links, the Group also provides relevant training on the use of genuine software for information management personnel. In the process of cooperating with external agencies, the contract terms also stipulate that the products and services provided by the agency do not exist any infringement.

DELIVERED PRODUCT

The product quality inspection of Zhongyu Energy is verified on a sample basis according to the Guidance on Finished Products Inspection Work. In compliance with the relevant national regulations and having in place the *After-sales Service Policy of Zhongyu Phoenix (中裕鳳凰) Brand Products*, the Abnormal Product Quality Management System and other relevant management policies, the Group strictly monitors product quality and provides reasonable after-sales services, including return, exchange, local maintenance and return for maintenance. The Group requires all subsidiaries to conduct proper signing and acceptance of returned products according to the procedures. For products damaged by logistics and distribution, subsidiaries should take photos of the defective products when signing for receipt and give feedback to the after-sales staff at once.

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

CUSTOMER SERVICE MANAGEMENT

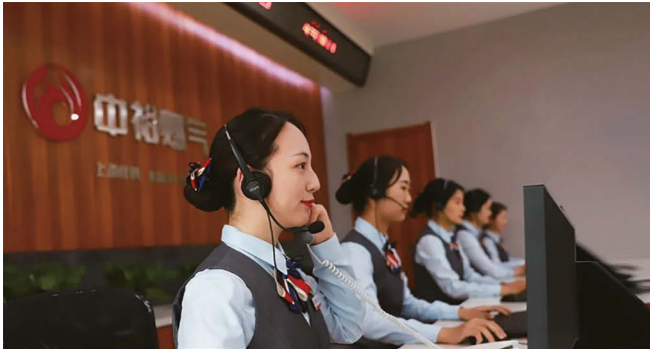
Zhongyu Energy is committed to meeting the expectations of customers of different businesses and constantly improving the service quality of staff through the formulation of Customer Service Target Management Requirements, Complaint Management Measures, Guidelines on Rural Coal-to-Gas Customer Service Management, Customer Service Etiquette Standards and other service management systems.

Having been committed to listening to customers' needs, the Group has established a rigorous customer complaint handling mechanism and the Service Supervision Call Centre, by which users can provide feedback directly through the 24-hour hotline or to the operation management department. In addition, the Group has been taking initiatives to create a healthy business environment, and through various means of online platforms (such as online communities, WeChat official account) and publicity activities, to promote the Company's image.



Service Supervision Call Centre




The Group's Service Supervision Call Centre was officially launched in July 2021. Serving as a centralised software and hardware platform with high effectiveness and stability, the call centre would provide high-quality communication interface along with accurate and thoughtful services to over 4.6 million customers of various types of the Group. After our customer service staff receives a user's complaint, the relevant department shall arrange dedicated personnel to handle and respond to the customer within three days. In addition, the call centre has formulated a two-closed-loop service process for consultation and complaints according to different businesses, which can provide various services such as business consultation, charging and bill installation and commissioning, emergency repair and rescue, etc. to customers by cooperating with the marketing and customer service, safety operation and engineering technology departments of each subsidiary.





SAFETY OPERATION AND QUALITY MANAGEMENT

In 2022, the Service Supervision Call Centre of the Group provided thoughtful service and online protection for 365 days a year. The Group received a total of 508 cases of complaint and request, all of which, immediately upon receipt, were transferred to dedicated staff members for handling until the completion of customer interview with time limit determined according to the degree of urgency, so as to fully ensure customer satisfaction. The content mainly involved the following three types. All departments actively handled various types of complaints and strengthened communication with customers to improve their satisfaction.

Types	Description of issues	Handling methods
 Progress of gas connection	Due to comprehensive factors, such as changing demands for appointment and coordination time and project progress, customers' long waiting time leads to complaints	Optimise the online order distribution process in an all-round way, rationally arrange time and complete work orders in a timely manner
 Pipeline renovation	The number of pipeline changing users at township-level is substantial, causing a backlog of work orders	Induce users to make appointment in advance, strengthen the management mechanism of work order timeliness, and improve the efficiency of work order distribution
 Progress of maintenance	Most of them are complaints caused by repeated reminders due to untimely repair	Strengthen training and improve the comprehensive level of on-site service personnel. Strengthen front-end user screening. Strengthen the management and control of work order progress to track the order in a timely manner

Zhongyu Energy will continue to improve the management and functionality of the call center, establish a multi-level customer complaint handling platform, and promote the overall improvement of the group's customer service level.

CUSTOMER PRIVACY PROTECTION

The Group values the customer privacy and strictly complies with *Personal Information Protection Law of the People's Republic of China* to ensure that all data must be collected, held, used and handled in a legal and prudent manner.

The management of the Group's customer data is handled by the marketing department and the customer service department, which includes monitoring the implementation of document management by specified staff, and regularly reviewing the effectiveness of measures and proposing improvement plans. In order to strengthen the data management of information system, Zhongyu Energy has established several management systems on information system security, information system requirement, information system operation and maintenance, and basic data management and maintenance to meet the standardised management requirements for the integrity, standardisation and timeliness of basic data. The Group also provides specific guidelines and training for employees to ensure that they understand and comply with relevant regulations and internal measures.



COMMUNITY ENGAGEMENT

Zhongyu Energy has been committed to giving to the community it serves by actively fulfilling the corporate responsibility and creating long term value for the society. The Group always pays attention to the needs of all groups in society and has maintained a good and close relationship with the community. Over the years, the Group has been investing in and encouraging its employees to join in public welfare activities to adhere to the mission of “developing clean energy and achieving a better life”,

In 2022, the Group actively organised public welfare activities in environmental and educational sectors to help the underprivileged in the society, participated in activities including “99 Charity Day” charity donation, financial assistance to poor students, caring for special children, installing equipment for low-income users for free, caring for farmers, “Tree Planting Day” and waste recycling. During the

Year, a total of 18 subsidiaries organised various charitable donations and anti-epidemic supplies donation activities.

Zhongyu Energy will also launch community publicity and consultation activities in multiple forms to share gas safety knowledge and raise the awareness of gas safety among the wider community. To promote community engagement, the Group’s Customer Service Publicity Work Guidelines regulates in detail the requirements of publicity content, publicity channels and frequency to each subsidiary, aiming to regularly strengthen the awareness of safe use of gas among residents so as to enhance the Group’s recognition among the government and the community. The Group also requires subsidiaries to submit its annual service promotion plan to the customer service department of the Group at the end of the year.



Reach out to campus

The introduction of “Safe Use of Gas in Campus” campaign helped students further grasp the basic knowledge of gas and encouraged parents to participate hand in hand with their children, rooting the knowledge of “Safe Use of Gas” and “Scientific Protection” into every family, and become the spreader of the knowledge of the safe use of gas.



Environmental safety

In order to widely advocate a simple, moderate, green and low-carbon lifestyle, Zhongyu actively organises and participates in environmental protection publicity activities, such as tree planting, garbage recycling, used goods exchange and garbage collection, to induce and mobilise employees to actively participate in and practise ecological environmental protection. The Group will also organise activities such as pipeline network safety walking, household safety inspection and special hidden danger investigation to ensure the safe operation of the Company’s pipeline network and fully protect users’ safety and stability in using gas.



Community publicity and education

Though paying visits, distributing safety manuals, posters and banners as well as setting up safety knowledge exhibition boards, consultation counters and publicity vehicles, Zhongyu Energy spread the knowledge of safe use of gas among the wider users, explored cases and knowledge with explanation and answered questions on site, creating a strong atmosphere that advocated safe use of gas.



Charitable activities

The approval process and plans for social activities in charitable donations are fully regulated to give back to the community and actively perform social responsibilities.

Establishing a volunteering alliance, through which it actively organised various public welfare activities such as helping the elderly, the disabled, orphans, the disadvantaged, students and children with special needs and grew the alliance by attracting more social caring enterprises and charitable persons to join in it.



COMMUNITY ENGAGEMENT

SAFE USE OF GAS IN CAMPUS

Zhongyu Energy organised “Safe Use of Gas in Campus” activities to help teachers and students understand gas safety knowledge, and induce students to bring gas safety knowledge back home and become the distributor of gas safety knowledge.



On 10th June, Mengzhou Zhongyu Gas went to Mengzhou Zhiyuan School to carry out Safe Use of Gas in Campus activities



On 16th June, Luohe Zhongyu Gas held the “Safety Production Month” Publicity and Consultation Day activity



On 20th June, a visit to the Municipal Dongfang Jianqiao Primary School and held the safety publicity activities with the theme of “Gas Safety Care for Thousands of Families”



On 21st June, Wen County Zhongyu Gas cooperated with the Education Bureau of Wen County to hold the “Safety Publicity for Gas in Campus” activity



On 28th March, 2022, it marked the 27th National Safety Education Day for Primary and Middle School Students. Some member companies of Zhongyu Energy introduced the characteristics of natural gas and explained basic gas use and gas safety knowledge in a simple way through various forms of gas safety activities such as video broadcast for students, visual explanation, prize-winning quizzes, display boards, and distribution of gas safety brochures, and enabled students to become the distributors of gas safety knowledge, bringing gas safety knowledge to more families and paying joint attention to gas safety.



At the same time, Zhongyu strictly implemented the local epidemic prevention requirements in the regions where the epidemic was relatively complicated, and effectively promoted and popularised gas safety knowledge through the broadcast of vivid gas safety animation series and recitation gas safety and smooth pass, etc. We also organised teachers and students to watch micro-videos on gas safety online, and responded to questions raised by teachers and students on gas use online. The combination of online and offline activities not only avoids crowd contact, but also provides teaching and learning in an interesting atmosphere to help teachers and students improve the awareness of safe gas use, in order to prevent accidents while ensuring the health of children.



COMMUNITY ENGAGEMENT

“PRODUCTION SAFETY MONTH” PUBLICITY AND CONSULTATION

To echo with the 21st national “Safe Production Month”, all member companies of Zhongyu Energy actively participated in the “Safe Production Month” publicity and consultation day organised by local government departments to further improve the awareness of safe use of gas among users at large, establish a good corporate image and create a safe and harmonious atmosphere for public gas use. At the campaign site, all companies set up consulting service counters, safety knowledge exhibition boards and safety banners and relevant staff publicised safety knowledge and spread knowledge about gas safety among the public through the distribution of gas safety manuals and colourful posters, on-site explanation and Q&A session.



On 23rd June, 2022, Huang Yaowu, deputy general manager of Luohe Zhongyu Gas, led a team to carry out the safety walking activity of gas pipeline network. Through the “Senior walking with junior” mode, the activity tested and positioned steel pipes along the line, power supply detection cathodic protection facilities, laser leakage detector pipeline leakage investigation, replanting the signs along the line, spraying mileage pile warning signs, and distributed gas pipeline facilities safety notices to users in neighbourhood. Through the hiking activity, the Company deepened the understanding of all departments of the Company on the grassroots operation work, which in turn enhanced the support and cooperation among teams and played a positive role in the safe operation of the gas pipeline network.





Subsidiaries of the Group completed a total of 341 safety consulting activities and 208 internal and external training and education activities to comprehensively enhance the safety awareness of all employees and strengthen the foundation work of safety management. At the same time, each company also organised activities such as safety publicity and consultation day, joint promotion by government and enterprises, and open class for safety production by the general manager in order to effectively integrate safety production into the process of enterprise development and operation.

EXAMINATION SUPPORT ACTIVITIES

During the annual college entrance examination period, each subsidiary of the company organizes a charity assistance activity to provide convenient services to candidates and their families, spreading love and sending blessings to them. Setting up service counters near certain examination locations, volunteers distributed drinking water, anti-pandemic masks, usual stationery and emergency supplies for cooling and heatstroke prevention to candidates, and provided parasols, stools and mineral water to examination staff and accompanying parents.

For the Year, the subsidiary in Luohe has arranged examination support vehicles to provide expedient services for those in need, the subsidiaries in Yanshi, Qinyang, Yutian, Sihong, Jiyuan and Yongcheng also conducted special inspections on gas safety in the school canteens of the local examination locations and the surrounding areas on the eve of the college entrance examination to secure a safe examination environment for candidates and ensure safe and stable gas supply during the period of college entrance examination.





COMMUNITY ENGAGEMENT

GOLDEN AUTUMN SCHOLARSHIP

On 30th August, 2022, the “Golden Autumn Scholarship” activity initiated by the subsidiary in Jiaozuo was held by the Jiaozuo Volunteering and Caring Alliance as scheduled, to invite the economic underprivileged student so assisted and children of our employees to join the activity, and courteous support gifts were offered as well. Since its establishment initiated by the subsidiary in Jiaozuo in 2006, the Caring Alliance has been cooperating with caring enterprises and persons from all sectors of society to sponsor a total of nearly 1,000 elementary, junior and high school students from disadvantaged families in the past 15 years. Many of the students have been receiving financial assistance since elementary school and nearly 200 students have enrolled in university. For several consecutive years, the Group has assisted students from underprivileged families in realizing their dreams of attending college, demonstrating its commitment to charitable causes and social responsibility.





CHARITY AND PUBLIC WELFARE



“Love for Chongyang” activity was held in Sanmenxia City Elderly Service Centre



“99 Charity Day” online donation activity



Visiting the Fire Rescue Brigade series activity on the Military Day



VCaring for poor students activity



COMMUNITY ENGAGEMENT

On 27th May, 2022, Yan Shi Zhongyu Gas visited the Yan Shi District Special Education School and launched the “Show Love, Talk Safety” event. During the event, Yan Shi Zhongyu Gas presented brand new school uniforms and holiday blessings to nearly a hundred special needs children, earning widespread praise from the teachers and students. The school principal presented a flag of appreciation to Yan Shi Zhongyu Gas, which read “Love is like spring rain, silently giving love,” to express gratitude. After the donation, Yan Shi Zhongyu Gas staff conducted a comprehensive inspection of the gas facilities, gas water heaters, and other equipment in the school cafeteria and explained gas safety knowledge to the school officials, raising awareness among staff and students and jointly building a safety gas defense line. The event was also reported by Yan Shi TV station, which played a positive role in promoting the company’s excellent reputation and social credibility.



OVERVIEW OF KEY PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE

Key Environmental Performance Indicators		Unit	2022	2021
Air emission & Waste Generation	Nitrogen oxides	kg	17,285.2	9,716.9
	Sulphur oxides	kg	767.3	0.3
	Particulate matter	kg	34.5	945.3
	Hazardous waste	Tonne	6.2	6.4
	Intensity of hazardous waste (in terms of the number of employees)	kg/person	1.2	1.3
	Non-hazardous waste	Tonne	161.1	133.8 (restated)
	Intensity of non-hazardous waste (in terms of the number of employees)	kg/person	31.8	27.4
Energy consumption	Consumption of purchased electricity	MWh	19,516.8	18,809.6
	Gasoline	Tonne	1,663.7	1,434.8
	Diesel	Tonne	72.6	842.7
	LNG	Cubic metre	3,825,053.0	1,528,945.9
	LPG	Tonne	2,017.9	2,946.5
	Total energy consumption	GJ	395,181.9	372,526.2
	Intensity of energy consumption (in terms of the number of employees)	GJ/employee	78.0	76.4
	Intensity of energy consumption (in terms of the turnover)	GJ/HK\$'000	0.03	0.03



OVERVIEW OF KEY PERFORMANCE INDICATORS

Key Environmental Performance Indicators		Unit	2022	2021
Greenhouse gas emission	Direct greenhouse gas emission (scope 1)	Tonne of CO ₂ equivalent	18,681.3	19,810.3
	Energy indirect greenhouse gas emission (scope 2)	Tonne of CO ₂ equivalent	11,341.5	10,976.1 (restated)
	Other indirect greenhouse gas emission (scope 3)	Tonne of CO ₂ equivalent	362.0	354.2
	Total greenhouse gas emission	Tonne of CO ₂ equivalent	30,384.8	31,140.6 (restated)
	Greenhouse gas emission intensity (in terms of the number of employees)	Tonne of CO ₂ equivalent	6.0	6.4
	Greenhouse gas emission intensity (in terms of the turnover)	Tonne of CO ₂ equivalent/HK\$'000	0.002	0.003
	Methane emission (gas leakage)	Tonne	4,007.1	/
Utilisation of resources	Water consumption	Cubic metre	144,049.5	151,426.0
	Intensity of water consumption (in terms of the number of employees)	Cubic metre/person	28.4	31.1
	Paper products	Tonne	37.0	33.8
	Paper products recycled	Tonne	3.1	1.3
Environmental compliance	Cases of environmental non-compliance	Number	0	0

- 1 Considering that the Group's business is concentrated in mainland China, in order to reflect the national situation and improve the accuracy of data, the emission factors used in the calculation of air emissions for the Year have been updated. Emission factors from the Guidelines for the Compilation of Technologies for Emission of Air Pollutants for Motor Vehicles of the People's Republic of China were adopted. Therefore, the data will be different from previous years.
- 2 Total energy consumption includes purchased electricity, gasoline, diesel, LPG and LNG consumption. Conversion factors from China Energy Statistical Yearbook 2020 were adopted for energy conversion.

SOCIAL PERFORMANCE

Number of employees		Unit	2022.00	2021
Total number of employees		Person	5,067	4,876
By geographical region	Mainland China	Person	5,054	4,864
	Hong Kong, China	Person	13	12
By gender	Male	Person	3,333	3,257
	Female	Person	1,734	1,619
By employment type	Full-time employees	Person	4,780	4,601
	Part-time employees	Person	287	275
By age	30 years old and under	Person	1,335	1,357
	Between 31-40 years old	Person	1,984	1,882
	Between 41-50 years old	Person	1,188	1,127
	Over 50 years old	Person	560	510
By position level	Senior management	Person	291	270
	Middle management	Person	553	421
	General employees	Person	4,223	4,185



OVERVIEW OF KEY PERFORMANCE INDICATORS

Employee turnover rate		Unit	2022	2021
By geographical region	Mainland China	Percentage	5.5	6.4
	Hong Kong, China	Percentage	0.0	0.0
By gender	Male	Percentage	6.3	7.7
	Female	Percentage	3.9	5.2
By age	30 years old and under	Percentage	6.9	9.7
	Between 31-40 years old	Percentage	4.5	7.4
	Between 41-50 years old	Percentage	3.5	3.8
	Over 50 years old	Percentage	9.8	3.9

Training and development		Unit	2022	2021
Total number of trained employees		Person	5,002	4,819
By gender	Number of male employees trained	Person	3,314	3,221
	Number of female employees trained	Person	1,688	1,598
By position level	Number of senior management trained	Person	289	257
	Number of middle management trained	Person	551	413
	Number of general employees trained	Person	4,162	4,149
Average training hours of employees		Hour	50.8	45.5
By gender	Average training hours of male employees	Hour	51.0	45.4
	Average training hours of female employees	Hour	50.6	45.6
By position level	Average training hours of senior management	Hour	53.1	50.6
	Average training hours of middle management	Hour	54.9	56.2
	Average training hours of general employees	Hour	50.1	44.1

Training and development		Unit	2022	2021
Average employee training percentage		Percentage	98.7	99.0
By gender	Training percentage of male employees	Percentage	99.4	99.1
	Training percentage of female employees	Percentage	97.3	99.0
By position level	Training percentage of senior management	Percentage	99.3	99.2
	Training percentage of middle management	Percentage	99.6	98.3
	Training percentage of general employees	Percentage	98.6	99.1

Health and safety	Unit	2022	2021
Number of work-related fatalities	Person	0	0
Lost days due to work injury	Day	45	45
Occupational health and safety sick leave due to extreme weather event	Number	0	/
Employee sick leave due to extreme weather	Day	0	/

Anti-corruption	Unit	2022	2021
Number of concluded legal cases regarding corrupt practices brought against the Group during the reporting period	Case	0	0
Number of concluded legal cases regarding corrupt practices brought against the employees of the Group during the reporting period	Case	0	0
Number of management receiving training in anti-corruption, etc.	Person	289	/
Number of managerial staff receiving training in anti-corruption, etc.	Person	551	/
Number of general employees receiving training in anti-corruption, etc.	Person	252	/

Number of suppliers	Unit	2022	2021
Hong Kong	Number	0	1
Mainland China	Number	7,067	2,459



“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Relevant Sections/ Descriptions	Page
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. Note: Air emissions include nitrogen oxides, sulphur oxides, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Environmental Protection	22-29
Disclosure	The types of emissions and respective emissions data.	Climate Change, Environmental Protection, Overview of Key Performance Indicators	16-29, 59-60
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Climate Change, Overview of Key Performance Indicators	16-21, 59-60
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection, Overview of Key Performance Indicators	22-29, 59-60



Main Aspects	Description	Relevant Sections/ Descriptions	Page
A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection, Overview of Key Performance Indicators	22-29, 59-60
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Climate Change, Environmental Protection	16-29
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection	22-29
A2 Utilisation of resources			
General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials.	Environmental Protection	22-29
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection, Overview of Key Performance Indicators	22-29, 59-60
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection, Overview of Key Performance Indicators	22-29, 59-60
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection	22-29
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection	22-29



“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Relevant Sections/ Descriptions	Page
A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.	All products sold by Zhongyu (such as stoves) are packaged finished products purchased directly from third parties. Zhongyu’s own business does not include the production and packaging of these products, nor does it separately calculate and count the quantity and weight of product packaging. This key performance indicator is therefore not applicable.	/
A3 Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	Environmental Protection	22-29
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Environmental Protection	22-29
A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	16-21
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	16-21



Main Aspects	Description	Relevant Sections/ Descriptions	Page
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.	People-Oriented	30-40
B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	People-Oriented, Overview of Key Performance Indicators	30-40, 61-63
B1.2	Employee turnover rate by gender, age group and geographical region.	People-Oriented, Overview of Key Performance Indicators	30-40, 61-63
B2 Health and safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safety Operation and Quality Management	41-50
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safety Operation and Quality Management, Overview of Key Performance Indicators	41-50, 61-63
B2.2	Lost days due to work injury.	Safety Operation and Quality Management, Overview of Key Performance Indicators	41-50, 61-63
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety Operation and Quality Management	41-50



“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Relevant Sections/ Descriptions	Page
B3 Development and training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People-Oriented	30-40
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<p>Overview of Key Performance Indicators</p> <p>All employees have received training during the Year. The percentages in terms of gender and categories of employees are shown as below:</p> <p>Male employees: 66% Female employees: 34% Senior management: 6% Middle management: 11% General employees: 83%</p>	61-63
B3.2	The average training hours completed per employee by gender and employee type.	People-Oriented, Overview of Key Performance Indicators	30-40, 61-63
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.	People-Oriented	30-40
B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-Oriented	30-40
B4.2	Description of steps taken to eliminate such practices when discovered.	People-Oriented	30-40



Main Aspects	Description	Relevant Sections/ Descriptions	Page
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Safety Operation and Quality Management	41-50
B5.1	Number of suppliers by geographical region.	Overview of Key Performance Indicators	61-63
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Safety Operation and Quality Management	41-50
B5.3	Description of practices relating to identifying environmental and social risks along the supply chain, and how they are implemented and monitored.	Safety Operation and Quality Management	41-50
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Safety Operation and Quality Management	41-50
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.	Safety Operation and Quality Management Note: As the Group's products and services do not involve extensive advertising and labelling, the Group does not have relevant policies in place.	41-50
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Safety Operation and Quality Management	41-50



“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Relevant Sections/ Descriptions	Page
B6.2	Number of products and service related complaints received and how they are dealt with.	Safety Operation and Quality Management	41-50
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Safety Operation and Quality Management	41-50
B6.4	Description of quality assurance process and recall procedures.	Safety Operation and Quality Management	41-50
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Safety Operation and Quality Management	41-50
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.	People-Oriented	30-40
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	People-Oriented, Overview of Key Performance Indicators	30-40, 61-63



Main Aspects	Description	Relevant Sections/ Descriptions	Page
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	People-Oriented	30-40
B7.3	Description of anti-corruption training provided to directors and employees.	People-Oriented	30-40
B8 Community Investment			
General Disclosure	Focus areas of contribution (e.g. education, environmental issues, labour demand, health, culture and sports).	Community Engagement	51-58
B8.1	Resources contributed (e.g. money or time) to the focus areas.	Community Engagement	51-58



VERIFICATION STATEMENT



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by Zhongyu Energy Holdings Limited (“Zhongyu Energy”) to undertake an independent verification for the 2022 Sustainability Report (hereinafter called the “Report”). The Report stated the sustainability performance of Zhongyu Energy in the period of 1st January, 2022 to 31st December, 2022.

The aim of this verification is to provide a reasonable assurance on the reliability of the report contents. 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 also thoroughly examined during the verification process.

Independence

Zhongyu Energy is 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 and there was no relationship between HKQAA and Zhongyu Energy that would affect the impartiality of the verification.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report has been prepared in accordance with the ESG Guide;
- The Report illustrates the sustainability performance of Zhongyu Energy, covering all material aspects, in a balanced, clear, comparable and timely manner; 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 contained in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria. In conclusion, the Report reflects truthfully of Zhongyu Energy’s sustainability performance that is commensurate with the sustainability context and materiality of the company.

Signed on behalf of Hong Kong Quality Assurance Agency

Meico Cheong
Assistant Director, Innovation Business
19 April, 2023

稳健协同 聚力发展

BUILT TO LAST



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