



中裕能源控股有限公司

ZHONGYU ENERGY HOLDINGS LIMITED

Stock Code 股份代號: 3633

2021

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



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Zhongyu Energy Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “Zhongyu Energy”) provide professional gas services in various cities in China. The three major business segments, namely sales of gas, gas pipeline construction and connection, and value-added services, contributed 81.9%, 11.7% and 4.1% of the Group’s turnover in 2021, respectively.

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 of 31st December, 2021, the Group has 73 gas projects with concession rights across 10 provinces, serving approximately 21,242 industrial and commercial customers as well as 4.36 million residential households, and has an accumulated gas pipeline construction of nearly 50,000 km. The total natural gas volume sold by the Group also increased by 25.9% year-on-year to 2,818,012,000 m³ in 2021, achieving a set of record-high results.

City gas pipeline business is one of the core businesses of the Group. 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 with a total of 3,519 users, 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 optimizing and adjusting its own business structure, Zhongyu actively develops the gas filling station business based on its own business characteristics. Currently, the Group has 64 gas filling stations.

Zhongyu Energy complied with market reform and industry development, focused on the operating principle of “market-driven, customer-oriented, and efficiency-centred”, and strived to construct new modes of business and create new values.

The Group is determined to implement the “one-body, three-wing” development strategy. “One body” means to build on the core city gas business, strengthen customer services and focus on the industrial and commercial customer service systems, and earn market recognition by providing whole process, innovative and customised services. “Three wings” refer to tapping into “Internet+” and new retail markets to open up online sales. Benefiting from the national policy of “Internet+” in connection with smart energy, Zhongyu Energy devoted great efforts in promoting decentralised energy, smart grid related business and actively developed a variety of new projects such as photovoltaic power generation, ground source heat pump, cold storage facilities, new energy vehicle charging points and charging stations; and adopted the strategy of industrial chain integration, to actively respond to the market changes after the establishment of PipeChina, secure gas sources and promote energy trading. 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.



The “Environmental, Social and Governance Report” (the “Report”) published by the Company provides stakeholders with a better understanding of the Group’s progress and direction on sustainable development by reporting on the Group’s environmental, social and governance policies, measures and performances. 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.zhongyuenergy.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. (Stock Code: 3633.HK)

SCOPE OF THE REPORT

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

The Report discloses the sustainability performance of the Group’s daily operations and businesses from 1st January, 2021 to 31st December, 2021 (the “Year”). Businesses of the Group mainly include the sales of gas, the operation of CNG/LNG vehicle filling stations, gas pipeline construction and value-added services. The Group will continue to improve the internal data collection system to provide stakeholders with more comprehensive and accurate information in the future.

STANDARDS OF THE REPORT

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of its four reporting principles – Materiality, Quantitative, Balance and Consistency.

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.

CONFIRMATION AND APPROVAL

The Group has established an internal supervision, examination and risk management system 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 on 30th May, 2022.

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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CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT



To our valued shareholders,

2021 marked the beginning of the 14th Five-Year Plan and also the turning point for the Group to fully implement smart energy transformation. Under the prolonged and repetitive COVID-19 outbreak in the PRC, frequent reoccurrence of extreme weather disasters and increasing volatility in commodity prices, the Group firmly implemented the “one body, three wings” strategy to seize opportunities among challenges and developed with innovation. Aiming at the dual carbon goals, the Group orderly developed its natural gas business and actively sought to establish a presence in the smart energy industry, so as to continuously strive to become the most valuable integrated energy service provider. Benefitting from the transformation and upgrade of the national energy structure, the sales of gas of the

Group increased significantly. Asset scale, operating income and operating profit achieved steady growth during the year.

In the year of 2021, under the extremely strict national gas safety circumstances, the Group acted swiftly and firmly and adhered to the safety rules to demonstrate the Group’s responsibility. Amidst the erratic fluctuation in international oil prices, the Group flexibly made plans for upstream resources and actively innovated downstream sales strategies. Not only did the Group guarantee gas supply for residents, it also further improved its price adjustments mechanism and ensured a steady increase of profit from its gas business.



As industry growth gradually stabilized, the Group focused on the expansion and development of its city gas business. In 2021, regions as well as provinces included in the concession sector where we have operations in further expanded. In terms of energy trading, the Company focused on introducing high-quality gas sources, strengthening the demand and supply structure internally, and achieving cost reduction and efficiency enhancement to contribute considerably to maintaining the incremental supply to city gas subsidiaries and the Group's profit growth.

In 2021, building on our advanced exploration and steady progress in the smart energy industry, we established a smart energy group with greater leverage on capital, talent, resources and management. Our smart energy business had a good start. The existing projects operated stably, and we vigorously explored new markets to accumulate drivers for the transformation and development of the Group. When dealing with the domestic and international challenges of normalization of market fluctuation, the Group has a proper understanding of the current situation, fully grasps the opportunities and manages the risks in the process of energy transformation, and strives to discover opportunities from the challenges. In 2021, a series of new energy policies and rural energy transformation policies were launched successively in various regions, creating opportunities for the smart energy group to develop diversified businesses such as distributed energy,

photovoltaic rooftop and charging stations. In line with the countywide rooftop distributed photovoltaic development pilot scheme launched by the National Energy Administration, the Company's subsidiaries signed framework agreements on the promotion of countywide distributed photovoltaic with several local governments to expand its smart energy business by leveraging on its own strengths in the gas project concession sector. In terms of smart energy, the Group has promising potential and will definitely make great achievements.

2021 is the final year of the Group's three-year plan for improving management consolidation. The Company achieved remarkable improvement in its internal management. We paid much effort to enhance our internal management through a systemic, standardized, professionalized, informationalized and refined management system. As a result, our management is able to cater to the needs of corporate development, and is able to respond to external changes of the development environment with ease. In light of favorable policies and the complex and ever-changing industry dynamics, the Group has come to the cross road where reform must be made. At the end of the year, the Group officially announced a change of its company name, indicating its determination and confidence in self-reform and transformation. Development in both the gas and smart energy sectors was the consensus of all employees of the Group.





PROSPECTS

With the large-scale rollout of the COVID-19 vaccination program, it is expected that the global economy will undergo a choppy recovery in 2022. As the COVID-19 pandemic gradually comes under control, with the accelerating implementation of the “dual circulation” new development approach, the economy of the PRC is expected to continue its steady and progressive development trend to realize high-quality economic development. The national energy structure will constantly undergo transformation and upgrade. World energy will move towards a more diversified, clean and low-carbon approach. The PRC “30-60” dual carbon goals proves that “green and low-carbon” is the future development direction of the energy industry. With the transition to a low-carbon economy era and the clean energy transformation promoted by the industry in past few years, the northern region showed an initial effective prevention and control of air pollution, and the national demand for natural gas will grow steadily according to the national strategic planning.

In the future, “green development” and “clean, low-carbon, safe and effective” will be the national energy strategy in the long run, of which the environmental protection policy and “dual carbon goals” have become one of the key driving forces for natural gas development and provided enormous room for its development. According to the Medium- and Long-term Oil and Gas Pipelines Network Plan issued by the National Development and Reform Commission and the National Energy Administration, the domestic natural gas pipeline network will reach 163,000 km by 2025. In particular, the Guiding Opinions on 2021 Energy Tasks pointed out that the energy storage and transportation capacity will be further expanded to form a national network, the construction of the main network and the interconnection between networks will be promoted, the establishment of gas storage facility groups in the scale of “hundreds of billions” cubic metres in the northeast, northern, southwest, northwest regions etc. will be actively boosted, and the significant construction projects such as construction pipelines for gas production, supply and sales system, underground gas storage facility and LNG receiving terminal will be standardized. The orderly implementation of these policies is beneficial to the steady development of the Group.



2022 symbolizes the twentieth year of the Group's entry into the gas industry. During this second decade, the natural gas industry will undergo rapid development. The Group will seize opportunities to keep up with the mainstream of the industry and continue to develop. To achieve significant performance development, the Group will consider large-scale mergers and acquisitions, expand distributed energy, and realize the transformation from a regional gas group to a national energy group. With the dedicated efforts of 5,000 employees of the Group, we advance towards the vision of becoming the most valuable integrated energy service provider by promoting the diversified "one body, three wings" synergetic development model. In the critical year of the 14th Five-Year Plan and the implementation year of the dual carbon goals, the Group will seize policy opportunities such as "comprehensively promote rural revitalization", "strengthen the construction of energy production, supply, storage and sales system", and "accelerate the promotion of energy technology innovation" to strive for high-quality development of the Group in the next decade. The Group will continue to develop the city pipeline gas business, steadily expand and increase its market share in the existing market, and continue to promote one-stop city gas services actively to improve quality of life of residents. The Group will also actively expand its business to other regions with potential to look for new opportunities and new markets, and further develop value-added services and new retail segments. The Group will accelerate growth to achieve comprehensive development and increase revenue and efficiency through business expansion. With the gradual transformation to "technology-driven success", the Group utilizes its existing huge customer base, coordinates its comprehensive information system of "1+3+N", to achieve the upgrade of digitization and intelligence of gas corporate operation and management as well as the transformation of information and resources into economies.

As for the development of clean energy, the Group will start developing of other forms of clean energy with the support of resources accumulated in more than twenty years in the energy industry, and to establish its presence in the smart energy sector while at the same time ensure steady growth of its gas business, so as to achieve the gas and smart energy strategy. In 2022, the Group will create a core platform for smart energy, focus on the development of businesses such as distributed energy, diversified energy supply, construction and operation of microgrid, supply chain of smart and clean energy, zero-carbon and smart industrial park, clean and smart transportation, clean energy microgrid and energy storage and energy saving services, advisory design and construction business. The Company will gradually establish a user-oriented, diversified and low-carbon new energy system that is smart and safe, clean and efficient to meet the needs of users, and provide the users with more efficient and stable, safe and convenient, clean and low-cost integrated energy services. In the future, the Group will increase investment in new energy projects, and strive to build a well-known domestic brand in the field of integrated energy operation services.

In terms of energy trading business, the Group will continue to strengthen its work on maintaining gas sources supply and strengthening its ability on forecasting gas volume. The Group will follow the trend of the national energy system reform and maintain city gas supply as its core business. With the support of its existing resources, the Group will continuously carry out vertical expansion, actively plan its penetration in the retail terminals for domestic natural gas trading, especially to explore the distribution agency model in pipeline gas trading. With the comprehensive risk control measures implemented, the Group will explore the LNG trading when appropriate, so as to create a resource platform with integrated competitiveness. Under the Group's "one body, three wings" overall strategic planning guidance, the energy trading segment will continue to innovate its business model in customer energy solutions, smart logistics and supply chain finance to achieve transformation and upgrade in products, operations and strategies, hence becoming the new driver of the Group's second take-off.

In terms of safe operation, the Group will unrelentingly implement COVID-19 normalization, prevention and control measures, and will make plans for the rapid resumption of production and create emergency response plans to pandemic outbreaks, natural disaster or other emergencies. As always, the Group regards safety, quality, efficiency and effectiveness as its core values, of which safety has the utmost importance. Whether it is business management or daily operation, safety is imperative to support the long-term development of the Group. The Group will strengthen internal quality control, improve the management systems of all departments, enhance risk prevention and control, intensify comprehensive supervision for all businesses as well as the prevention and control of different types of operational risks, thus fostering the overall and healthy development of the Group.

The Group will also further strengthen its work on sustainable development, improve ESG governance gradually and integrate the ESG ideology into the daily operation and management of the Group, so as to improve our natural environment, promote social progression, create corporate value and make due contributions.

In the upcoming year, the Group will keep pace with the times, take a proactive approach and adhere to the operating principle of “market-driven, customer-oriented, and economic efficiency-centered” to gradually establish a diversified and low-carbon new energy system that is smart, safe, clean and efficient. The Group will continue to provide high-quality and efficient integrated energy services to its customers, and is dedicated to become the most valuable integrated energy service provider by making unremitting efforts to lead the Group to a new height.

APPRECIATION

In 2021, while the global pandemic continued to evolve, the external environment became more complex, and the domestic economy continued to recover although certain regions were still unstable and unbalanced. Meanwhile, the new COVID-19 variants were found in various areas in the PRC. The determination and efforts of our staffs were indispensable for the pandemic control and recovery of the safe and stable supply of city gas. I would like to express my sincere gratitude to them. The valuable contributions made by every member of the Group to its development and their fulfillment of corporate social responsibility was deeply appreciated. Finally, I would like to express my appreciation to all shareholders and customers of the Group for their long-term support and trust to the Group. The pandemic will end and dawn will arrive eventually. The Group will also continue to make progress and contribute significantly to society and the public.

Wang Wenliang

Chairman

Hong Kong

30th May, 2022



Good corporate governance measures can effectively help Zhongyu Energy establish and achieve its long-term strategies and objectives. The board of directors is the highest authority in the Group's governance structure, and the board of directors is fully responsible for the Group's environmental, social and governance strategies and reporting. 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.



Currently, the Group has set up an ESG working group. The ESG working group is fully responsible for the Group's sustainable development and ESG-related works and is required to report work progress regularly to the board of directors. The main duties of the ESG working group are:



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

As an essential component of corporate governance, the Group is of the view that, the risk management and internal control system has a key role and is significant to the fulfillment of business objectives. The board of directors is responsible for the establishment of the risk management and internal control system to ensure clear management structure with well-defined monitoring rights and responsibilities. The effectiveness thereof is reviewed regularly by the Audit Committee.

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. To ensure the proper implementation of the policy, the Group has appointed the department of planning and finance to coordinate with related departments, including the human and resources department, the marketing department, the procurement department, the audit and supervision department, the safety operation department and the president office. The department of planning and finance oversees the implementation of the policy and assures the continuous communication with the staff members regarding the policy. The department of planning and finance is also responsible for regular modification of the policy. Taking into account factors such as the change of operation, regulatory requirements, the results of participation of stakeholders and the effectiveness of the environmental, social and governance measures, the department of planning and finance has to conduct review at least once a year to examine and modify the policy. All modifications of the policy are subject to approval from the management headquarters. And all staff members and related stakeholders should be notified in writing in respect of the modifications.

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 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 working group of the Group, the board of directors has identified the following environmental, social and governance risks and ensured that the corresponding measures are adequate and effective.



Principal environmental, social and governance risks	Impact	Control measures
 Occupational safety	<p>As an energy enterprise, the Group attaches great importance to the protection of employees' health and safety at work. In the course of operation, employees' trust in the Group will falter when health and safety problems occur to employees, thus affecting the 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.
 Product liability	<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>	<p>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.</p> <p>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.</p>

FUTURE PROSPECTS

According to the board of directors' promotion and deployment of strategic transformation and upgrading of the Group, in order to further standardise the Group's effort and progress in sustainable development, the board of directors will establish an ESG Committee in February 2022, and clarify specific responsibilities and the management structure of the committee. Currently, the ESG group serves as a standing organisation for the specific work of the ESG Committee, which consists of personnel from various functional departments of the headquarters and the subsidiaries. Meanwhile, the board of directors understands that the existing risk management and internal control system has not adequately covered all sustainable development issues, and hence plans to include potential environmental, social and governance issues into the Group's risk management system to improve risk management.



As climate change issues are becoming more and more severe, the Group has made continuous efforts in addressing climate change to identify potential risks and opportunities. At the same time, the Group is committed to reducing

greenhouse gas emissions and other air pollutants from its operations and moving towards a low-carbon future. The Group has three approaches in response to climate change:



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 transition 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.

In 2021, Zhongyu Energy actively cooperated with the government to promote the "coal-to-gas" 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 policy. Based on intelligent technologies, the Group focused on directing 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 energy dual driving. During the reporting period, 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 AECC Gas Turbine Co., Ltd., Shandong Shuifa Paisi Gas Co., Ltd. and Shanghai Aerospace Smart Energy Company, in which cooperation in smart energy project development, equipment promotion and technology development will be commenced.



Apart from natural gas, 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. Zhongyu Energy has built a geothermal energy project in Henan, which achieved heating in winter and cooling in summer.

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. The board of directors believes that as one of the ultimate solutions for green energy, hydrogen has great potential. On 22nd April, 2021, the Group launched a hydrogen discussion with Beijing Tsinghua Industrial Development Research Institute. The Group will continue to participate in the national process of “carbon peaking” and “carbon neutrality”, actively collaborate with Tsinghua Industrial Research Institute throughout the entire hydrogen industry chain, actively attempt to utilise hydrogen as an energy transition pathway, and contribute to the realisation of the dual-carbon goal.

RESPONSE TO RISKS

Climate change also exposes us to physical and transitional risks, such as service disruptions, facilities depletion, as well as a range of asset impairment and economic loss resulting from the increase of operating costs. Of which, physical risks could be a variety of safety production accidents caused by extreme severe weather, such as typhoons, high temperature, heavy rain and flooding.

In 2021, Henan encountered extreme rainfall causing large-scale flooding in many cities throughout the province, 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.

The significant asset insurance work of the Group achieved remarkable results in 2021. In order to further improve the closed loop of risk management and control, the three principles of group insurance, comprehensive insurance and systematic insurance have been clarified. The Group has formulated and issued the “Notice on Establishing the Group’s Insurance Work Leading Group”, which clarifies the organisational structure of the Group’s insurance work and the division of responsibilities of each relevant unit.

In 2021, a total of 85 subsidiaries of the Group participated in various types of insurance under the principle of “full insurance coverage and full liability coverage”. In the rainstorm disaster occurred in Henan Province on 20th July, a total of 24 subsidiaries suffered from property losses of varying extent. Upon negotiation with the insurance company, it was ultimately confirmed that 24 subsidiaries received their corresponding compensation, which effectively minimised the direct and indirect losses caused by natural disasters such as rainstorms and floods to minimum.

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.

REDUCING GREENHOUSE GAS EMISSION

Zhongyu Energy is committed to reducing its own carbon footprint. In response to the objectives of the Paris Agreement, Zhongyu Energy has formulated the group emission reduction plan, decreasing the total greenhouse gas emissions (scope 1 and scope 2) by 1.5% per year until 2023, using the 2020 level as baseline. The Group will also continue to improve the internal data collection system and ESG reporting scope to provide stakeholders with more comprehensive and accurate information in the future.

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 invest vigorously in low carbon projects of smart cities, photovoltaics, zero-carbon industrial parks, distributed energy, regional energy supply, etc., and promote cutting-edge renewable energy technologies.

- **Objective 2:** By 2024, to achieve 800 MW photovoltaics installed capacity and a further 2400-3000MW by 2030.
- **Objective 3:** In-depth research and development to achieve substantial breakthroughs in energy storage, hydrogen energy, energy digitalisation, 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.

FUTURE PROSPECTS

The Group will 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. To ensure the long-term sustainability of our business, the Group is formulating a climate change response policy. It is expected to identify the actual and transitional risks brought about by climate change by 2023, and attempt to try its best to mitigate the identified risks, establish targeted risk management and Improve current facility management models to more effectively prepare for extreme weather. 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 is capable of withstanding them.



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
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

During the Year, the Group appointed an independent consultant to assist the management in reviewing the environmental, social and governance issues in the Guidelines, and identifying material issues based on its own business development and industry characteristics as well as its impact on stakeholders and the Group's operations. Based on the results of the review, the management considers that the substantive issues of the Group during the Year are namely:

• Utilisation of Resources

- The board of directors believes that the reasonable use of resources is an integral part of achieving sustainable development and saving operating costs. The Group insists on saving energy and water in daily office work. Inspection and analysis are regularly conducted to improve the efficiency of energy resources utilisation.

• Employees Benefits & Development

- Employees are the most valuable asset of the Group, and the management of talent and the career development of employees are the priorities of the Group. It strives to introduce people-oriented policies to attract and retain employees. The board of directors places great emphasis on employee development and training. It actively provides various development and training opportunities to employees, and organises training activities to enhance employees' vocational skills and expand their career development paths.

• Community Engagement

- Zhongyu Energy has always been committed to building social cohesion, providing education and training, and dedicating to the communities it serves. The Group is committed to bringing changes to the community, and strives to promote social and economic development to create long-term value for the society.



FUTURE PROSPECTS

The Group values the opinions of stakeholders and is willing to improve its environmental, social and governance performance. Therefore, the Group will consider regularly inviting stakeholders to rate the importance of each substantive issue to the Group and make relevant suggestions, and take the opinions of stakeholders into consideration in identifying

substantive issues. In addition, the Group is committed to strengthening its management approach to key issues and incorporating sustainability elements into its business, as well as looking forward to developing a more comprehensive sustainability framework.





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

ENVIRONMENTAL MANAGEMENT POLICY

The Group continues to improve its environmental management system and strictly abides by all applicable environmental laws and regulations in 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, and the Regulations on Waste Disposal and Water Pollution Control Ordinance etc., and strives to manage and reduce the impact of daily operations on the environment, including waste, greenhouse gas emissions, water resources, land pollution, etc. The Group is committed to improving source and resource management continuously, and strategies to combat climate change and environmental protection. Based on the national environmental policy and its operating characteristics, Zhongyu Energy is actively formulating the Group’s environmental management policy and environmental protection guidelines, and practicing the development concept of “clear waters and green mountains are as valuable as mountains of gold and silver”. During the Year, there were no reported cases of non-compliance in respect of emission or the environment.

Zhongyu Energy understands that its operations may cause certain 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 coal use through its own business. The Group is committed to strengthening its work related to natural gas management based on the Group’s internal environmental, social and governance 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 energy cooperation with relevant government departments, and fully implement “coal-to-gas” projects under national carbon neutrality strategy, to minimise air pollution from operations. In the future, we will continue to focus on smart energy and distributed energy development to improve comprehensive energy utilisation.

The Group is committed to avoiding pipeline construction in ecologically sensitive areas based on scientific selection principles. In the process of project design, construction and operation, standard pollution prevention technologies and methods will also be adopted. Meanwhile, it will increase the vegetation coverage to reduce soil erosion during the construction process, thereby ensuring that construction of the whole project is in line with the Group’s environmental management plan.

GREENHOUSE GAS AND AIR POLLUTANTS EMISSION

Zhongyu Energy attaches great importance to energy conservation and emission reduction, and updated the calculation basis of greenhouse gas emissions during the Year. Calculations are based on the Guide, the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions and Removals from Buildings (Commercial, Residential or Public) in Hong Kong published by the Hong Kong Electrical and Mechanical Services Department and the Environmental Protection Department (2010 Edition), and ICAO’s carbon emissions calculator and regional emission factor coefficients.

In 2021, the Group’s total greenhouse gas emissions were approximately 31,149.5 tonnes of CO₂ equivalent with greenhouse gas intensity of 6.4 tonnes of CO₂ equivalent per capita. Among which, the total emission of Scope 1 and Scope 2 was 30,795.3 tonnes of CO₂ equivalent, representing a decrease of 1.5% compared with last year, and achieved the emission reduction target for the Year.



Greenhouse gases	Unit	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	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	10,985.0	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	354.2	534.0
Total greenhouse gas emission	Tonnes of CO ₂ equivalent	31,149.5	31,797.5
Greenhouse gas emission intensity (Calculated by the number of employees)	Tonnes of CO ₂ equivalent/ employee	6.4	6.8

The main sources of air pollutants related to the Group's office operations during the Year include nitrogen oxide, sulphur oxide and particulate matter generated from the combustion of fossil fuel in natural gas transport vehicles, commercial vehicles, backup generators and boilers. During the Year, the scope of disclosure of the key environmental performance indicators includes the offices in Hong Kong, and offices and gas stations in Mainland China. Certain offices in Mainland China are equipped with kitchen equipment, generators and boilers, which produce small amount of air pollutants emission when used.

Type	Unit	2021
Nitrogen oxides NO _x	kg	9,716.9
Sulphur oxides SO _x	kg	0.3
Particulate matter PM	kg	945.3

Due to the natural gas business expansion, the number of vehicles used for natural gas transportation increased. The Group plans to replace the LNG transport vehicles of the energy trading company from fuel vehicles to LNG storage tanks, and will proactively purchase electric vehicles for newly purchased commercial vehicles (such as security inspection vehicles, emergency repair vehicles, community service vehicles, etc.) to reduce carbon emissions and air pollution.

In addition, the Group actively conducts inspections on pipelines, applies high-efficiency technologies, identifies waste gas and greenhouse gas emission sources generated during operations, and strengthens emission source management. We promote the culture of low-carbon office, encourage employees to take public transportation and avoid the use of the company's vehicles and unnecessary travel when possible.

Zhongyu Energy focuses on its own carbon footprint, and is committed to minimising the exhaust gas generated during operation and achieving the annual goal of emission reduction.



WASTE MANAGEMENT

During the Year, the Group generated a total of 440.2 tonnes of waste, including 6.4 tonnes of hazardous waste (such as waste batteries and waste oil¹) and 433.8 tonnes of non-hazardous waste (including office waste and household waste). Non-hazardous waste generation intensity was 88.9kg/employee, and hazardous waste generation intensity was 1.3kg/employee.

Types of wastes	Disposal methods	Unit	2021
Non-hazardous waste	Classified for recycling and processed by municipalities	Tonnes	433.8
Hazardous waste	Periodically collected and processed by qualified contractors	Tonnes	6.4

Zhongyu Energy manages and controls waste and utilises resources through a number of measures, implements waste classification and management, and reuses and recycles all resources as much as possible, thereby reducing environmental pollution, which includes:

- adopt the “5R” principle (“replace”, “reduce”, “reuse”, “recover” and “recycle”) to manage wastes;
- 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;
- implement garbage classification of hazardous and non-hazardous wastes, and separate hazardous waste for storage; and
- regularly review the generation and recovery of hazardous and non-hazardous waste, and develop waste reduction targets based on actual circumstances.



ENERGY USE MANAGEMENT

Energy use is primarily derived from energy consumption in daily operations and from non-renewable fuels, including diesel, gasoline, natural gas and liquefied petroleum gas, used in official vehicles and trucks for transportation and construction of pipelines. According to the Administrative Management System, our office principally adopts natural ventilation. If artificial cooling or heating is required, a suitable and environmental-friendly method for cooling and heating is selected after technical comparison. The Group also regulates employees to adjust the temperature of air-conditioners to 26 degrees Celsius, turn off the power when leaving the office, and clarify the responsibilities of middle-level managers in each department to supervise electricity consumption, so as to minimise energy waste.

Indicator	Unit	2021	2020
Purchased electricity	MWh	18,809.6	21,311.1
Non-renewable energy consumption	MWh	86,360.5	105,836.0

By establishing an energy management system, the Group has formulated and regularly reviewed energy targets and indicators based on the data of the previous year to reduce per capita electricity consumption. In the future, Zhongyu Energy will continue to reduce energy use and enhance energy management to improve energy efficiency of the Group and contribute to sustainable development.

WATER RESOURCES USE MANAGEMENT

Zhongyu Energy places great importance to the use of water resources and advocates water conservation, and aims at reducing per capita water consumption intensity continuously. In order to reduce water resources consumption, water-saving technologies were adopted in the office, such as the water-saving faucets, water-saving toilet systems, etc., so as to improve water efficiency. Meanwhile, the Group has also posted water-saving slogans in the operation sites, educated staffs to save water and encouraged them to treasure water, thereby improving management of water resources in various operation sites.

In 2021, the total water consumption of the Group was approximately 151,426.0 cubic meter, which was mainly for municipal water supply, and there was no problem encountered for obtaining suitable water sources.

Indicator	Unit	2021
Total water consumption	Cubic meter	151,426.0
Water consumption intensity	Cubic meter/person	31.1



Zhongyu Gas 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 assisting in the mutual growth of employees and the Company.

EMPLOYMENT AND RIGHTS OF EMPLOYEES

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, Management Regulations on Personnel Rejection and Environmental, Social and Governance Policy 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.

During the Year, Zhongyu Energy had a total of 4,876 employees, of which 193 were new employees.

Number of employees		Unit	2021	2020
Total number of employees		Person	4,876	4,683
By geographical region	Mainland China	Person	4,864	4,673
	Hong Kong, China	Person	12	10
By gender	Male	Person	3,257	3,114
	Female	Person	1,619	1,569
By employment type	Full-time employees	Person	4,601	–
	Part-time employees	Person	275	–
By age	30 years old and under	Person	1,357	1,160
	Between 31-40 years old	Person	1,882	1,840
	Between 41-50 years old	Person	1,127	1,128
	Over 50 years old	Person	510	547
By position level	Senior management	Person	270	–
	Middle management	Person	421	–
	General employees	Person	4,185	–

Employee turnover rate		2021
By geographical region	Mainland China	6.8%
	Hong Kong, China	0%
By gender	Male	7.7%
	Female	5.2%
By age	30 years old and under	9.7%
	Between 31-40 years old	7.4%
	Between 41-50 years old	3.8%
	Over 50 years old	3.9%

Meanwhile, the Company encourages employees to make suggestions and advice for its 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.

The Group complies with relevant laws and regulations, such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). During the Year, there 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 rest period

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.



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.

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 Management System of Human Resources of Zhongyu Energy. It 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.

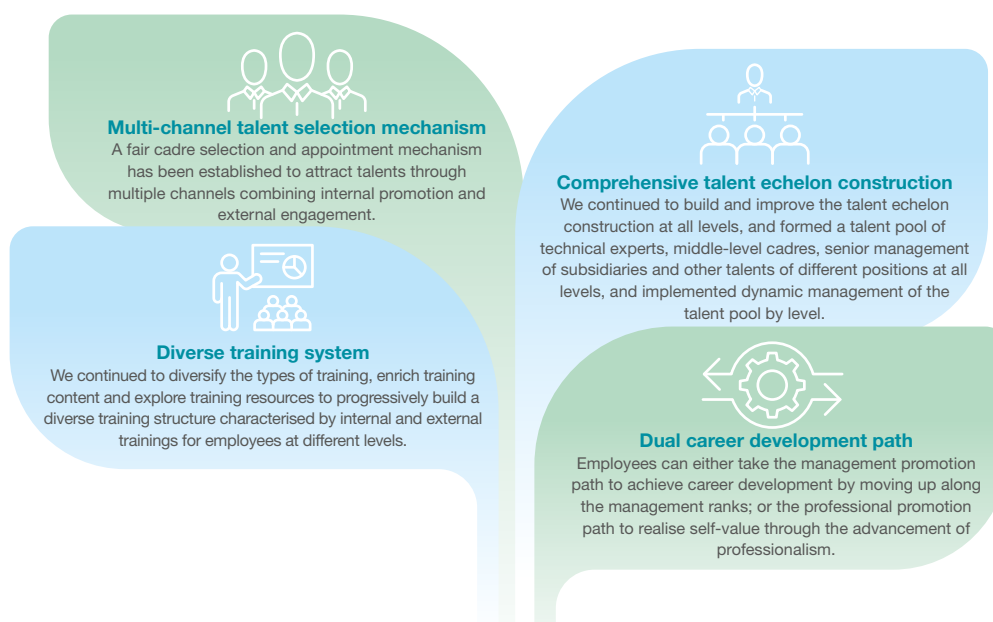
Scope	Management measure
Child labour	The Group stipulates that all employees shall meet the minimum age requirement stated in local law and shall verify the age of applicants during recruitment process. If a child labour is employed by mistake, the child labour will immediately be stopped from working and sent to hospital for medical examination. Meanwhile, the relevant person in charge shall contact his/her guardian or the education department where he/she is located. All expenses incurred will be borne by the Group.
Forced labour	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.



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

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.

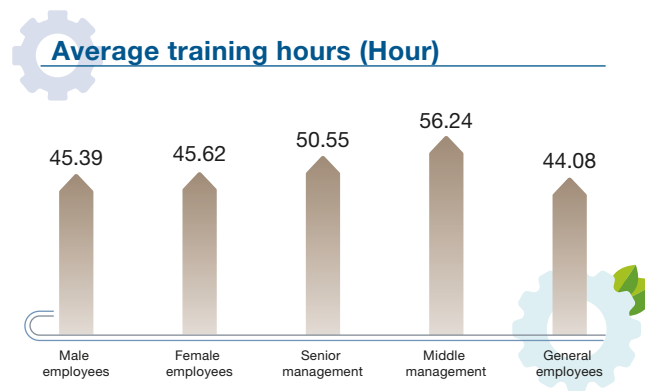


Zhongyu Energy recognises that providing a variety of training programs can help enhancing the professional knowledge and skills of new and existing employees. The Group continuously enriched its staff training course system, standardised and improved training activities at the operational, resource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



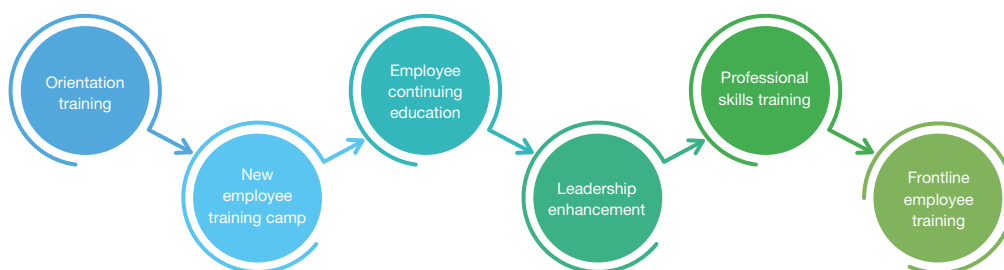
During the pandemic, the Group utilises online and offline learning and various knowledge sharing channels to reach more employees and maximise learning results. It will regularly develop new courses for employees to support current and future business development needs. The Group currently set up a specialised “Cloud Learning” online platform which has accumulated nearly 2,000 courses, and new courses are launched monthly to enrich its learning resources. In 2021, the average training hours of the Group’s employees were 48.4 hours, representing an increase of 57% over the previous year.

		2021	2020
Average training hours of employees	Hour	45.5	30.9





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, including:



Orientation training	By providing orientation training that includes corporate culture, company system and safety production knowledge, it helps new employees to understand the basic knowledge and corporate philosophy of various positions.
New employee training camp	The Group emphasises the training of newly recruited freshmen. Multi-module training such as expansion training, president's lecture, lecturer sharing, and site visits are conducted every year. At the same time, the mentoring program is used to ensure that new employees receive sufficient attention and guidance.
Employee continuing education	<p>Joint colleges and universities have set up high-level admission courses for adults, and recruited in-service employees for city gas engineering technology (diploma) and building environment and energy application engineering (undergraduate) to carry out correspondence-based re-education.</p> <p>The Group is currently integrating with other universities and vocational and technical colleges to continue expanding the continuing education platform for employees.</p>
Leadership enhancement	There are training courses for middle-level management personnel and training courses for senior management personnel. It cooperates with renowned universities and industry associations to provide targeted training for the management personnel of the Group, so as to continuously improve the "professionalisation" ability of our management team.
Professional skills training	The Group organises internal trainer teams formed by business cadres of each subsidiary, carries out course development based on position experience extraction, and forms a series of training courses for professional and technical personnel.
Frontline employees training	The Group places great emphasis on vocational skills training for frontline employees, and has built a professional training base in Jiaozuo City, Henan Province. As the home base for practical training of the Group, it has played an important role in boosting business development.

If necessary, the training organisation will also conduct examination to assess the performance of employees to ensure that their job knowledge and skills have been improved. In addition, the Group also regularly evaluates the performance as a reference for employee promotion and benefits.



The Group actively cultivates high-level, professional and skilled talents and builds a learning and exchange platform for employees. In 2021, after on-site inspection and verification by experts from Henan Municipal Public Utilities Association, the distributed energy station of Xinmi Maternal and Child Health Hospital, the Group's first commercial operated distributed energy station project, won the "China City Gas Association Natural Gas Distributed Energy Henan Training Base" certification. Utilising this training base to organise several trainings on the development and construction of projects in the field of natural gas distributed energy, the Group gradually formed a complete training system and teaching model to conduct live-action analogy and practical operation exercises to meet the needs of practical training exercises and professional skill appraisal. In addition, the base also undertakes the social function of vocational training for the local gas industry.



Zhongyu Energy Natural Gas Distributed Energy Henan Training Base



Annual Engineering Knowledge Contest

On 20th October, 2021, the final of Zhongyu Energy's first Engineering Knowledge Contest was successfully held in the subsidiary in Luohe. More than 40 subsidiaries watched the contest live through video conference system.

Leveraging its internal "cloud learning" platform, the Group built a question pool of required engineering knowledge and skills compiled by project management system, pre-settlement knowledge, normative documents and other requirements for the knowledge contest. A total of more than 12,000 project management personnel at all levels completed the online contest, and the average daily participation rate of engineering personnel reached 75%. The contest not only served as an important inspection of the effectiveness of regular trainings on required knowledge and skills, but also an important means to identify weaknesses and make up for shortcomings.

The successful holding of the engineering knowledge contest provided more learning and exchange opportunities for engineers, effectively inspired employees' potential and helped them to constantly surpass themselves at work and achieve their ideal career development.





Training on service quality and professional communication skills for hotline staff

In order to improve the professional skills and service level of the hotline staff of the Group's service supervision call centre, senior consultants in the customer service industry, national second-level psychological consultants and practical lecturers were invited by the Group to give lectures on site with case-based teaching and result-oriented methodologies. The training, which was carried out in two phases, put four major dimensions at its core, namely emotional relief and mentality shaping, customer type analysis, key links of professional communication and complaint handling skills, to further emphasise the importance of hotline, pay attention to the cultivation of and response to professional verbal skills, and ignite hotline staff's passion for work and promote the improvement of business communication with flexible and changeable case-based teaching method.



The Group deeply understands that anti-corruption training plays an important role in the promotion of the Group's development and fair competition environment. Every year, the audit and supervision department conducts special training for the Board and all employees with in-depth explanation on the importance of proper moral values to corporates. During the Year, Zhongyu Energy has carried out "2021 Special Training on Audit and Supervision" and "Special Training on Ten Major Red Lines of Zhongyu Employee Behaviour" for employees.

Attaching great importance to employee development, Zhongyu Energy has formulated an annual training plan for the Group's employees. Taking 2020 as the baseline, it is targeted to increase the average training hours of employees by 10% each year until 2023. The Group intends to enhance the competitiveness and facilitate the mutual growth of employees and the Group by continuously promoting the mentoring program, reviewing the management system, optimising the online training platform and enriching the training courses.



HEALTH AND SAFETY

In 2021, 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, continuously improve occupational health and safety and eliminate any safety hazards incurred in the course of operation. In 2021, the Group had no work-related fatalities.

Health and safety	Unit	2021	2020	2019
Number of work-related fatalities	Person	0	0	0
Lost days due to work injury	Day	45	53	100

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.

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 has organised and carried out 161 safety emergency drills in total, by which it further fulfilled its corporate responsibility on safety issues, fully inspected the scientific rationale of all project companies' contingency plans and the emergency response capabilities of the rescue teams, and comprehensively improved the emergency rescue capabilities. In 2021, the Group held another annual online competition on safety knowledge with a total of 2,575 participants. In addition, the Group has established a special inspection team, which has successively visited 13 subsidiaries to supervise the special safety work. Each subsidiary has also conducted safety inspection on a regular basis to improve the level of safety management and firmly build a safe line of defence for smooth operation.



The Group 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.



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

SUPPLY CHAIN MANAGEMENT

Supply chain management is an important part of the Group's operation. Good supply chain management enables the Group to provide high quality products and services to its users. The Group has formulated management systems such as 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. 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 2021, the Group has employed 2,460 suppliers, including 2,459 from Mainland China and 1 from Hong Kong, 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 and is aware that certain suppliers have obtained ISO9001:2015 Quality Management System Certification, ISO 14001:2015 Environmental Management System Certification and ISO45001:2018 Occupational Health & Safety Management System Certification. While supplying products with good quality, all suppliers 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, such as to:

Environmental

- 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; and
- obtain permission for environmental impact assessment.

Social

- 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; and
- 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.

Health and safety

The Group attaches great importance in customer health and safety. Therefore, it establishes a safety management system and implements standardised management. Through supervision, inspection and measurement verification, each process (including facility design, engineering, operation and maintenance) is in compliance with safety standards.

The Group also reduces health and safety hazards of gas users through household safety inspection. 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.

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 “Essential Responses for Gas Accident Emergency of Residential Users” and the emergency plan requirements, and the emergency work group 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.

In addition, the Group ensures that employees have the ability to implement procedures for emergency incidents through annual planned training and special drills which focus on production safety and operation and management. The Group will also formulate an annual safety work plan, require employees at all level to sign the “Safety Management Objective Responsibility Letter”, and conduct strict assessment on the safety objectives. Every year, Zhongyu Energy also accepts special inspections and on-site visits from relevant government departments at any time.





Emergency drills

In 2021, the subsidiaries of the Group successively carried out emergency drills in summer and winter. The drills simulated scenarios such as conflagration led by high-pressure pipeline leakage, low-temperature storage tank valve leakage at LNG stations, household gas leakage and pipeline network leakage due to third-party construction damage. At the drill site where the emergency plan was initiated, the Company's rescue teams including the alert and evacuation team, the valve control team, the fire rescue team, the medical rescue team and the emergency maintenance team successively arrived at the scene after receiving emergency notification and carried out their respective rescue procedures in an intense and orderly manner according to the division of responsibilities as planned.



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.

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.

Product Quality & Recall

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 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.

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 nearly 4 million customers of various types of the Group. Zhongyu Energy will continue to optimise the management and functions of the call centre to build a multi-level customer complaint handling platform and promote the overall improvement of the Group’s customer service level.






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 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.

In 2021, the Group received a total of 830 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 four types. All departments actively handled various types of complaints and strengthened communication with customers to improve their satisfaction.



Types	Description of issues	Handling methods
 Inquiry of gas payment	Users made inquiry of the concession policy, gas price, payment method and relevant government policies.	The relevant company or department must arrange personnel to provide an explanation or respond to the customer within twenty-four hours.
 Recovery notice of gas fee	Control meters malfunctioned by cutting off automatically or failing to count users' gas usage. Users did not understand the additional payment of gas fee and the fee incurred for the replacement of malfunctioned meters and inquiries or complaints were made accordingly.	The safety inspection department will continue to step up its efforts in residence safety inspection, and will replace abnormal meters and recover outstanding gas fee in a timely manner, avoiding the losses and adverse impact to the Company incurred by meter malfunctioning and further protecting the Company's image to external parties.
 Opening up of gas service	New users registered at the same time and failed to open an account in time or the number of requests for appointment coordination increased	The work order delivery process has been actively optimised to provide users with reasonable time arrangement and services.

Customer privacy protection

The Group values the customer privacy and 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 the "Information Basic Data Management and Maintenance System" 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.

ANTI-CORRUPTION

Since 2019, Zhongyu Energy has formulated and attempted to implement 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. During the Year, the Group did not receive any reported cases of corruption.



Zhongyu Energy Accountability System

- 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.

Notice on Further Strengthening the Supervision and Contribution of the ‘Top Leaders’ and the Management Team

- 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.

Zhongyu Energy Reporting Management Measures (Trial)

- It aimed at maintaining the normal production and operation order of the Company, ensuring that the interests of the Company would not be damaged. It cracked down on violations of laws and regulations such as infringement of the interests of the Company and disruption of the development order of the Company.
- 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.

Ten Red Lines of Zhongyu Energy Employee Behaviour

- 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”.

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 through reaching out to campus, community publicity and education, volunteer activities and charitable donations.

In 2021, the Group actively organised and participated in the publicity and consultation activities held by various local government departments, and launched 245 safety sharing activities in multiple forms including social media to share gas safety knowledge and raise the awareness of gas safety among the wider community. In order 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.

Over the years, the Group has been investing in and encouraging its employees to join in public welfare activities to actively perform their social responsibilities. Adhering to the mission of "developing clean energy and achieving a better life", in 2021, the Group has donated a total of RMB5.86 million in community construction and poverty alleviation work.



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, spreading the knowledge of gas safety among every family.



Public welfare activities

Zhongyu Energy has established 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 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 donations

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



GOLDEN AUTUMN SCHOLARSHIP

On 27th August, 2021, the “Golden Autumn Scholarship” activity initiated by the subsidiary in Jiaozuo was held by the Jiaozuo Volunteering and Caring Alliance as scheduled. For the Year, a total of more than RMB70,000 was raised through the “Golden Autumn Scholarship” to support 15 college-bound students to study in their favourite universities. 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 many years in a row, Zhongyu Energy has supported the underprivileged students to realise their dreams of studying in university, demonstrating its commitment to charity and public welfare.



“PRODUCTION SAFETY MONTH” PUBLICITY AND CONSULTATION

In June 2021, to echo with the 20th national “Production Safety Month”, all member companies of Zhongyu Energy actively participated in the “Safety 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. Taking the gas explosion accident occurred in Shiyan, Hubei on 13th June as a cautionary case, the staff illustrated the safety and importance of gas notification devices, safety self-closing valves, stainless steel corrugated hoses and other products to users.





REACH OUT TO CAMPUS

In 2021, Zhongyu Energy successively carried out the “Campus Gas Safety Publicity” activities, where students could easily acquire in-depth knowledge of gas safety through interesting animated videos, vivid explanations, brochures and safety warning films. Not only did the activities enhance the safety awareness and safety skills of teachers and students, but also equipped the students to be ambassadors for spreading safety messages, extending gas safety education activities from schools to families.



During the period of college entrance examination, all subsidiaries organised and carried out examination support activities and spread love and blessings by providing convenient services to candidates and parents. Setting up service counters near certain examination locations, volunteers distributed drinking water, anti-pandemic masks and emergency supplies for cooling and heatstroke prevention to candidates, and provided parasols, stools and mineral water to examination staff and accompanying parents. At the same time, on the eve of the college entrance examination, 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 to secure a safe examination environment for candidates and ensure safe and stable gas supply during the period of college entrance examination.





CHARITY AND PUBLIC WELFARE

On 24th June, 2021, the subsidiary in Yanshi led a team to a special education school and carried out the “Show Love, Spread Safety” activity. The team delivered summer school uniforms to nearly 100 children with special needs and conducted safety inspections on gas pipelines and other campus facilities in the school kitchen and other places using professional leak detectors, extending safety publicity and love to the special groups.



In 2021, in terms of one-to-one targeted poverty alleviation, Liuxiagou Village, Shaoyuan Town (a provincial poverty-stricken village with the Civil Affairs Bureau as the poverty alleviation unit), the poverty alleviation target undertaken by the subsidiary in Jiyuan, had successfully shaken off poverty. Moreover, in providing targeted agricultural support, the subsidiary in Luohe signed a public commitment to “serve the people and solve their difficulties” and partnered with Gongtang Village, Wanjin Town, Zhaoling District to help Gongtang Village resolve the shortcomings of infrastructures and improve the quality of life. On 17th July, 2021, the subsidiary in Luohe implemented an innovative model of “brand live streaming+ corporate mutual assistance + agricultural assistance and support”. Leveraging the “Zhongyu iFamille” (中裕家) platform, it sold more than 3,000 orders of hemp, nuts and other characteristic agricultural products of Luohe with sales amount of more than RMB1.60 million, effectively mitigating the difficulty of selling agricultural products and bringing characteristic agricultural products of Luohe into thousands of households through online sales.



OVERVIEW OF KEY PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE

Key Environmental Performance Indicators		Unit	2021	2020
Emission	Nitrogen oxides	kg	9,716.9	4,373.7
	Sulphur oxides	kg	0.3	609.8
	Particulate matter PM	kg	945.3	161.0
	Total hazardous waste	kg	6,417.9 ⁽¹⁾	2.2
	Intensity of hazardous waste (Calculated by the number of employees)	kg (g)/employee	1.3kg	0.5g
	Total non-hazardous waste	Tonnes	433.8	605.4
	Intensity of non-hazardous waste (Calculated by the number of employees)	kg/employee	89.0	130.0
Energy consumption	Consumption of purchased electricity	MWh	18,809.6	21,311.1
	Non-renewable energy consumption ⁽²⁾	MWh	86,360.5	105,836.0
	Electricity sold	MWh	21,740.8	1,158.9
	Total energy consumption ⁽³⁾	MWh	105,170.1	127,147.1
	Intensity of energy consumption	MWh	21.57	27.15
Greenhouse gas emission	Scope 1 Direct greenhouse gas emission	Tonnes of CO ₂ equivalent	19,810.3	18,964.2
	Scope 2 Energy indirect greenhouse gas emission	Tonnes of CO ₂ equivalent	10,985.1	12,299.3
	Scope 3 Other indirect greenhouse gas emission	Tonnes of CO ₂ equivalent	354.2	534
	Total greenhouse gas emission	Tonnes of CO ₂ equivalent	31,149.5	31,797.5
	Greenhouse gas emission intensity (Calculated by the number of employees)	Tonnes of CO ₂ equivalent	6.4	6.8
Utilisation of resources	Total water consumption	Cubic meter	151,426.0	97,677.7
	Intensity of water consumption (Calculated by the number of employees)	Cubic meter	31.1	20.9
	Paper products	Tonnes	33.80	—
	Paper products recycled	Tonnes	1.34	—
Environmental compliance	Cases of environmental non-compliance	Number	0	0

¹ In the prior years, hazardous wastes include waste batteries and disposable masks. The data represents an increase over the prior year as waste oil production is newly included in the report for the Year.

² Consumption of non-renewable fuels is the sum of the consumption of gasoline, diesel, natural gas and liquefied petroleum gas.

³ Total energy consumption is the sum of consumption of non-renewable fuels and purchased electricity. The consumption of renewable fuels of the Group is mainly used for electricity sales business, therefore it is unnecessary to include in the calculation of total energy consumption.

OVERVIEW OF KEY PERFORMANCE INDICATORS



SOCIAL PERFORMANCE

Number of employees		Unit	2021	2020
Total number of employees		Person	4,876	4,683
By geographical region	Mainland China	Person	4,864	4,673
	Hong Kong, China	Person	12	10
By gender	Male	Person	3,257	3,114
	Female	Person	1,619	1,569
By employment type	Full-time employees	Person	4,601	–
	Part-time employees	Person	275	–
By age	30 years old and under	Person	1,357	1,160
	Between 31-40 years old	Person	1,882	1,840
	Between 41-50 years old	Person	1,127	1,128
	Over 50 years old	Person	510	547
By position level	Senior management	Person	270	–
	Middle management	Person	421	–
	General employees	Person	4,185	–

OVERVIEW OF KEY PERFORMANCE INDICATORS



Employee turnover rate		Unit	2021	2020
By geographical region	Mainland China	Percentage	6.4	–
	Hong Kong, China	Percentage	0	–
By gender	Male	Percentage	7.7	–
	Female	Percentage	5.2	–
By age	30 years old and under	Percentage	9.7	–
	Between 31-40 years old	Percentage	7.4	–
	Between 41-50 years old	Percentage	3.8	–
	Over 50 years old	Percentage	3.9	–

Training and development		Unit	2021	2020
Total number of trained employees		Person	4,819	4,605
By gender	Number of male employees trained	Person	3,221	3,011
	Number of female employees trained	Person	1,598	1,594
By position level	Number of senior management trained	Person	257	–
	Number of middle management trained	Person	413	–
	Number of general employees trained	Person	4,149	–
Average training hours of employees		Hour	45.5	30.9
By gender	Average training hours of male employees	Hour	45.4	30.6
	Average training hours of female employees	Hour	45.6	31.1
By position level	Average training hours of senior management	Hour	50.6	–
	Average training hours of middle management	Hour	56.2	–
	Average training hours of general employees	Hour	44.1	–

OVERVIEW OF KEY PERFORMANCE INDICATORS



Training and development		Unit	2021	2020
Employee training rate		Percentage	99.0	93.4
By gender	Training rate of male employees	Percentage	99.1	87.0
	Training rate of female employees	Percentage	99.0	100
By position level	Training rate of senior management	Percentage	99.2	–
	Training rate of middle management	Percentage	98.3	–
	Training rate of general employees	Percentage	99.1	–

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

Anti-corruption		Unit	2021	2020
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 suppliers		Unit	2021	2020
Hong Kong		Number	1	246
Mainland China		Number	2,459	

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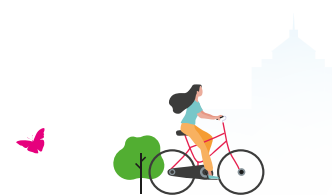
Main Aspects	Description	Relevant Sections/Descriptions	Page
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air pollutants and greenhouse gas emissions, discharges into 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	17-20
A1.1	The types of emissions and respective emissions data.	Environmental Performance	44
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).	Environmental Performance	44
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance	44
A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance	44
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Greenhouse Gas and Air Pollutants Emission	17-18
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.	Waste Management	19
A2 Utilisation of resources			
General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials.	Environmental Management Policy	17
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 Performance	44
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Resources Use Management	20

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Main Aspects	Description	Relevant Sections/Descriptions	Page
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Use Management	20
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.	Water Resources Use Management	20
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 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Management Policy	17
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Environmental Management Policy	17
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	12-14
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	12-14

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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	19-23
B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	Social Performance	45-47
B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance	45-47
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.	Health and Safety	30-31
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety	30
B2.2	Lost days due to work injury.	Health and Safety	30
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety	30-31
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Training	24-29
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance	45-47
B3.2	The average training hours completed per employee by gender and employee type.	Social Performance	45-47



Main Aspects	Description	Relevant Sections/Descriptions	Page
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.	Labour Standards	23
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	23
B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	23
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	32-33
B5.1	Number of suppliers by geographical region.	Supply Chain Management	32-33
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.	Supply Chain Management	32-33
B5.3	Description of practices relating to identifying environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	32-33
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	32-33
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.	Product Liability Note: As the Group's products and services do not involve extensive advertising and labelling, the Group does not have relevant policies in place.	33

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Main Aspects	Description	Relevant Sections/Descriptions	Page
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Delivered Product Recall	36
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service Management	37-38
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property	36
B6.4	Description of quality assurance process and recall procedures.	Delivered Product Recall	36
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Privacy Protection	38
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.	Anti-corruption	38
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.	Anti-corruption	38
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption	38-39
B7.3	Description of anti-corruption training provided to directors and employees.	Talent Training	29
B8 Community Investment			
General Disclosure	Focus areas of contribution (e.g. education, environmental issues, labour demand, health, culture and sports)	Community Engagement	40-43
B8.1	Resources contributed (e.g. money or time) to the focus areas.	Community Engagement	40-43

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 2021 Sustainability Report (hereinafter called the “Report”). The Report stated the sustainability performance of Zhongyu Energy in the period of 1st January 2021 to 31st December 2021.

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

Senior General Manager, Innovation Business

26th May 2022

征程万里 笃行致远

BUILT TO LAST



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ZHONGYU ENERGY

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