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Environmental, Social and Governance Report 2019





Our ESG Approach

At The Hong Kong and China Gas Company Limited (Towngas), we are committed to environmental, social and governance (ESG) development in every aspect of our business as we work towards creating a sustainable world. This is reflected in our Vision and Mission, which guide us in our evolving ESG strategy for the benefit of future generations.



Creating Business Opportunities

Diversify our portfolio for business development growth and deliver sustainable economic performance

Financial Performance



- Revenue: **HK\$40,628 million**
- 266** projects outside of Hong Kong
- Customer accounts
 - **1.93 million** for town gas business (Hong Kong)
 - **29.78 million** for city-gas business (mainland China)
 - **2.38 million** for water business (mainland China)

Green Finance



- Obtained **post-issuance stage certification** under HKQAA¹ Green Finance Certification Scheme

Sustainable Business



- 1st food waste processing and utilisation project** at Suzhou Industrial Park in trial production
- >24,000 tonnes** of HVO² sold to Europe

¹ Hong Kong Quality Assurance Agency

² Hydro-treated vegetable oil



Strengthening Corporate Governance

Uphold strong corporate governance standards and operate ethically

Risk Management



- Stepped up monitoring** of emerging risks with significant impact and systematically mitigated relevant risks to an acceptable level

Business Ethics



- Launched a company-wide **anti-fraud campaign** to promote anti-corruption and integrity



Ensuring Health and Safety

Manage our operations safely and responsibly and provide a safe and healthy environment for our employees and workers

Customers and Public



- Customer-related emergency reports (Hong Kong)
 - ↓ **37%** in last five years
- Gas incidents reported by the public per 10 km of gas pipes (Hong Kong)
 - ↓ **24%** in last five years
- Serious gas-related accidents (mainland China)
 - ↓ **43%** in last five years

- Process safety management audits conducted at **all** of ECO's³ operating chemical plants in the mainland

Occupational Safety and Health



- Accident frequency rate (Hong Kong)
 - Employees: **0.18**
 - Contractors: **0.14** accidents per 100,000 man-hours

³ ECO Environmental Investments Limited, a wholly-owned subsidiary of Towngas



Protecting the Environment

Reduce our environmental footprint and combat climate change

Climate Change



- Carbon intensity of gas production (Hong Kong)
 - **0.597 kg** CO₂e/unit of town gas
 - ↓ **22%** compared with 2005 baseline
- Started to disclose **climate-related information** as per TCFD⁴ recommendations

Resources



- >1,600 tonnes** of metal recovered through the Used Gas Appliance Recycling Programme

⁴ Task Force on Climate-related Financial Disclosures



Contributing to Stakeholders

Create value for all of our stakeholders and the communities in which we operate

Employees



- Number of employees
 - **2,474** (Hong Kong)
 - **50,352** (outside of Hong Kong)
- Average training hours per employee
 - **22.4 hours** (Hong Kong)

Customers



- 99.99%** supply reliability rate (Hong Kong)
- Implemented **a mandatory Privacy Impact Assessment** to identify any potential risks before launching new projects or processes

Community



- Volunteer service
 - **87,557 hours** (Hong Kong employees and customers)
 - **264,440 hours** (mainland utility employees)

Suppliers



- 1st public utility** in Hong Kong to complete ISO 20400 Sustainable Procurement Assessment

In 2019 we developed an ESG Framework and articulated five key areas for ESG development, in alignment with our Vision and Mission, to steer our work in creating a sustainable future. Our achievements were showcased below.

The ESG Framework centres on our philosophy of "**Growth = innovation x implementation**". Towngas understands that a culture of innovation is critical for the future of our Company, and has established platforms and initiatives to encourage creativity and instil an innovative mindset among its employees. For more details, visit our website:





Our Promises and Targets

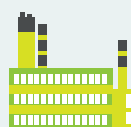


Creating Business Opportunities

Guided by our vision to be Asia's leading supplier of clean energy, Towngas anticipates the types of energy and fuel that will be used in the future. We keep looking for opportunities to develop new forms of sustainable energy and energy distribution, while facilitating the transition to clean energy.

In the years ahead, we plan to invest billions of Hong Kong dollars in the development of innovative green technologies and to identify new markets for our established energy business, with a focus on "waste to treasure". Many projects are already under way and will be replicated or scaled up if proven successful.

- Target to achieve **3.5 billion m³** in distributed energy systems gas sales by 2022
- A pilot biomass project in Tangshan city, Hebei province to **convert agriculture waste into furfural and paper pulp** scheduled for trial production in 2020
- Explore other possible sites for **a new HVO plant** in Southeast Asia



Ensuring Health and Safety

As a public utility and a leading energy supplier in Hong Kong and mainland China, we must ensure our facilities are well-designed, safe to operate, properly maintained and regularly inspected so they do not cause harm to people or the environment.

Towngas has also pledged to achieve zero accidents among employees and contractors, to provide customers with a safe supply of energy, and to promote health and safety awareness to the public.

We will continue to strive for higher standards to maintain our commitment to safety.

- Extend **ISO 45001** certification to subsidiaries
- Develop **smart sensors** and **remote control systems** for cooking appliances
- Install **sensors** to monitor transmission and distribution systems



Protecting the Environment

Envisioned to be the greenest company of its kind based in Hong Kong, we fully recognise the challenge of climate change faced by the world today.

We are studying transition risks and opportunities across our portfolio under various climate change scenarios, according to the Recommendations of the Task Force on Climate-related Financial Disclosures, and then integrate them into our strategic planning. That will, in turn, allow us to develop businesses that are resilient to the climate-related issues and uncertainties we face.

- Advance our **climate change risk assessment** covering long-term risks and opportunities
- Achieve **30%** carbon intensity reduction in our Hong Kong gas production by 2020, as compared with the 2005 baseline
- Establish medium- to long-term **carbon reduction targets**



Contributing to Stakeholders

As a socially responsible company, we believe in creating value for our stakeholders.

In our operations, we are committed to developing a robust and resilient workforce that innovates, leads and learns, while providing employees with a fulfilling career in an inclusive working environment.

We place great importance on satisfying customers with respect and care. In the communities we serve, we contribute to programmes that enhance quality of life, protect the environment and support the aspirations of future generations. We are also committed to building long-term business relationships with partners and suppliers for our mutual benefit and prosperity.



- Continue to broaden/expand our recruitment practices to create **a diverse talent pool**

- Introduce an **electronic learning** management system to better track staff learning and performance progress; expand eLearning



- Further develop the existing **privacy management** programme in line with our corporate governance responsibilities and accountability to stakeholders

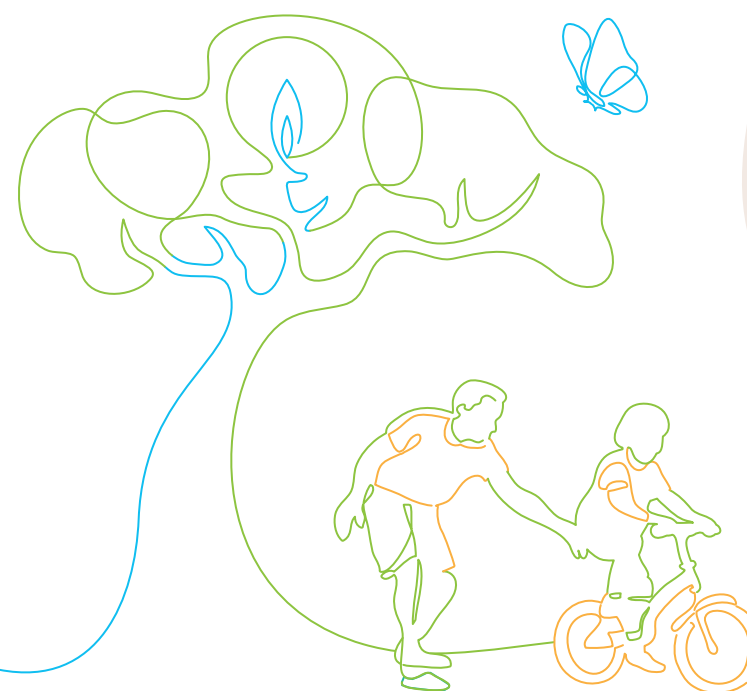


- Explore the needs of our customers and **launch new products and methods**, such as developing more energy-efficient steaming appliances and wok ranges, as well as smart appliances with remote and safety monitoring functions

- Continue **supporting NGOs** and identifying community programmes that benefit society



- Work with suppliers to improve their **ESG performance**



Strengthening Corporate Governance

Good governance is the foundation of sustainability.

To safeguard the interests of our stakeholders, we are committed to maintaining good corporate governance, enhancing risk management and embedding our corporate culture of integrity and ethics into the mindset of our staff.



- Launch an **eLearning module** on training to further promote business ethics

- **Effectively manage existing and emerging risks** in operating environments with social, political and economic changes

The Hong Kong and China Gas Company Limited

香港中華煤氣有限公司

About Towngas

The Hong Kong and China Gas Company Limited (Towngas) is a limited liability company incorporated and headquartered in Hong Kong and listed on The Stock Exchange of Hong Kong Limited (00003:HK).

Founded in 1862, Towngas was Hong Kong's first public utility. Over the years, Towngas has transformed from a small gas company supplying fuel for street lamps in Hong Kong into a leading conglomerate in Hong Kong and mainland China's energy industry. Today, it is one of the largest energy suppliers in Hong Kong, operating with world-class corporate management and leading-edge business practices.

About the ESG Report

The environmental, social and governance (ESG) report covers our approach to ESG, which is based on the Towngas ESG Framework, discloses our achievements in five key areas, and acknowledges where further improvements can be made.

The full version of this report is available on our corporate website at

<https://ocp.towngas.com/sustainabilityrpt/2019/en/index.html>



We welcome comments on this report, as well as any opinions on our future ESG strategy. Please contact us:

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