



[Stock code: 3]

Environmental, Social and Governance Report 2020

Summary Report

Go Green
EVERY DAY



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 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.

Align with our Vision and Mission, our ESG Framework steers our work in creating a sustainable future.

The ESG Framework centres on our philosophy of “Growth = innovation x implementation **G=i x i**”. 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 our employees.

More details are available on our website:



Creating Business Opportunities

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

Financial Performance

- Revenue **HK\$40,927 million**
- **437** projects outside Hong Kong
- Customer accounts:
 - **1.94 million** for town gas business (Hong Kong)
 - **31.81 million** for city-gas business (mainland China)
 - **2.53 million** for water business (mainland China)

Green Finance

- Towngas' **HK\$734.4 million Green Bond** continued to support four major waste-to-energy projects

Sustainable Business

- Expanded hydro-treated vegetable oil (HVO) plant in Zhangjiagang city, Jiangsu province, to convert inedible bio-grease feedstock into an advanced biofuel, bringing annual production capacity to **250,000** tonnes
- Developing a **smart energy business**, including solar photovoltaic power generation systems and energy storage facilities

Ensuring Health and Safety

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

Occupational Safety and Health

- Implemented **Corporate Preparedness Plan for Infectious Diseases** during COVID-19 to protect staff and contractors
- Accident frequency rate (Hong Kong)
 - Employees : **0.32**
 - Contractors : **0.25**
 accidents per 100,000 man-hours

Customers and Public

- Customer-related emergency reports (Hong Kong)
 - ↓ **35%** in last five years
- Serious gas-related accidents (mainland China)
 - ↓ **84%** in last five years
- **No major incidents** at our chemical plants (mainland China)

Strengthening Corporate Governance

Uphold strong corporate governance standards and operate ethically

Risk Management

- Ensured the **effectiveness of our risk management framework** by continuously mitigating risks that may have a significant impact on our business

Business Ethics

- Reinforced our **culture of integrity** and launched e-learning modules to further promote business ethics



Protecting the Environment

Reduce our environmental footprint and combat climate change

Climate Change

- Carbon intensity of gas production (Hong Kong)
 - **0.592** kg CO₂e/unit of town gas
 - ↓ **23%** compared with 2005 baseline
- Conducted a scenario analysis on **climate-related transition risks and opportunities**

Resources

- Electrical power consumption at Towngas' North Point Headquarters:
 - ↓ **4.29%** compared with 2019
- Used Gas Appliance Recycling Programme: **>1,600** tonnes of metal recovered

Contributing to Stakeholders

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

Employees

- Number of employees
 - **2,495** (Hong Kong)
 - **51,067** (outside Hong Kong)
- Average training hours per employee:
 - **17.5** hours (Hong Kong)

Customers

- **99.99%** supply reliability rate (Hong Kong)
- Set up a team of **departmental data protection coordinators** to enhance the effectiveness of the Privacy Management Programme
- **5,814** customer compliments received (Hong Kong)

Community

- Volunteer service hours
 - **16,633** hours (Hong Kong employees and customers)
 - **714,300** hours (mainland utility employees)
- Love on Delivery programme distributed **30,000** fresh food packs to **1,000** underprivileged families

Suppliers

- Assessed **over 170** major suppliers in Hong Kong and mainland China on their corporate social responsibility performance



OUR ACTIONS AND TARGETS



Creating Business Opportunities

Although global carbon emissions fell by a record 7 per cent in 2020 because of the COVID-19 pandemic, this was only a temporary respite from issues associated with the worldwide climate emergency. At Towngas, we have the resources, expertise and determination to take on the challenges of climate change through the innovative research we do in green technologies and the investments we make in green businesses. With these and the other measures we have undertaken, we are well positioned to make a significant contribution towards a more sustainable future for our stakeholders and the world at large.



In the process of developing **2 pilot projects** in Hebei province to convert agricultural waste into products such as furfural and/or cellulosic ethanol



Exploring new **food waste treatment** projects in other cities



Ensuring Health and Safety

The safety of all our stakeholders is of paramount importance to Towngas. We strive to provide customers with a safe and reliable supply of energy, while also maintaining a high standard of safety at our facilities, with a target to achieve zero accidents among our staff and contractors.

In accordance with our commitment to safety, we organise occupational safety and health programmes for our staff and contractors. We also develop smart appliances with safety features that address the needs of an ageing society and introduce advanced technologies such as artificial intelligence and big data analytics to further improve the safe operation of our network.



Extend **ISO 45001** certification to subsidiaries



Develop **smart sensors** and **remote control systems** for cooking appliances



Develop an in-house **Hazard and Operability (HAZOP) Studies Talent Pool** across chemical plants



Protecting the Environment

We are preparing to meet the growing challenge of climate change to create a more sustainable future.

During the year, we continued to improve our climate resilience with ongoing physical risk assessments to strengthen our emergency preparedness and modified our facilities to withstand extreme weather and sea level rise. We also assessed how transition risks could impact Towngas under various climate change scenarios and identified opportunities that could help us develop a resilience strategy.



Establish medium- to long-term **carbon reduction targets**



Increase **biogas usage**



Advance our **climate change risk assessment** covering long-term risks and opportunities



Contributing to Stakeholders

As a socially responsible company, we contribute to the betterment of society and create value for our stakeholders. Within our operations, we are responding to the challenge of an ageing population by developing a sustainable talent pipeline through the expansion of our recruitment efforts to attract young people to the gas industry and the provision of training to our staff. We also develop community programmes for the elderly.

In the process of digital transformation, we adopt new technologies to deliver training, enhance our operational performance, create new products and services, and manage our suppliers.



Continue to broaden/expand our recruitment practices and engage the younger generation to create a **sustainable talent pipeline**



Develop **new training programmes** to transform our businesses and succession planning



Further develop the existing **Privacy Management Programme**



Continue to explore the needs of our customers to launch **new products/services**



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



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



Strengthening Corporate Governance

A high standard of corporate governance is a signal to stakeholders, including investors, that a company is well managed, ethical and transparent. At Towngas, we maintain corporate policies and guidelines to ensure good corporate governance, with relevant whistleblowing channels in place for reporting improprieties. We have also implemented a robust risk management framework in preparation for any contingency in the everchanging business environment.

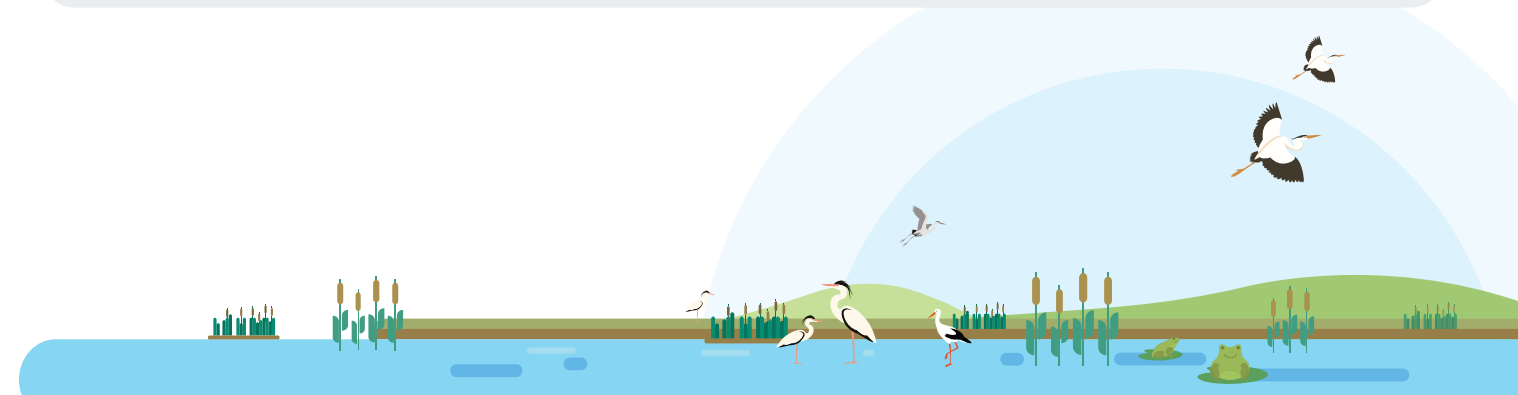
To embed our corporate culture of integrity and ethics into the mindset of our staff, we provide comprehensive mandatory training for all new joiners, as well as regular refresher training and promotion campaigns to ensure their knowledge is up-to-date.



Launch diversified campaigns for all levels of employees to reinforce our corporate culture of **Courtesy, Craftsmanship and Integrity**



Promote **business ethics and compliance** by regularly reviewing relevant policies and guidelines, and carrying out training and internal audits



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 (Stock Code: 3).

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://www.towngas.com/en/Sustainability/Sustainability-Report/Sustainability-Report/2021/ESG2020>



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

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