

Health and Safety

Apart from our zero accident target, we also target to improve health and safety performance from the previous year.

- No fatalities from employees and contractors
- Group Lost-Time Injury Frequency Rate:
 - » Employees: **0.36**
 - » Contractors: **0.20**accidents per 1,000,000 man-hours
- Towngas and **56** project companies achieved ISO 45001 certifications

Customer Satisfaction

The Towngas Service Pledge has quantitative targets across six key performance areas, which are updated annually.

- All targets achieved
- Service quality (including efficiency & courteous and friendly attitude) exceeded target

Local Community

Towngas strives to contribute to the communities we serve and create long-term value for our stakeholders as outlined in our Social Investment Policy.

- Supported people in need during COVID-19 outbreak
 - » Delivered **19,960** fresh food packs to families with decreased income
- Volunteer service hours:
 - 14,122** hours (Hong Kong)
 - 578,586** hours (Mainland utility businesses)

Workforce

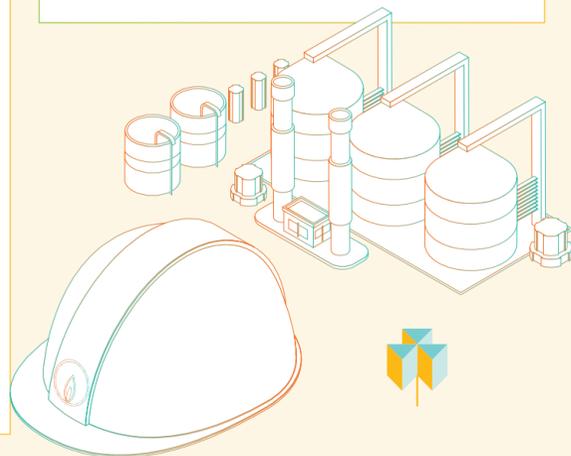
We are committed to providing an inclusive and rewarding work environment that leads to high engagement and enables our staff to grow and develop their potential in their careers with us.

- Training and development
 - » Average training hours per employee:
 - 21.6** hours (Hong Kong)
 - 51.5** hours (outside Hong Kong)
- Zero tolerance for discrimination
 - » Gender diversity (Male: Female) **3.5:1** (Hong Kong)
 - » **2.2:1** (outside Hong Kong)
 - » Hiring the disabled: **14**
- Respect human rights and prohibit illegal labour and human trafficking

Sustainable Supply Chain

The Code of Practice for Suppliers sets out the Corporate Social Responsibility (CSR) requirements every Towngas supplier must follow.

- CSR performance is one of the supplier selection criteria
 - » Assessed **> 90%** of suppliers (based on total purchase value of products and materials) - No significant negative impact was found



ESG Governance

ESG Committee is responsible for overseeing the Company's ESG strategies, policies and practices.

- Headed by the Managing Director who is appointed by the Board
- The Chairman reports ESG matters to the Board regularly
- **8** Executive Committee Members
- **2** members of senior management

ESG Policy

Towngas launched the Group ESG Policy with **23** ESG-related policies (examples as follow).

- **E:** Climate Change, Environment (resources, air quality and biodiversity)
- **S:** Health and Safety, Human Rights
- **G:** Board Diversity, Anti-Fraud, Personal Data Privacy



Legal Compliance

Towngas complies with all major local laws and regulations which have a significant impact on the Group, including:

- Anti-corruption
- Anti-competitive behavior
- Customer privacy
- Environment
- Health and safety
- Labour standards



Board Diversity

Adopted Board Diversity Policy and Nomination Policy to ensure it has a balance of skills, experience and diversity of perspectives appropriate to the requirement of the Company's.

- **67%** of the Board is independent or non-executive directors

EXPERTISE / SKILLS (Independent or Non-executive Directors)

Information Technology **3** Real Estate **3**

Financials **2** Utilities **1**

- At least 1 female board member will be appointed to the Board on or before 31 December 2024

Business Integrity

- Compliance with the Code of Conduct is linked to the employee remuneration
- Training in anti-corruption and the Code of Conduct is mandatory for all staff
- Suppliers are required to maintain high standard of ethics as stipulated in our Code of Practice for Suppliers



(Stock code: 3)

Environmental, Social and Governance Report

2021
Report Summary





In the transition to a low-carbon economy, we understand the risks associated with a changing climate and have made appropriate provisions for them in our businesses.

We have summarised how Towngas manages its impacts on climate change which aligns with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Towngas Board of Directors (the Board)

ESG Committee

- Meets twice a year to discuss climate-related issues

Board Audit and Risk Committee

- Supports the Board to overseeing overall risk management system

Climate Change Policy

Climate-related risk

- One of Towngas' key risks
- Embedded in risk management process
- Reviewed and updated every 6 months

Scenario Analysis

Transitional Risk

- Stringent climate policies
- Natural gas demand ↓
- Substitute by low/ zero carbon technologies
- Shareholders divest from fossil fuels

Physical Risk

- Assets in the Chinese mainland
 - » Heavy rainfall
 - » River floods
 - » Typhoons
 - » Extreme temperatures
- Tai Po Gas Production Plant
 - » Low-to-moderate risk from flooding and typhoons

- Resilience measures at the planning and design stages
- Flood gates
- Maintenance and inspection programmes

Transitioning to a low-carbon future

GHG Emission

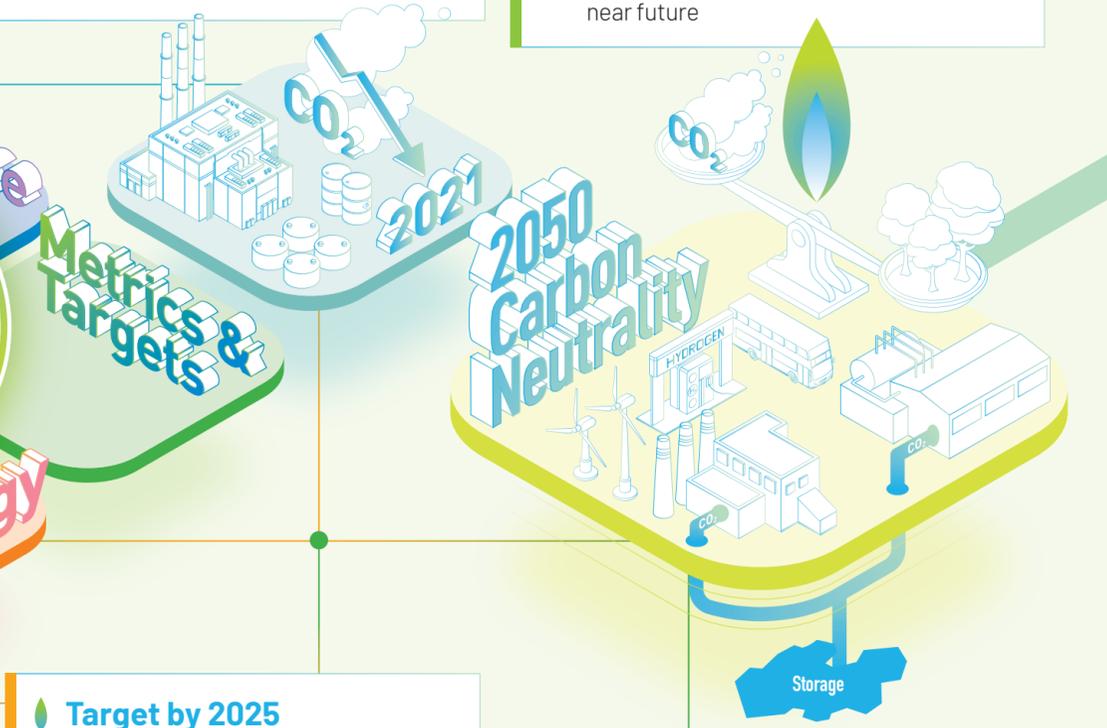
- Group (Scope 1 and 2) : **1,503,000** tCO₂e
- Gas distribution business in the Chinese Mainland (Scope 1, 2 and 3) : **13,336,000** tCO₂e
- Hong Kong gas production carbon intensity
 - » **0.588** kgCO₂e/ unit of town gas
 - » **↓23%** (2005 baseline)

Green Finance

- HK\$2 billion** ESG loans
- HK\$734.4 million** green bond

Climate-related Opportunity

- City-gas : **303** projects, **>35** million customers
- Smart energy
 - » **>110** renewable energy projects planned
 - » **32** zero-carbon smart industrial parks negotiated for development
- Food waste processing
 - » **>160,000** tonnes of organic waste processed to generate bio-natural gas in Suzhou
- Biomass utilisation
 - » **~ 180,000** tonnes of hydro-treated vegetable oil produced from waste oil
 - » Produce sustainable aviation fuel in the near future



Target by 2025

- Group operational GHG emissions **↓10 %** (2020 baseline)
- Reduce **10 million** tonnes of GHG emissions for the environment per year
- 200** zero-carbon industrial parks
- 8** GW solar photovoltaics

- Further energy efficiency improvement
- Renewable energy and biofuel
- Carbon capture and trading
- Green hydrogen
- Carbon management

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 the Chinese mainland'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 website at <https://bit.ly/3NhIk02>.



ESG INDICES



Greater China Business Sustainability Index
Rank 1, Exemplar Level



Greater Bay Area Business Sustainability Index
Rank 1, Exemplar Level



Hong Kong Business Sustainability Index
Rank 1, Exemplar Level



Hang Seng Corporate Sustainability Index 2021-2022
AA



CDP 2021 - Climate Change score
B



MSCI ESG Ratings 2021
BBB



Sustainalytics ESG Risk Ratings 2021
Medium Risk



2021 Corporate Sustainability Assessment - ESG Scores
51

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

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