

SHARING THE WARMTH

SUSTAINABILITY

As financial pressures mounted during the COVID-19 pandemic, we launched the Towngas Love on Delivery programme and distributed 30,000 fresh food packs to 1,000 families who required immediate relief with food expenses.





SUSTAINABILITY

As a leading utility company in Hong Kong and mainland China, we take our responsibilities to stakeholders very seriously. Guided by our Environmental, Social and Governance (ESG) framework, Towngas has a commitment to sustainability that extends to how we conduct our business, ensure health and safety, protect the environment, serve the community and strengthen corporate governance. Our aspiration is to become one of the greenest and most esteemed companies in Hong Kong and mainland China.

A Leader in Sustainability

In recognition of our sustainability efforts, Towngas has received an average of over 50 awards each year since 2015. In 2020, we were ranked first on both the Greater Bay Area Business Sustainability

Index (GBABSI) and the Hong Kong Business Sustainability Index organised by The Chinese University of Hong Kong Business School's Centre for Business Sustainability. We were also the only company on the

GBABSI to be ranked at the highest Exemplar tier. These rankings acknowledge our commitment to ESG.

Our corporate governance and business practices are guided by sound business ethics. During



GREEN PROMOTION DURING COVID-19

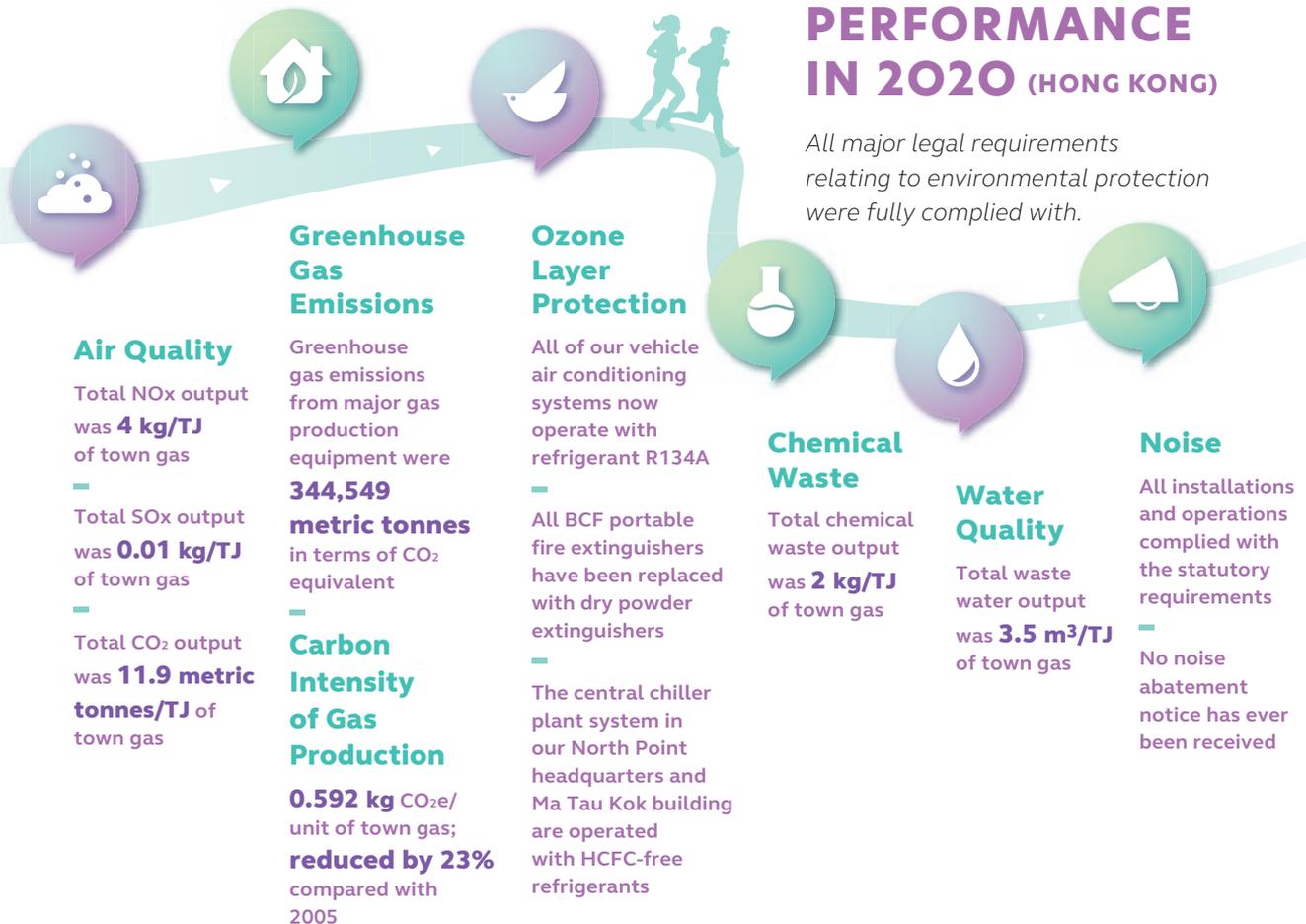
During the year, working from home as well as online shopping and learning became the “new normal”. To engage our customers and the public on the subject of environmental protection, we made greater use of digital platforms such as Facebook, Instagram and other social media. One example is our *Towngas Low Carbon Action!* page on Facebook for sharing green information, tips and recipes, as well as promoting green events by our company and environmental groups. Workshops, quizzes and thematic webinar were also held online to promote environmental awareness.





KEY ENVIRONMENTAL PERFORMANCE IN 2020 (HONG KONG)

All major legal requirements relating to environmental protection were fully complied with.



the year, we complied with laws and regulations that have a significant impact on the Group.

Protecting the Environment

With the growing concerns about climate change across the world, many global leaders have set out strategies for reducing carbon emissions in accordance with the Paris Agreement signed in 2016. At the United Nations

General Assembly in September 2020, mainland China declared it would aim to peak its carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060.

At Towngas, we are committed to this vision through our core businesses of providing cleaner forms of energy, in many cases by assisting our customers to switch from fuels such as coal to natural gas, which

lowers carbon emissions by about 40 per cent. With our focus on innovation, we have also pioneered a number of alternative energy projects, such as advanced biofuels, that help to conserve resources and reduce pollution.

Our Journey to a Low-carbon Future

Our environmental policy guides us in how we conduct our business. Since the 1970s,

SUSTAINABILITY

we have been utilising naphtha, a clean oil product, to replace coal and heavy oil as our production fuel in Hong Kong. We have also introduced natural gas and landfill gas in our fuel mix, which has further reduced our carbon footprint. Greenhouse gas emissions from the production and consumption of town gas represent only about 1 per cent and 3.8 per cent of Hong Kong's total emissions respectively.

In mainland China, our city-gas projects help the country to build a cleaner environment by providing low-carbon, highly efficient and economical energy solutions. One such initiative is our business in Distributed Energy Systems, which offer an energy efficiency rate of up to 80 per cent and can supply power and heat for both industrial parks and residential districts. We are also developing a smart energy business, which combines photovoltaic power generation with power storage functions and harnesses the Internet and big data in analytics and management systems in order to achieve higher energy efficiency and reduce emissions.

Our agricultural waste utilisation pilot project in Tangshan, Hebei province, produces high-value chemical products with patented biomass gasification technology.

As the first energy utility in Hong Kong to issue a green bond, we have dedicated considerable resources towards the development of green technologies. These include converting waste into energy or other valuable materials, such as biomass-based vehicular fuels and chemical products. Our plant in Jiangsu province is currently in full operation with an annual production capacity of 250,000 tonnes of hydro-treated vegetable oil. Given the success of this project, we plan to upgrade our facilities with the capability to produce sustainable aviation fuel. We are also exploring the possibility of using our patented biomass gasification technology to produce hydrogen-rich gas from agricultural waste.

During the year, the Group incurred over HK\$180 million in total research and development related expenditures in Hong Kong and mainland China.

In the future, we will bring more green projects that contribute to a carbon neutral world on stream.

Additionally, we have implemented the recommendations of the Task Force on Climate-related Financial Disclosures and conducted a gap analysis to examine our current practices against these recommendations. Various risk assessments and management exercises were also conducted to ensure we remain resilient to climate change.

Promoting Green Awareness

On an ongoing basis, we support education initiatives and events by environmental groups, although many were either postponed or cancelled due to social distancing during the pandemic. We also continued our Plantation Enrichment Project with The Green Earth to maintain biodiversity in country parks at a new planting site at Shing Mun Country Park. Other green programmes in which we





The Towngas Volunteer Service Team joined over 100 welfare organisations to deliver mooncakes to the elderly and disadvantaged.



We distributed fresh food packs to families in need during the Towngas Love on Delivery programme.

CARING INITIATIVES IN 2020

Towngas Concession Schemes

benefit the elderly, people with disabilities, and single-parent and low-income families



Total gas concessions:
HK\$26 million

Total beneficiaries:
Over 45,000 households

Festive Foods for the Community

Rice dumplings distributed:
154,300



Mooncakes delivered:
130,500



Donations to Support Community Activities

HK\$7.9 million

Number of volunteer hours

Hong Kong: **16,633**
Mainland China: **714,300**



participated included WWF's Earth Hour, which calls on the public to switch their lights off for one hour to combat climate change, and the Used Clothes Recycling Bin Design Competition for primary and secondary students with Friends of the Earth (Hong Kong).

Serving the Community

We make every effort to care for the community and provide services that improve public

health, social integration and personal wellbeing. During the COVID-19 pandemic, we maintained our caring initiatives through a wide range of volunteer and philanthropic activities to serve the elderly and help the disadvantaged.

Love on Delivery

Together with the Christian Family Service Centre, Towngas launched the Love on Delivery programme for underprivileged families suffering financial

hardship as a result of job loss or underemployment due to COVID-19. From May to December 2020, 30,000 fresh food packs were distributed to 1,000 families. As volunteer visits were not possible during the pandemic, we offered our voluntary services online. We also organised small-scale interactive contests and published information on Towngas job openings, health, gas safety, and home repairs.

SUSTAINABILITY

Unemployed Support Scheme

To help people in the community who had lost their jobs as a result of the economic downturn, we set up the Unemployed Support Scheme. Short-term employment opportunities were offered under the scheme to about 60 job seekers. Selected candidates who demonstrated outstanding performance were offered a one-year contract after completing their short-term jobs with us.

Mad Dog Café Charity Programme

In the past, our employees prepared foods to raise funds for the annual Mad Dog Café charity programme. Although the event had to be cancelled in 2020 due to the pandemic, the Company contributed funds towards the

purchase of air purifiers, which were much in need for sanitising care homes for the elderly and disabled.

Mainland Caring Initiatives

To deal with the challenges of COVID-19, we donated health supplies and medicine to mainland hospitals as well as medical staff and their families. These included supplies such as face masks, medical gloves, protective clothing, goggles and disinfectant as well as financial assistance. Health education programmes were also organised in local districts across the country.

Our project companies also rolled out various initiatives in their cities. In Anhui, Guangdong, Liaoning and Shandong provinces, for instance, they waived gas bills or donated

appliances for medical staff who had been dispatched to Hubei province, while in Suzhou our volunteer team distributed food to the families of medical workers. When discovering that blood banks were understocked during the epidemic, our companies in cities such as Guangzhou, Tongling and Fuxin, initiated a blood donation drive and called on all healthy and eligible employees to participate. Another programme, the Bauhinia Action initiative, was launched to meet the basic needs of underprivileged families in 26 cities, including donations of gas appliances and daily necessities.

In 2020, we once again organised activities for the Gentle Breeze Movement programme. These included donations of school



Volunteers from our project companies participated in anti-epidemic work in communities during the early phase of the COVID-19 outbreak.

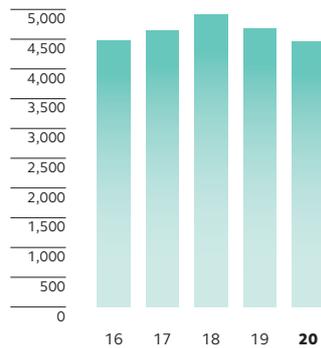


We donated stationery and teaching supplies to schools in Qijiang, Chongqing under the Gentle Breeze Movement programme.



Revenue per Employee

Company (HK\$ thousand)



supplies and stationery in Qijiang, Chongqing, where we also distributed 2 tonnes of rice from our Towngas Bauhinia Farm to 22 primary schools. During a visit to a primary school in Qingyuan, Guangdong province, we delivered school supplies such as computers, desks, chairs and physical education necessities. Our volunteers also helped set up a Towngas China Charity Library and repaired the school's facilities.

Building a Sustainable Workforce

We strive to retain and nurture our people by providing a desirable work environment that enables them to develop a fulfilling career with us. To help our employees achieve better work-life balance, we implemented flexible working hours at the beginning of 2020. In addition, we enhanced our medical benefits in Hong Kong

and provided additional insurance coverage in mainland China related to the coronavirus.

Protecting Our Staff against COVID-19

With the outbreak of COVID-19, our primary concern was to minimise the risk of infection among our staff and to keep them healthy.

For our employees and contractors, particularly frontline technicians who had to visit customers' homes, we provided appropriate protective gear and disinfectant supplies. To reduce employees' potential exposure at work and during their daily commutes, we introduced work-from-home arrangements and offered flexible working hours. Some non-emergency on-site services, such as regular safety inspections and meter readings, were suspended. We also required employees to quarantine themselves under specified circumstances and offered free tests if it was thought that they had come into contact with suspected COVID-19 cases.

During a year of global economic downturn and the worldwide COVID-19 pandemic, we organised training programmes under the theme of "Overcoming Challenges" to equip our staff with a positive mindset, skills and knowledge. In keeping with our work-from-home arrangements

and social distancing practices, we replaced many of our face-to-face activities with online platforms and webinars or adopted blended training methods that combined online learning with smaller face-to-face classroom sessions. We also produced new in-house e-learning videos and online training programmes, which were shared on our Smart Learning System. Topics included work practices during COVID-19, coaching and communication skills, as well as sales skills, among others. In 2020, we provided an average of 17.5 hours of training per employee in Hong Kong.

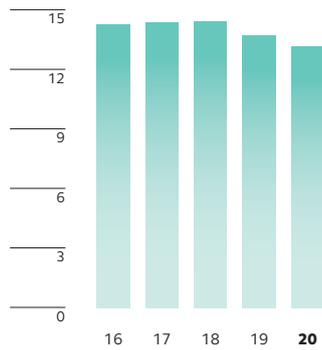
Developing the Talent Pipeline

To meet the demands of our business development, we are directing our recruitment efforts to candidates of different age groups in various job categories, including both technical and non-technical personnel. Through our apprenticeship training schemes, we continued to recruit and develop young talent to ensure a competent workforce. During the year, we expanded the scope of our sponsorships so that our apprentices could pursue further studies or academic qualifications.

In support of the Post-50 Internship Programme organised by the Employees Retraining Board, we offered a four-week internship for candidates aged 50

Town Gas Sales per Employee

Company (million MJ)



or above to help them develop new skills. For students, we provided the opportunity to gain real-life work experience as summer interns and co-operative trainees and, in 2020, recruited 95 of them for the programme. Moreover, we launched a graduate trainee programme for mainland China in which young candidates were selected to train as future managers in our mainland utility businesses.

The Towngas Engineering Academy provides professional training to our technical staff, gas technicians, contractors and new joiners. This training underlies our excellent reputation for gas safety and customer service and helps attract young people to the gas industry. During the year, the apprentices in our gas utilisation, network and mechanical engineering training schemes won the Outstanding Apprentice Award organised by the Vocational Training Council

(VTC), which reaffirmed the high calibre of our apprentices and effectiveness of our training approach.

In addition, we sponsored apprentice graduates and frontline staff for the Diploma of Vocational Education in Gas Services Engineering. This diploma, which has been accredited by the Institution of Gas Engineers and Managers (IGEM), enables apprentices and our staff to acquire the professional EngTech MIGEM qualification. For our Professional Diploma in Gas Engineering programme, a second intake of 30 students started their studies in August 2020 at VTC.

Occupational Safety and Health

Our usual work of promoting health and safety did not come to a stop during the pandemic. In 2020, we strengthened our operational safety measures and improved our standards of health, safety and environmental management. We also continued our audits to identify hidden hazards for rectification in a timely and effective manner.

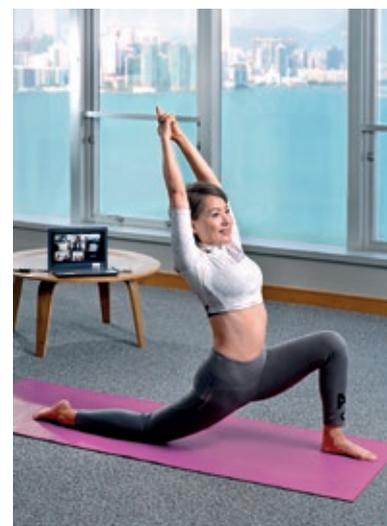
During the year, we held a seasonal Occupational Safety and Health (OSH) Promotion series, with training sessions organised every quarter in topics such as infectious disease control, prevention of heat stroke, and work stress management. We also continued our subsidised flu prevention programmes in Hong Kong, with 326 employees and their family members participating in the vaccination programme.

For contractors, we organised OSH programmes, which included training courses and the Safe Foreman Award, to promote accident prevention and OSH focused supervision.

Engaging Stakeholders

We regularly engage in ongoing dialogues with our stakeholders as we understand that as a sustainable organisation we must have their support.

Our online fitness programmes featured yoga and Pilates exercises, encouraging our staff to maintain a healthy lifestyle while working from home.





KEY ENGAGEMENT INITIATIVES IN 2020



EMPLOYEES

- Innovation Funding to encourage employees to propose innovative ideas
- Annual Quality Festival including an online seminar and a visit to a pulp mill that recycles beverage cartons
- Internal newsletters



CONTRACTORS AND SUPPLIERS

- e-Tendering System that managed 5,000 global suppliers
- Supply Management and Research Topics Programme in mainland China, with awards to encourage suppliers to submit proposals that improve product competitiveness
- Seminars and workshops



CUSTOMERS

- Online channels such as our website, social media platforms and Towngas App
- Customer Focus Team with online safety talks
- Monthly surveys on our performance of services and products



LOCAL COMMUNITIES

- Green partnership and sponsorship programmes
- Charity and community programmes
- Towngas Volunteer Service Team



INVESTORS

- Annual General Meeting
- Investor and securities analyst briefings for annual and interim results
- Conferences and meetings with investors, securities analysts and credit rating agencies
- Local and overseas roadshow meetings

From what we learn in our discussions with stakeholders, we are able to formulate strategies that address their concerns, minimise our risks and align with their values. At the same time, our diverse communication channels enable our stakeholders to have a better understanding of us, and for our employees, contractors and suppliers in particular to share our values and follow the same principles and standards in how we deliver products and services.

Creating Long-term Value for Stakeholders

At Towngas, we are committed to delivering enhanced value for our stakeholders over the long term by addressing their needs and concerns.

We believe that our long-term focus on creating value will lead to more robust growth and better investment outcomes. This commitment is also reflected in our corporate culture and high standards of corporate

governance, as well as the way we develop our human capital and promote innovation.

With our strong commitment to sustainability, we are confident that we can fulfil our vision of being “Asia’s leading clean energy supplier and quality service provider, with a focus on innovation and environmental friendliness.”