



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)
Stock Code: 2886



2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This Environmental, Social and Governance Report (this “Report”) provides an up-to-date overview of Binhai Investment Company Limited (the “Company”) and its subsidiaries’ (the “Group” or “Binhai Investment”) sustainable development in 2018, mainly addressing issues deemed material by stakeholders. This Report aims to provide key stakeholders with a better understanding of the Group’s sustainability development philosophies, measures, and performance. This Report is intended to be read in conjunction with the Company’s 2018 Annual Report (in particular the “Corporate Governance Report” contained therein), providing a comprehensive overview of the Group’s environmental, social, and governance performance.

1.1 Scope of this Report

This Report covers sustainable development issues relating to the Group’s direct operating businesses in the People’s Republic of China (the “PRC”), including its core businesses of constructing gas pipeline networks, providing connection services, supplying and providing natural gas, and selling liquified petroleum gas (“LPG”). As the business operation of the Group’s gas pipeline network construction is outsourced to third parties, and not within the Group’s direct operational boundary, unless remarked otherwise, environmental and social key performance metrics for this business segment has not been included in the Report. Unless stated otherwise, the information and data disclosed in this Report covers the period from 1 January 2018 to 31 December 2018 (the “Reporting Period”).

1.2 Reporting Framework

The Group has prepared this Report in accordance with the Environmental, Social and Governance Reporting Guide (the “Reporting Guide”) under Appendix 27 of the Main Board Listing Rules (the “Listing Rules”) of the Stock Exchange of Hong Kong Limited (“HKEX”). This Report adheres to the “Comply or Explain” provisions of the Reporting Guide.

1.3 Reporting Statement

This Report introduces the Group’s philosophies, actions taken, and results achieved. The information disclosed within the Report is sourced from the Group’s documents and statistics. The Board of the Group are responsible for the reliability, accuracy, objectiveness and completeness of the information. This Report has been prepared in Traditional Chinese and English. Should there be any discrepancies between the two versions, the Traditional Chinese Version shall prevail.

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1.4 Feedback

Thanks to various stakeholders' participation and support in the preparation of this Report, the Group is able to better understand its progress toward sustainable development. For any further information on environmental, social and governance aspects, please refer to the Group's website (www.binhaiinv.com). The Group looks forward to receiving your valuable comments and feedback, and this may be directed to: prd@binhaiinv.com.

2. ABOUT THE GROUP

The Group is chiefly engaged in the construction of gas pipeline networks, provision of connection services and the sales of LPG and piped gas etc. Binhai Investment has always strived to expand the gas market in the PRC, and was one of the first foreign-funded enterprises participating in the public utilities industry in the PRC. Over the last decade, the Group has been committed to aligning with the national policy of the PRC in providing clean energy for commercial and industrial users, as well as urban citizens.

2.1 Sustainable Development Management

The Group deeply recognises the importance of managing internal and external Environmental, Social and Governance ("ESG") risks, and that a good internal control and risk management system is closely linked to the sustainable development of an enterprise. The Board assumes full responsibility for the Group's ESG strategy and reporting content. Accordingly, the Group has initiated the establishment of an ESG Working Group which reports to the Board, and manages and implements matters relating to sustainable development. Under the guidance of the Board of Directors office, the ESG Working Group coordinates required actions from various departments, and the heads of these departments are also members of the ESG Working Group. The ESG Working Group is chiefly responsible for preparing ESG Reports, collecting, aggregating and screening ESG-related data, and analysing and developing corresponding follow-up action plans on a regular basis.

2.2 Stakeholder Participation

Ongoing communication with stakeholders is an integral part of the Group's daily operations, and an important way to examine potential risks and business opportunities. The Group's key stakeholders include shareholders, government and regulators, customers, employees, business partners, suppliers, media, and the surrounding community.

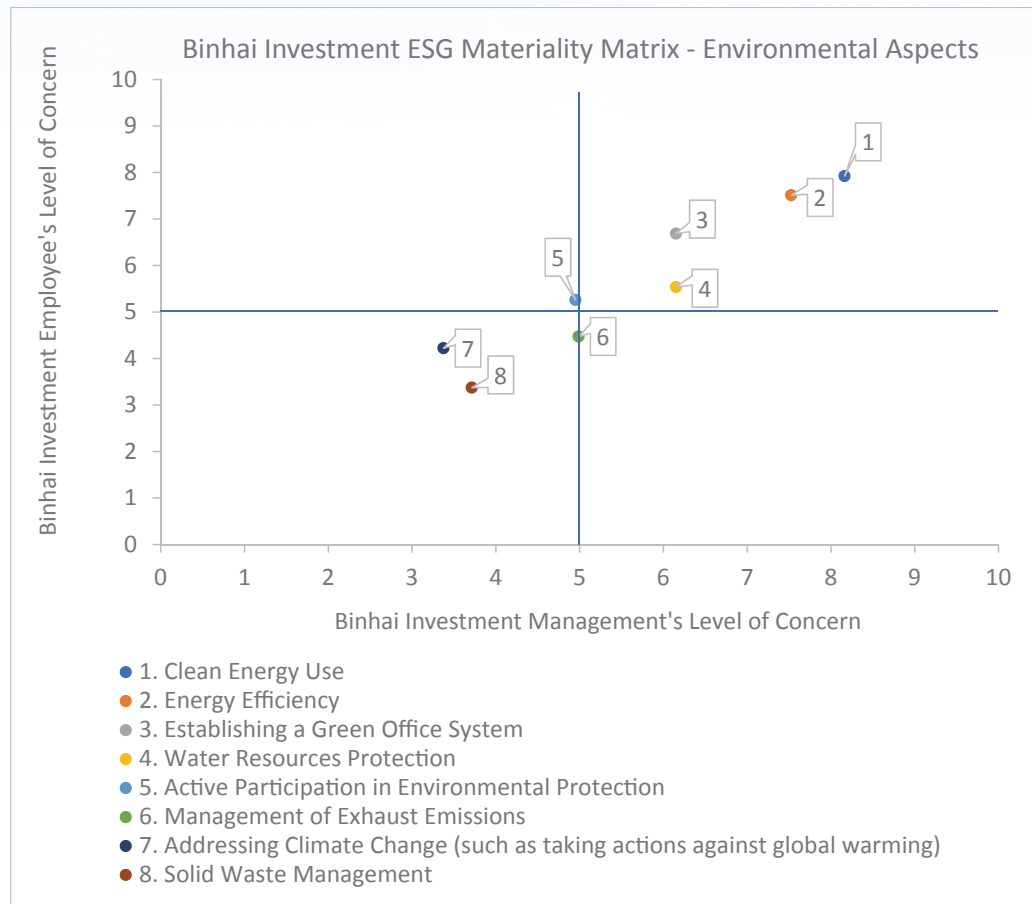
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Stakeholders	Communication Channels
Shareholders	Annual Reports, Interim Reports, Announcements, Press Releases, Annual General Meetings, Individual and Group Meetings
Government and Regulators	Government Meetings, Regulations, Assessments, Questionnaire, Site Visits
Customers	Customer Meetings, Customer Satisfaction Surveys
Employees	Company and Departmental Meetings, Annual Staff Meetings, Questionnaires, Internet Mail
Business Partners and Suppliers	Business Partner Meetings, Questionnaires, Seminars, Site Visits
Media	Press Releases, Interviews and Announcements
Surrounding Community	Media Conferences, Public Interest Events, Contributions, Interviews

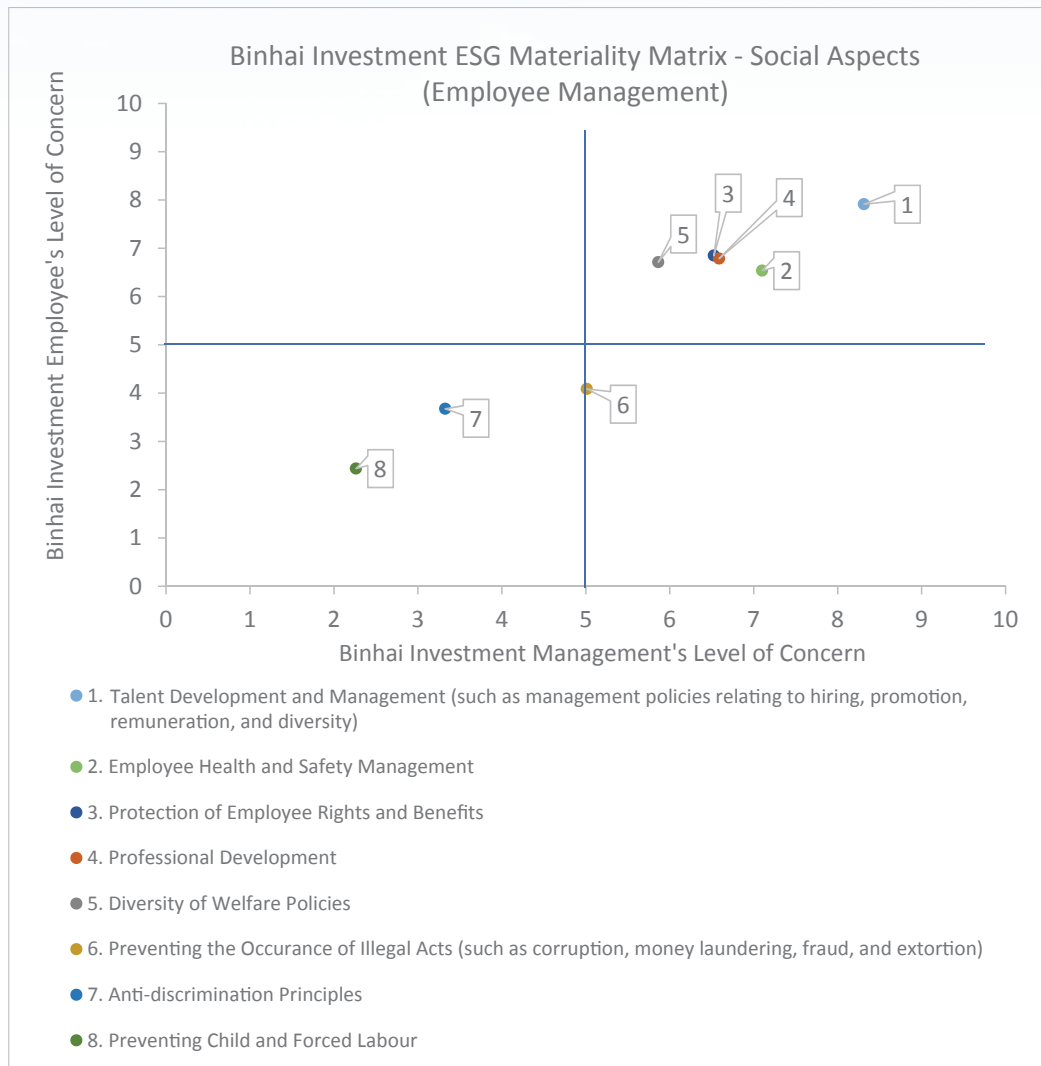
In preparing this report, the Group commissioned a third-party consultant to conduct a materiality assessment with the Group's internal stakeholders. Firstly, the ESG Working Group consolidated a list of ESG issues with reference to the Reporting Guide, international reporting guidelines and standards and industry characteristics. This list of ESG issues were then screened by the Group's management, and selected issues were categorised into environment, operating practices, and employee management aspects. Following this, stakeholders (including employees and management) were invited to complete a survey, which involved prioritising ESG issues in each of the three aspects according to their level of concern. The results of this survey were analysed by the third-party consultant and presented to the Group as a series of materiality matrices. The Board of the Group then validated the matrices and the material issues¹ therein, to ensure the rationality, balance and completeness of this Report.

¹ Material issues were defined as those ranked 5 points or above (Out of 10 points) at employee and management level, and validated by the Board.

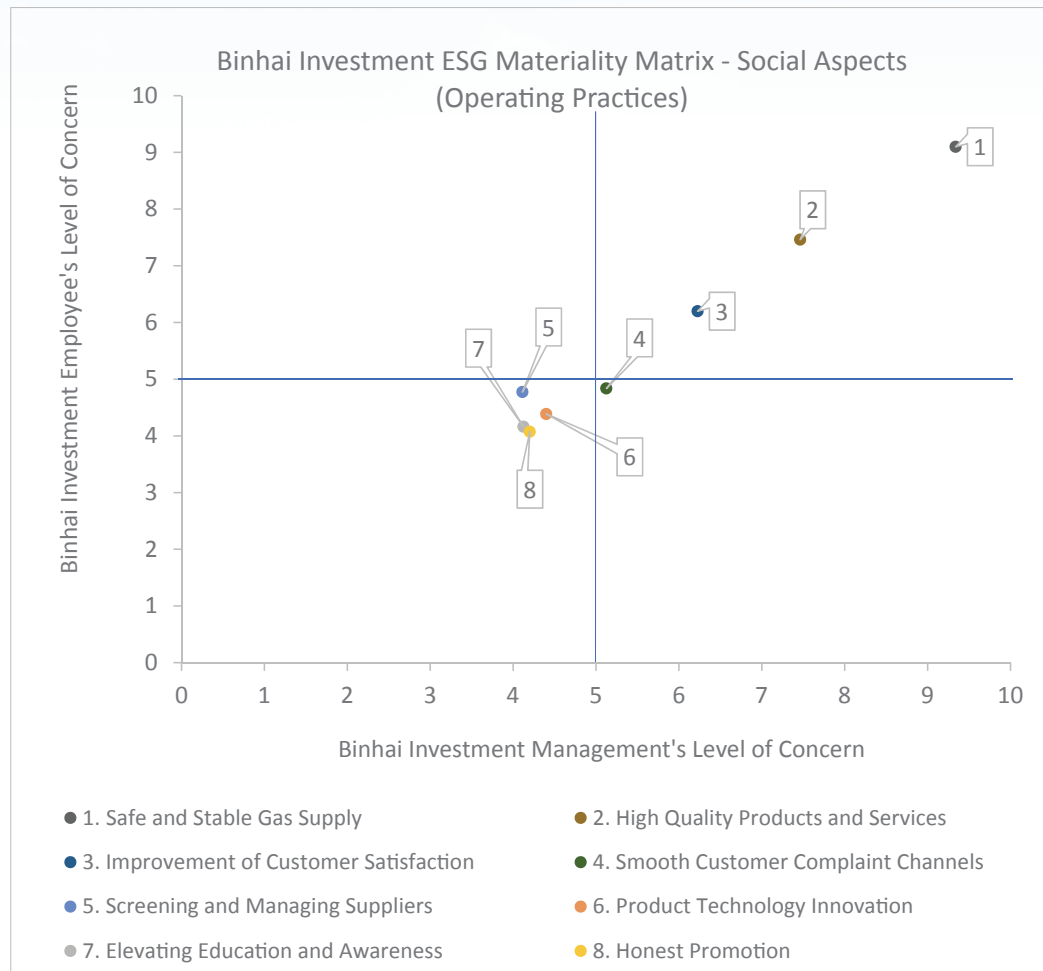
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The Group's materiality assessment results are presented in the following table:

Environment	Social (Employee Management)	Social (Operating Practices)
Clean Energy Use	Talent Development and Management	Safe and Stable Gas Supply
Energy Efficiency	Employee Health and Safety Management	High Quality Products and Services
Establishing a Green Office System	Protection of Employee Rights and Benefits	Improvement of Customer Satisfaction
Water Resources Protection	Professional Development	
	Diversity of Welfare Policies	

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Through the identification of material issues, Binhai Investment's understanding and management of material issues is strengthened, allowing it to be well poised to seize ESG-related opportunities and reduce ESG-related risks. Following the careful consideration and corresponding actions taken by the Group's management against these material issues, the contents of this Report will revolve around these material issues. We look forward to expanding the types of stakeholders included in our materiality assessments, to gain a more comprehensive understanding of issues material to them, whilst enabling the Group to better review its own progress toward sustainable development.

3. GREEN DEVELOPMENT

The Group adopts an innovative, compliant, profitable, and cooperative approach as its business philosophy within the gas industry. It has a strong base in Binhai, and leverages its strategic location in Binhai New Area to seize opportunities for cooperative development in the Jing-Jin-Ji Metropolitan Region. As a means of striving to become an influential clean energy service provider, the Group has carefully constructed an energy supply and service network surrounding the Bohai Sea. In response to the PRC's call for managing air pollutants, the Group has actively accelerated the use and promotion of gas, and is committed to taking responsibility for the environment through effective sustainable development work. The Group also takes effective measures to utilise resources efficiently. In its daily operations, the Group strictly complies with laws and regulations relating to the emission of exhaust gases and greenhouse gases, discharges into water and land, and generation of hazardous and non-hazardous waste, including the *Environmental Protection Law of the PRC*, *Law of the PRC on Environmental Impact Assessment*, etc. During the Reporting Period, the Group did not have any non-compliance incidents relating to the emission of exhaust gases and greenhouse gases, discharges into water and land, and generation of hazardous and non-hazardous waste.

3.1 Promoting Clean Energy Use

The Group is committed to protecting and improving the environment, with the goal of becoming a national advocate and operator of clean energy, providing clean energy for both industrial and commercial use, as well as for urban citizens' use. In 2018, subsidiaries of the Group located in Tianjin, Zhuozhou, Jizhou, Qingyuan, Anxin, Zibo and others, serviced 44,511 coal-to-gas users, and supplied 67.4 million cubic metres of natural gas. The Group attaches great importance to environmental protection and actively promotes the popularisation of clean energy. The Group strives to provide clean energy with professionalism, executed through projects for gas-fired boilers, Combined Cooling, Heat and Power (CCHP) and coal-to-gas in the Jing-Jin-Ji Metropolitan Region, and providing vehicles and ships with compressed natural gas (CNG) or liquified natural gas (LNG), etc. In the near future, the Group will take up its responsibility to continually promote the popularisation and development of clean energy.

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3.2 Environmental Protection

In order to implement environmental protection work, the Group endeavours to reduce the pollution generated and emitted during its operations. Although the Group's direct operating scope does not involve significant pollutant emissions, the impact on the ecological environment and natural resources are mainly reflected in the mechanical noise pollution, small amount of residual soil waste and atmospheric emissions generated during the installation of pipelines and in earthworks. To address these impacts, the Group has taken a series of measures: 1) the Group has referred to the *Standards of Environmental Noise Emission for Construction Site Boundaries* (GB 12523-2011), and formulated the *Safety Management Regulations for Engineering Construction* policy, requiring equipment that generate noise pollution to be placed to one side away from residential areas; noise levels are prohibited to exceed 55 decibels between 10 pm and 6am the following day. Under special circumstances and progress requirements, noise reduction and sound insulation measures are taken, or work is stopped altogether. Where residential areas are located near construction sites, vehicles entering and exiting the site in the evening are strictly prohibited from honking their horns, and required to lightly onload and offload cargo; 2) in order to reduce residual earthwork generated during construction works of gas pipeline connections, backfill methods are used. To reduce earthwork generated from other processes, further processing is conducted by third parties recognised by local municipal and environmental departments. Vehicles transporting sand or soil are required to seal loads to prevent leakage and spoilage, and disposed of at designated points in accordance with the requirements of local authorities. Moreover, effective directional drills are adopted in drilling works, improving drilling accuracy and greatly minimising unnecessary destruction to the soil; 3) to address atmospheric emissions generated from mechanical operations, the Group strictly requires vehicles to use machinery with tail gas emissions that meet environmental monitoring requirements before operations. To reduce the use of generators, the Group encourages the temporary use of electricity during construction processes, and machinery that make use of clean energy (such as gas-powered vehicles).

The Group's air emissions mainly come from daily office operations and the use of vehicles. Vehicle exhaust gases constitute the main source of air pollutants, and electricity and heating are the main sources of greenhouse gas emissions. To reduce emissions generated from fuel combustion in vehicles, the Group encourages employees to take public transportation and reduce the use of private vehicles. The Group arranges for regular maintenance and repair works for its fleet of vehicles to reduce the use of inefficient vehicles and associated higher fuel consumption levels and atmospheric emissions. The Group also provides drivers with low-carbon training such as the avoidance of driving at high speeds with low gears, and sudden acceleration and others.

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3.3 Establishing a Green Office System

The Group's offices consume electricity, water, and other resources in their daily operations. In order to reduce the indirect greenhouse gas emissions from electricity consumption, the Group has established a Green Office System. As a means of reducing such emissions, the Group has taken the following measures: 1) adopting a Central Control and Monitoring System (CCMS) and Building Management System (BMS). The office is divided into several lighting areas and has installed automatic lighting control in different zones; (2) adopting high energy efficiency lighting devices such as T5 fluorescent lamp tube and Light Emitting Diodes ("LED") lamps, of which up to 80% more energy is saved compared with conventional light bulbs; (3) installing Variable Speed Drives (VSD) in pumps and fans adjustable to actual needs; and (4) avoiding the installation of air-conditioners in areas with direct sunlight, thereby fostering a reduction in the use of energy and natural resources.

The Group also requires employees to turn off electronic equipment and air-conditioners that are not in use during non-working hours; regularly cleans air-conditioning filters and fans; and reduces the number of lamps in locations with sufficient lighting. Through these and other measures, in 2018, the Group saved 22,903 kWh of electricity.

3.4 Conserving Water Resources

The Group has a philosophy of paying undivided attention to conserving water usage, and has implemented the following measures in its daily operations to reduce water wastage: 1) arranging for the maintenance officer to conduct regular checks on water meter readings and to carry out leakage tests of concealed water pipes; 2) installing dual flush toilets; 3) installing faucets and urinals with water-saving labels and infra-red sensors; 4) advocating water-saving through emails, posters, intranet and memos placed in toilets; and 5) regularly providing employees with environmental protection-related training courses.

During the Reporting Period, the Group consumed 30.47 cubic metres¹, which was 1.93 cubic metres less than the amount consumed in 2017.

¹ As the property management company of the Group's rented office spaces consolidates and manages tenants' water consumption, the water consumption data disclosed in this Report does not include water consumed at these offices. The Group's water consumption reflects the water consumed from water carboys, and the figures disclosed for 2018 and 2017 were extrapolated from the number of water carboys purchased in both years.

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3.5 Waste Management

The Group pays great attention to waste disposal and management, in strict compliance with the *Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes*, *Standard for Pollution Control on Hazardous Waste Storage*, and other national laws and regulations and standards. The Group's waste meters and steel pipes are major wastes generated in pipe-connection works and relevant handling procedures are as follows: waste meters are compressed or drilled and photographed for documentation. Under the supervision of the Operating Centre, meters are subject to strict approval and declaration before being handled as recycled waste. The remuneration from recycled waste must be transferred in accordance with company rules for prohibiting the re-entry of declared waste meters to the market. The remaining gas in the waste steel pipes must be discharged with the use of nitrogen or water. After that, discharge waste steel pipes, waste valves and other objects must be managed properly, where necessary, by sealing and disassembling the wastes. All information concerning the replacement of steel pipes and location of old steel pipes must be reported to the relevant government department for filing.

The Group has implemented an Office Automation System (OA System) to replace paper-oriented office administration for the reduction of paper consumption. Binhai Investment has actively promoted paper recycling, and during the Reporting Period, successfully recycled over 800 sheets of paper, thereby reducing the amount of paper sent to landfill sites. Moreover, the Group encourages employees to use duplex printing, and has set printers to use duplex printing and ink-saving modes as default settings. In addition, notices have been posted in eye-catching positions on printers, with the intention of reminding employees about paper-saving practices. Furthermore, ink cartridges used by the Group are recyclable to reduce their impact on the environment. Through the use of recycling bins, the Group collects used plastic bottles and arranges for them to be sent to a recycling company for further processing; hazardous wastes such as batteries, electronic wastes and mercury-containing light tubes are aggregated by the Group's property management company, and sent to a third-party for further processing.

4. CARING FOR EMPLOYEES

The Group views the career development and training of its employees as means of enhancing their skills, and continually refines its internal mechanisms to identify internal and external talent. Tailor-made training courses are provided to these talented individuals, enabling them to develop their careers. To this end, the Group recognises its employees as its most valuable assets, and pays particular attention to safeguarding their rights, viewing them as business partners that are vital to the business development of the Group. The Group strives to provide employees with a healthy working environment, and comprehensive development opportunities so that they can grow alongside the Group.

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4.1 Talent Development and Management

The Group acts in accordance with national laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including the *Labour Law of the PRC*, the *Labour Contract Law of the PRC*, the *Employment Ordinance* of the Hong Kong Special Administrative Region (“HKSAR”), and other significant laws and regulations which have a significant impact on the Group, and formulated the *Employee Code of Conduct* and other human resources policies. These policies protect the reasonable working hours and working duration of its employees, and entitle them to five social insurances and one housing fund (endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund), performance bonuses and other benefits and welfare. In addition, the Group strictly complies with the *Provisions on the Prohibition of Using Child Labour* of the PRC, the *Employment of Children Regulations* of the HKSAR, and other laws and regulations relating to preventing child and forced labour, resolutely eliminating the use of either practice. During the Reporting Period, the Group did not have any non-compliance incidents relating to the above aspects.

4.2 Protection of Employee Rights

Following a “fair and just, right person for the right job” philosophy, the Group upholds a capability-driven principle to ensure that all job applicants are granted equal opportunities and fair competition. The Group objects to any forms of discrimination and is proud to have a diverse team coming from 20 different provinces and municipalities in the PRC. The Group has formulated an *Employee Reward and Punishment Management System*, which requires employees to provide accurate and reliable personal information upon initiating their employment, and if any falsified documents or resumes are found, the Group reserves the right to terminate employees’ probationary period or to dismiss the employment contract of the employee concerned. The Group implements three types of working hour schemes including irregular, consolidated and standardised working hour schemes according to the business characteristics, safety requirements and job requirement of the Group’s subsidiaries. All employees within the Group are entitled to sick leave, personal leave, marriage leave, bereavement leave, maternity leave, work injury leave, annual leave and statutory holiday leave.

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4.3 Diversity of Welfare Policies

The Group has adopted a remuneration policy for its employees based on their position, performance, contribution and performance bonus, and has constructed an internal salary scale accordingly. The Group's human resources department is responsible for managing employees' salaries and uses the internal salary scale whilst considering employees' job responsibilities, work experience, education, qualifications and other specific indicators relating to employees' abilities, track record, and work performance to set salary standards. At the end of each year, the Group evaluates the performance of its employees and elevates the position and/or remuneration of outstanding employees and offers discretionary performance bonuses as appropriate. Additionally, the Group provides contract employees with the five social insurances and one housing fund and other benefits and welfare.

4.4 Professional Development

The Group is well aware that its continued development is dependent on the level of knowledge and competence of its employees, and therefore, encourages employees to participate in on-the-job training and refreshment courses, and to improve their working performance and personal capabilities through self-study, experiential learning, updating their skillset, and participating in various educational training activities. The Group has also dedicated itself to nurturing its internal talent, providing employees with various training opportunities, including via videos and demonstrative activities. In accordance with its *Staff Training Management System*, *Internal Trainer Management System*, *Training Incentive and Restraint Regulations*, and other management systems, the Group has developed an annual training plan, strategising internal and external training and continuous development opportunities. This training plan is developed in order to elevate the performance level of the Group's employees, creating career development opportunities and enhancing the employees' sense of belonging to the enterprise.

The Group's in-house trainers and managers form the backbone of the Company, and are the pillars of providing internal training. The Group has progressively developed an internal training system to set the training content and approach, which has provided job guidance and knowledge or job experience sharing with employees. Internal training is mainly based around business characteristics, and the various job categories of employees in the Company's headquarter and the Group's subsidiaries (such as marketing, operational, engineering, safety, legal, financial, human resources and administration, front-line, etc.); this helps to elevate employees' technical and management capabilities.

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Examples of Binhai Investment's Internal and External Training Sessions during the Reporting Period

Figure 1



In 2018, management training was provided for middle and senior cadres. More than 90 middle and senior management cadres from 34 branches of Binhai Investment participated in the training. The training was initiated with a crisis story, leading the Group's management to face the crisis, identify the crisis, and to manage the crisis. The theme revolved round Binhai Investment's key years of development, and how to navigate through the complex internal and external environment, improve the forecasting and management of risks, effectively ensuring economic development, and the safe and stable supply of natural gas.

In 2018, the Group hosted an entry-level technician skill competition amongst its subsidiaries, and a total of 69 candidates from 33 subsidiaries took part in the competition. The competition greatly enhanced the skills of the frontline staff, and formed an atmosphere of "performance benchmarking", elevating employees' enthusiasm for work.

Figure 2



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Figure 3



In 2018, Binhai Investment organised a re-test training for its junior technicians. The training was jointly carried out between the Human Resources Department, the Department of Safety and Technology, and the Operations Department. Following the completion of written examinations and selection of questions, participants were brought to the dispatch centre for skills practice. A total of 59 junior technicians were selected from this exercise, and they were given the responsibility of managing their respective subsidiaries' skills training, apprenticeships and mentoring, enabling the Company to take a solid step forward in skill sequencing.

In 2018, a lecture on tax reform and special deduction declarations were attended by functional departments of the Group's headquarters and functional departments, heads of operation centres, and personnel managers of the Group's Tianjin company. Foreign companies attended via video conference. The lecture focused on the 2019 new taxation and special deductions, and how to make declarations, how to differentiate between "withholding payment", "withholding prepayment" and others, and offered detailed practical guidance on employee making declarations, settlements and payments, and other actions in accordance with the Company's withholding obligations.

Figure 4



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4.5 Occupational Health and Safety

The Group deeply recognises that safe operations play an important role in safeguarding employees' well-being and as its mission, ensures that employees are in good health and operate in a safe working environment. The Group strictly complies with national and regional laws and regulations, including the *Administrative Regulations on the Work Safety of Construction Projects and Measures for the Administration of Contingency Plans for Work Safety Incidents* and others, and has implemented relevant management systems based upon laws and regulations which have significant impacts on the Group: such as the *Safety Production Supervision and Management System and Accident Prevention and Contingency Management System*; the Group also takes steps to supervise its subsidiaries through setting contingency plans. In order to reduce accident rates and ensure employees' safety, the Group has established subsidiary self-checking, headquarters inspection, safety training, and regular evaluation. Specific details of the above processes are as follows: 1) subsidiaries are required to carry out regular self-checking on a monthly basis and to report any potential safety hazards; 2) annual safety hazard checks and rectification works on subsidiaries are performed by representatives from the Company's headquarters, so as to minimize safety hazards; 3) regular safety regulations and emergency management training for existing and new employees, rehearsing emergency and rescue procedures under different scenarios. Moreover, through organising regular fire drills, the provision of protective equipment for employees and the setting up of alarm systems and designated measures, appropriate actions are performed in response to potential emergency scenarios; 4) setting up a clear incentive and penalty mechanism for safety, and carrying out annual safety management assessments at the Group's subsidiary companies. The incentive and penalty system are implemented across the Group's subsidiaries to ensure that every company meets required standards. During the Reporting Period, the Group did not receive any reports of major safety incidents. During the Reporting Period, the Group did not have any non-compliance incidents relating to the provision of a safe working environment and protecting employees from occupational hazards, and the Group did not receive any reports of major safety incidents.

5. QUALITY CONTROL

The Group is committed to providing customers with high quality products and services, and continuously communicates with its customers to identify areas for improvement. In addition, the Group views business ethics and corporate social responsibility as the Group's foundation. The Group acts in strict compliance with the relevant regulations and standards in the aspects of supply chain management, products and services, production promotion and privacy protection, and anti-corruption. The Group upholds the principle of business ethics and dedicates itself to being an ethical and responsible enterprise.

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5.1 High Quality Products and Services

For sales of LPG and piped gas, the Strategic Investment Department of the Group has formulated the *Administrative Measures of Suppliers of Piped Gas and Administrative Measures of the Procurement of Non-piped Gas Goods*, requiring subsidiaries to consider suppliers' credit rating, qualifications, stability of gas supply, sources of gas, approach to sourcing gas, warranty of gas equipment, quality of gas and others. The Group has developed the *Notice of Centralised Procurement, Guiding Regulations of the Procurement of Gas Materials and Equipment*, and other procedures to standardise subsidiaries' procurement procedures. In addition, as gas suppliers are distributed across different Chinese cities, local procurement policies are used when purchasing piped gas, CNG, LNG, and LPG from suppliers in order to save non-essential energy consumption associated with long-distance transportation.

With regard to gas pipeline laying and connection projects, the Group has formulated *Guiding Regulations on Construction Works and Guiding Regulations of Construction Works upon Completion and Acceptance*. The Group strictly screens for high-quality contractors, including selecting designs and outsourced engineering contractors proposed by subsidiaries, and other processes up until the completion of construction projects. In addition, subsidiaries are responsible for carrying out regular inspection works, and project administrators are appointed to regularly supervise project quality and materials used, monitor construction progress, and record relevant inspection data.

5.2 Safe and Stable Gas Supply

The Group aims to provide safe, excellent and healthy products and services. The Group maintains strict regulations on the quality of natural gas and LPG purchased by its subsidiaries. The quality of natural gas is required to meet national standards of Gas I or Gas II category under *Natural Gas*, whilst LPG is required to meet relevant regulations and national standards of *Liquefied Petroleum Gas*. In order to ensure the safety of construction projects, the Group has formulated the *Construction Safety Management Regulations* to outline safety responsibilities of construction, design, supervisory and implementation units. For example, implementation units should prepare specialised safety construction plans for dangerous operations, and implement this plan upon approval. The Group organises at least one training session on construction safety management for engineering management personnel, regularly checks the implementation of safety measures and others.

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In order to monitor the real-time quality of natural gas more effectively, each subsidiary is required to request natural gas and LPG suppliers to provide reports on quality. For stations that receive a large intake of gas and LPG, real-time monitoring through online chromatography is arranged. For stations that receive a smaller intake, *Certifications of Product Quality* must be obtained from suppliers on a quarterly basis as a minimum, and these stations are responsible for tracking the quality of gas on an irregular basis. For example, stations located in the Tianjin, Zhuozhou, Qinhuangdao and other upstream stations have applied the use of online chromatography and use online monitoring to objectively analyse purchased gas components. Should the quality of gas not pass quality controls, online chromatography will immediately sound an alarm. Furthermore, the Group will immediately switch gas sources to restrict purchases of substandard gas. In addition, the Group requires suppliers to provide PE pipes and fittings, gas meters, galvanised pipes, pressure regulators, valves and flowmeters that comply with national and industrial standards, and strictly monitors the quality of such products.

5.3 Improvement of Customer Satisfaction

In order to standardise procedures for servicing and handling customer complaints, the Group has formulated the *Customer Complaints Management Measures*, which forms an effective complaint management mechanism to ensure the timely, effective, fair and reasonable resolution of customer complaints, and the provision of high quality services. Subsidiaries are required to comply with and to implement this mechanism. Customers can report problems and provide requests to customer services through the customer service hotline. Customer services are then required to designate responsibilities and follow-up actions necessitated by the Group's headquarters and subsidiaries as per the severity level of complaints, and subsidiaries are given the first line of responsibility for customer complaints, and required to handle all cases within 24 hours, categorise the complaints within prescribed time limits, conduct tracking management, resolve issues swiftly, and to carry out customer satisfaction surveys as well as to keep good records of these. Group headquarters conduct monitoring and spot checks on customer complaint details and incident follow up details. If customer complaints are found to have been handled in a manner not as required, reports are found to be have been misrepresented or falsified, and causing significant impacts to the Group as a result, punishments will be imposed in accordance with the Group's relevant procedures.

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5.4 Ensuring Customer Privacy

The Group acts in strict compliance with the *Advertisement Law of the PRC*, the *Trademark Law of the PRC*, and other laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. Moreover, the Group acts in strict compliance with requirements relating to sales and credibility control, forbidding the use of false or misleading descriptions under any circumstances, when promoting products and conducting transactions. The Group also emphasis mutual privacy and information security between itself and its customers, and requires employees exposed to confidential information to sign a confidentiality agreement. These employees are also required to commit themselves to strict protection customer information when servicing them. The Group forbids the disclosure of relevant information to a third part without the consent of both parties. During the Reporting Period, the Group did not have any non-compliance incidents relating to the aspects above.

5.5 Anti-corruption

The Group attaches great importance to anti-corruption, corporate integrity and honesty, and with reference to the *Criminal Law of the PRC*, *Supervision Law of the PRC*, *Anti-unfair Competition Law of the PRC*, *Anti-money Laundering Law of the PRC*, *Interim Provisions on Banning Commercial Bribery*, and other laws and regulations relating to bribery, extortion, fraud and money laundering, has developed policies such as the *Binhai Investment's Whistle-blowing Administrative Measures*, which details whistle-blowing procedures of reporting and eliminating any forms of bribery and corruption. During the Reporting Period, the Group had no non-compliance incidents relating to the aspects above.

With regard to eliminating corruption during construction works, the Group has outlined responsibilities, and formulated the procedures for the procurement of materials and equipment. The Tender Team of the Group's headquarters are responsible for the selection of materials and suppliers through tenders, and gas meters, flow meters and PE pipes are centrally procured by the Group's headquarters. The Tender Team is responsible for validating the information provided by shortlisted suppliers including their company information, and the price and quantity of supplied materials and equipment, and forbids any forms of bribery between the Group's subsidiaries and their suppliers. Moreover, the Tender Team monitors all tendering procedures in construction works to ensure that these procedures are conducted in an open, fair and just manner. The Group strictly enforces its *Procurement Procedures* policy to eliminate any abuse of authority by personnel involved in tender processes. The Tender Team is made up of personnel from different departments, creating a transparent organisational structure under which any forms of extortion, fraud and money laundering are prevented. All tenders involve the participation of internal

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control supervisors, and for each tender project, phone numbers and email addresses of supervisors are publicly disclosed. Through a transparent and traceable mechanism, video recordings capture the whole tender process, which prevent any acts of corruption from occurring.

For further details on the Group's stance on anti-corruption, please refer to the Corporate Governance Report in the Company's 2018 Annual Report.

6. CARING ACTION

The Group holds an important position in society, and strives to give back to the community through practical actions, participating in various community activities, and establishing harmonious relationships with local communities. From time to time, Binhai Investment hosts safety lectures in communities and schools, and arranges for security personnel to conduct safety inspections in key communities and schools, which improves users' awareness of gas safety and eliminates unsecure elements. The Group also contributes to community building through donating money, goods, services, or direct assistance in order to build a safer, greener, and more harmonious community.

Examples of Binhai Investment's Community Services during the Reporting Period

Figure 1



The Company conducted "Safe Production Month"

On 5 March 2018, Yizheng Company carried out a "Safe Production Month" event. A total of 7 employees participated in the event, and the company contributed RMB500 towards the event. The event enhanced the public's knowledge on the safe use of gas, and strengthened the public awareness of safe gas. This also helped to actively generate awareness on the safe adoption of urban gas, the prevention and curbing of gas accidents, and the company's achievement of sustainable development.

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Safe Use of Gas to Build a Happy Life – Deqing County Experiment School Holiday Event

On 10 February 2018, the Deqing Company arranged for the Deqing County Experiment School Holiday Team to visit the Deqing Company City Pressure Regulating Station. A total of 4 employees participated in the event, and the company contributed RMB300 towards the event. The event enabled classmates from the Deqing County Experiment Holiday Team to learn about the principles of working with gas meters, taking readings, and how to use gas safely. Following the site visit, classmates travelled around the surrounding community and raised their awareness of safe gas consumption.

Figure 2



Figure 3



The subsidiaries of the Group joined community-bonding activities and visits to the elderly.

On 11 October 2018, a total of 4 volunteers from the Group's subsidiaries joined community-bonding activities and visits to the elderly, and the Group contributed RMB1,400 towards these activities and visits. Gifts were sent to elderly living alone, allowing them to feel the compassion and warmth from local enterprises.

Subsidiaries of the Group carried out visits to elderly homes.

On 21 August 2018, a total of 9 participants from subsidiaries of the Group carried out visits to elderly homes. The Group contributed RMB1,800 towards these visits, and their positive energy brought warmth and compassion to the elderly.

Figure 4



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7. THE GROUP'S ESG PERFORMANCE DATA

Where appropriate, data measurement and calculation methods in this Report are stated.

Environmental Key Performance Indicators	Unit	2018	2017
Resource Consumption¹			
Purchased Electricity	kWh	154,040	176,943
	kWh/employee ²	1,750.45	2,131.84
Purchased Freshwater	m ³	30.47	32.4
	m ³ /employee	0.35	0.39
Purchased Heat	GJ	217,232	148,075
	GJ/employee	2,468.55	1,784.04
Hazardous Waste Generation by Type⁴			
Electronic Waste	kg	20	75
	kg/employee	0.23	0.90
Battery	Pieces	200	500
	Pieces/employee	2.27	6.02
Mercury-containing Light Tubes	Tubes	70	120
	Tubes/employee	0.80	1.45
Ink Cartridges	Pieces	9	11
	Pieces/employee	0.10	0.13
Non-hazardous Waste Generation by Type⁵			
Paper	kg	1,800	1,247
	kg/employee	20.45	15.03
Waste Used Meters	Pieces	39,332	Not disclosed
	Pieces/employee	23.03	
Waste Used Pipes	m	7,548	
	m/employee	4.42	

¹ The scope of these figures covers the resources used at the Group's headquarters in Tianjin.

² Calculated based on the Group's total number of employees as at 31 December 2018. Where the scope of the figures in this table solely covers the Group's headquarters, corresponding intensity calculations were based on the number of employees at the Group's headquarters.

³ The Group does not have issues in sourcing water fit for purpose. Water consumption refers to water consumed from purchased water carboys.

⁴ The scope of these figures covers the hazardous waste generated at the Group's headquarters.

⁵ The scope of paper waste generated covers the Group's headquarters, whilst waste used meters and waste used pipes generated covers the Group and all its subsidiaries.

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Environmental Key Performance Indicators	Unit	2018	2017
Air Pollutant Emissions¹			
Nitrogen Oxides (NOx)	tonnes	1.2×10^{-2}	2.6×10^{-2}
Sulphur Oxides (SOx)	tonnes	1.4×10^{-4}	3.5×10^{-4}
Greenhouse Gas Emissions²			
Scope 1 – Direct Emissions			
Vehicle Fleet ³	tonnes CO ₂ e	21.50	53.64
	tonnes CO ₂ e / employee	0.24	0.64
Scope 2 – Indirect Emissions			
Purchased Electricity ⁴	tonnes CO ₂ e	136.22	156.47
Purchased Heat ⁵	tonnes CO ₂ e	23,895.52	16,288.25
Scope 2 Total Emissions	tonnes CO ₂ e / employee	273.09	198.13
Scope 3 – Other Indirect Emissions			

¹ The figures were the total amount of air pollution emissions caused by vehicle use. The scope of these figures covers the air pollutants emitted from vehicles owned by the Group and operated at the Group's headquarters. These figures were calculated with reference to the Technical Guide for Air Pollutant Emission Inventory for Road Vehicles (Trial) published by the National Development and Reform Commission of the PRC.

² The scope of these figures covers the greenhouse gas emissions generated from the Group's headquarters.

³ Figures were calculated with reference to the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Land-based Transportation Enterprises (Trial) published by the National Development and Reform Commission of the PRC.

⁴ Figures were calculated with reference to the 2011 and 2012 PRC's Regional Grid Average Carbon Dioxide Emission Factor published by National Development and Reform Commission of the PRC.

⁵ Figures were calculated with reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial) published by the National Development and Reform Commission of the PRC.

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Environmental Key Performance Indicators	Unit	2018	2017
Waste Paper Disposed at Landfill Sites ¹	tonnes CO ₂ e	4.80	7.92
Business Travel ²	tonnes CO ₂ e	4.39	3.20
Scope 3 Total Emissions	tonnes/employee	0.10	0.13
Social Key Performance Indicators ³	Unit	2018	2017
Total Number of Employees	Persons	1,708	1,554
Number of Employees by Employment Type			
Contract Employee	Persons	1,703	1,521
Dispatched Employee	Persons	5	33
Number of Employees by Region			
Hebei, Beijing, Tianjin	%	60.4	58.1
Shandong	%	17.3	18.7
Zhejiang, Hunan, Jiangxi	%	12.7	13.1
Jiangsu, Anhui	%	9.7	10.1
Number of Employees by Gender			
Male	%	63.3	61.8
Female	%	36.7	38.2
Number of Employees by Age Group			
Below 25	%	11.6	9.1
26 to 35	%	38.9	41.4
36 to 50	%	43.1	42.4
Over 51	%	6.4	7.1
Number of Employees by Academic Qualification			
Bachelor's Degree or Above	%	24	24

¹ Figures were calculated with reference to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2010 version published by the Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department.

² Figures were calculated with reference to the methodology of calculation of carbon emissions generated from air travels published by The International Civil Aviation Organization (ICAO) under the United Nations Agency.

³ The scope of these figures covers the Group and all its subsidiaries.

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Social Key Performance Indicators	Unit	2018	2017
Percentage of Employee Turnover by Employment Contract			
Contract Employee	%	9.6	5.21
Dispatched Employee	%	0	0.13
Percentage of Employee Turnover by Gender			
Male	%	7.9	2.83
Female	%	1.7	2.51
Training and Development	Unit	2018	2017
Training and Development			
Total number of training hours received by employees	Hours	1,810	1,666
Average hours of training received per employee	Hours/employee	1.06	1.4
Number of Employees (by Gender) that Received Training			
Male	%	81.0	80.8
Female	%	19.0	19.2
Number of Employees (by Employment Grade) that Received Training			
Upper Management	%	0.5	Not disclosed
Middle Management	%	1.7	
General Staff	%	97.8	

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8. HKEX ESG REPORTING GUIDE CONTENT INDEX

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
Environmental			
Aspect 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 and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3, 3.2, 3.5	34-35, 37
KPI A1.1	The types of emissions and respective emissions data.	7	49
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	49-50
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	48
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	15, 48
KPI A1.5	Description of measures to mitigate emissions and results achieved.	3.2	35
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.5	37
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2, 3.3	35-36
KPI 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).	7	48
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7	48
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	3.3	36
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.3, 7	36, 48
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable ¹	
Aspect A3: Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	3.2	35
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.2	35

¹ As the Group does not use packaging materials, this KPI is not applicable.

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General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
Social			
Employment and Labour Practices			
Aspect 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, antidiscrimination, and other benefits and welfare.	4.1	38
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	7	50
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	7	51
Aspect 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.	4.5	42
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.5	42
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.4	39
Aspect 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.	4.1	38
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1	43
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1	43

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General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
Aspect 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.	5.4	45
KPI B6.4	Description of quality assurance process and recall procedures.	5.3	44
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.4	45
Aspect 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.	5.5	45-46
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.5	45-46
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6	46-47
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6	46-47
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	6	46-47