

## ENGAGEMENT FACTSHEET

# China Gas Holdings Ltd (384-HK)

### BACKGROUND

- x China Gas Holdings is a gas distribution company active in mainland China (listed in HK). The company operates gas distribution pipelines, helping the Chinese government's goal of coal to gas switching, in order to reduce the countries CO2 emissions.
- x Sunday 13<sup>th</sup> June 2021 a gas explosion occurred in produce market in Shiyan City, in Hubei Province. The explosion caused 26 deaths and > 100 injured. An investigation into the cause of the explosion was being carried out by the central government.
- x On Monday 14<sup>th</sup> June, we opened our engagement directly with the company.

### ENGAGEMENT RATIONALE

- x We engage with the aim to prevent a repeat of this incident occurring.
- x Get transparency on the process improvements to prevent a recurrence.

### THEME FOR ENGAGEMENT

- x Social : Health & Safety

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### ENGAGEMENT OBJECTIVES

- x As per our email to the company on the day after the incident: *"Given the situation is still unfolding, we would like China Gas Holdings to give investors more clarity on the company's involvement in this incident – at the moment China Gas Holdings operates 37 projects in the province, when the time comes – share the lessons learnt, and the steps that can be taken to prevent this type of disaster occurring again."*

### DEVELOPMENT



### MILESTONE



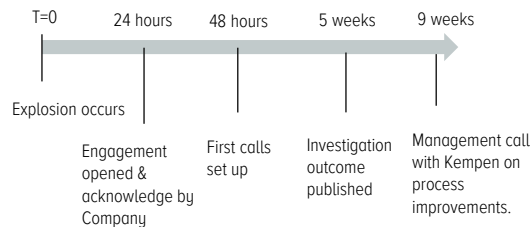
### ENGAGEMENT RESULTS

- x The local project company, Dongfeng Motor, was found to be largely responsible for the incident, with limited direct impact on parent company. It is one of the few (if not the only) project companies that remained responsible for asset management post acquisition by China Gas as part of the deal (local management is often replaced by China Gas).
- x China Gas will pursue administrative responsibility against the responsible employees of the group involved in the incident.
- x China Gas management gives up HK\$22.5m from their remuneration as expression of condolence and HK\$10m is donated by China Gas Charity Foundation to casualties and their families.
- x 25 August 2021 company confirmed to us they would raise capex by 300million RMB to invest in a United Nations Environmental Program approved system ('OMP') of central risk management for pipelines (remote monitoring, detection and shut off).

### NEXT STEPS

- x Asked company to provide transparency on rollout of OMP on upcoming earnings calls, as well as confirmation of compensation payout to victims.

### ENGAGEMENT TIMELINE



### COMPANY

China Gas Holdings Ltd (382 HK)

### COUNTRY

China.

### SECTOR

Utilities – Gas Distribution.

### MARKET CAP

Mid cap HKD 130 bln (14.3 bln euros)

### ISSUE

Social – health & safety from gas explosion.

### ENGAGEMENT INITIATION:

14<sup>th</sup> June 2021

### MATERIALITY

2 bln euros mkt cap erased from explosion.

### RISK

Operational health and safety, resulted in 26 dead, >100 injured, fines for JV.

### MSCI ESG RESEARCH

ESG Rating: BBB