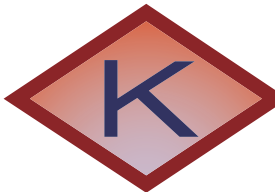


ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT **2018**



KWAN ON HOLDINGS

均安控股

Kwan On Holdings Limited

均安控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1559

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OBJECTIVE AND STANDARD OF THE REPORT

This Environmental, Social and Governance (the “**ESG**”) Report provides the performance of Kwan On Holdings Limited (“**Kwan On**”, the “**Group**” or “**We**”) in respect of environmental, social and governance for the year ended 31 March 2018.

This Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” contained in Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), for the purpose of identifying and making disclosure of the material matters and key performance indicators in relation to the Group’s environmental, social and governance as well as illustrating its pursuit of sustainable development and practice of its social responsibility in every aspect.

REPORTING SCOPE AND PERIOD

This report covers Kwan On’s overall performance in environmental and social aspects of its key business operations (total revenue amounted to HK\$667 million) for the period from 1 April 2017 to 31 March 2018. Such business includes:

- Water Supplies Department Contract No. 15/WSD/11 (Replacement and rehabilitation of water mains, stage 4 phase 2 – mains on Outlying Islands);
- Hong Kong Housing Authority Contract No. 20130375 (Main Engineering Infrastructure in association with the Proposed Developments at Area 56 in Tung Chung);
- Drainage Services Department Contract No. DC/2012/05 (Sewerage at Yuen Long Kau Hui and Shap Pat Heung);
- Civil Engineering and Development Department (“**CEDD**”) Contract No. GE/2013/16 (LPMitP 2008N – Landslip Prevention and Mitigation Works in Sham Wat, Tai O East, Upper Keung Shan and Keung Shan Road East in West Lantau); and
- logistics departments.

DATA COLLECTION METHOD

Information used in this report is extracted from the internal policies and documents of Kwan On and information provided by the relevant parties.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY

We regularly meet our key stakeholders through various communication channels to discuss and identify material issues with an aim of helping our business to achieve potential growth and be prepared for future challenges.

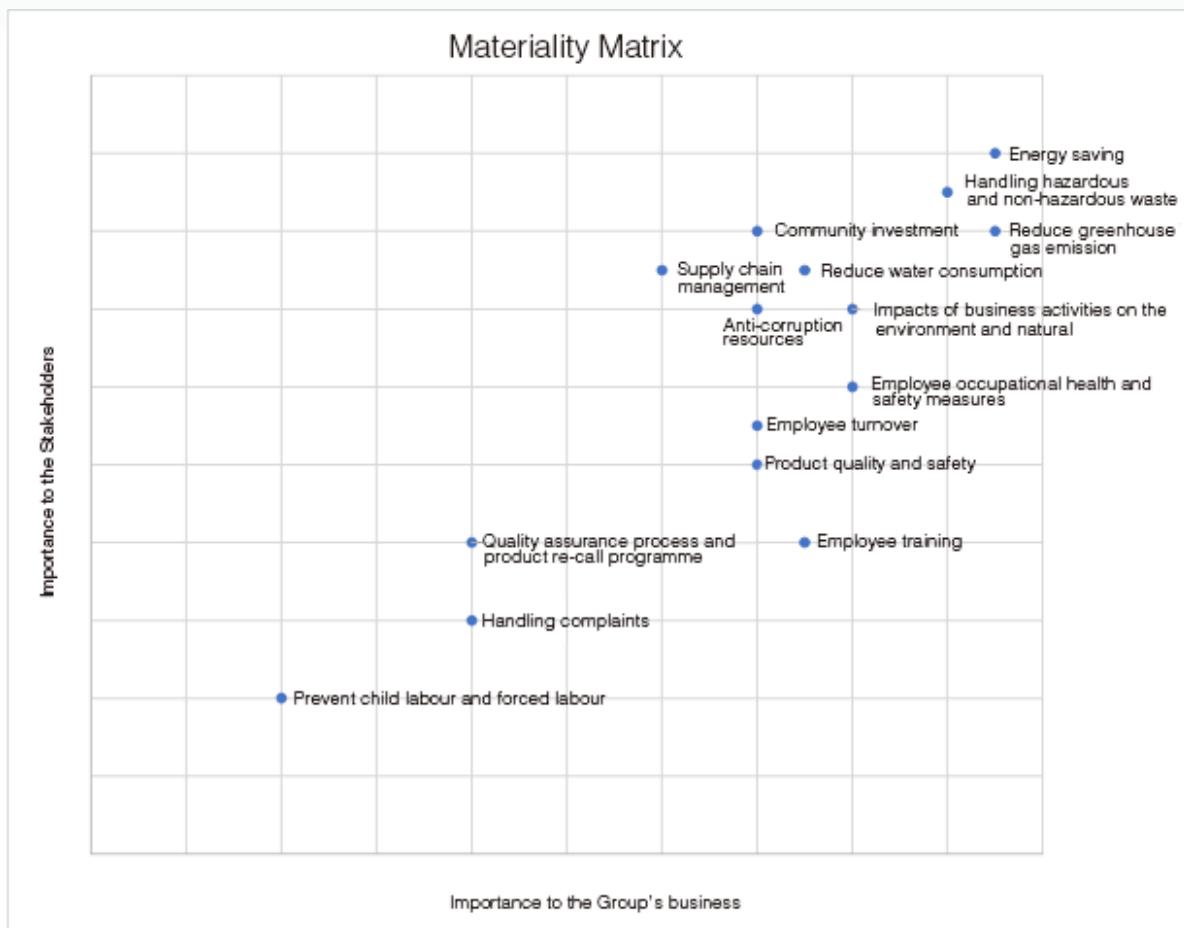
| Stakeholders | Communication Objectives | Communication Means/Channels |
|----------------------------|--|---|
| Government | <ul style="list-style-type: none"> • Fulfillment of compliance requirements of regulatory bodies • Payment of taxes according to laws • Maintenance of good relationship with the government • Employment promotion | <ul style="list-style-type: none"> • Public consultations • Seminars • Reports/surveys |
| Customers | <ul style="list-style-type: none"> • Product quality and safety • Customer Service • Privacy | <ul style="list-style-type: none"> • Listening to customer opinions and handling enquiries or complaints • Customer communication meetings • Customer satisfaction surveys |
| Shareholders and investors | <ul style="list-style-type: none"> • Return on investment and increase of the Company's value • Transparency of the Company's information • Protection of rights • Realisation of information transparency and efficient communication | <ul style="list-style-type: none"> • General meetings • Annual and interim reports • Analyst meetings • Meetings and conference calls with investors |
| Employees | <ul style="list-style-type: none"> • Health and safety • Career development • Training opportunities • Compensation benefits • Corporate culture | <ul style="list-style-type: none"> • Continuous improvement of training and development system • Creation of a competitive working environment • Improvement of performance appraisal and compensation and welfare system • Psychological counseling • Staff activities and mailboxes • Company's intranet • Surveys |
| Suppliers | <ul style="list-style-type: none"> • Transparent procurement process • Development opportunities • Business integrity • Performance of contracts | <ul style="list-style-type: none"> • Supplier performance review and assessment • Increase of information sharing • Surveys |
| Community | <ul style="list-style-type: none"> • Energy saving • Public welfare • Community culture and services • Safety management | <ul style="list-style-type: none"> • Organisation of/participation in social welfare activities • Practice corporate social responsibilities • Active communication with local governments |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The Group has compiled a list of issues relating to sustainable development based on its businesses and daily operations, and analysed and prioritised the materiality of such issues and illustrated the results in a materiality matrix. The matrix identified the material issues covered by this report, which formed a basis for the Company’s environmental, social and governance matters management and disclosure.

The results of the materiality assessment are presented in the following materiality matrix. The issues in the upper right corner is of high importance to the stakeholders and will help strengthening the sustainable development of the integrated environmental protection business.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MAJOR ESG ISSUES AND KEY PERFORMANCE INDICATORS OF CORE BUSINESS DISCLOSURES ENVIRONMENTAL

Types of emission sources which Kwan On's core business involved in the Reporting Period were mainly vehicle exhaust, electricity, water, paper, as well as production-related wastewater and land pollutions, which are regulated under prevailing laws and regulations. The Key Projects of the Group has established the Environmental Management Plan to ensure a management programme is in place to comply with the Environment Protection Department requirements. The programme aims at describing the arrangement for avoidance, minimisation, collection, separation, recycling, reuse and disposal of different categories of waste arising from the construction activities. The Environmental Management Plan also estimates the quantity and type of construction and demolition waste generated throughout the whole construction period of the Key Projects, as well as detailing overall environmental and waste management mitigation measures to reduce or eliminate the environmental impacts caused by site activities undertaken by the Group.

A1. Emissions

In order to reduce the impact of the operation on the environment, Kwan On is in pursuit of the principle of environmental protection and is committed to improving its operating methods. Aiming at reducing greenhouse gas emissions, the Group reduce the use of construction materials through budgeting and planning. As greenhouse gas would be emitted directly and indirectly in the course of material transportation and generating electricity respectively, we always turn off lightings not in use and use LED lightings so as to further save electricity.

During the Reporting Period, the greenhouse gas emissions of the Group was approximately 419.96 tCO₂e. Details of the greenhouse gas and other air pollutant emissions of the Group during the year were as follows:

| Greenhouse gas (CO₂) emissions | Volume (kg) | Intensity (kg/ HKD1 million turnover) |
|--|------------------------|--|
| Direct greenhouse gas emissions (Scope 1) | 195,158 | 292.6 |
| Indirect greenhouse gas emissions from energy generation (Scope 2) | 222,952 | 334.3 |
| Other indirect emissions (Scope 3) | 1,854 | 2.8 |
| Air pollutant emissions | Volume (g) | Intensity (g/HKD1 million turnover) |
| SO ₂ | 1,059 | 1.6 |

We are planning to improve the current data collection system in the future for a more comprehensive disclosure of information on emissions.

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Waste Disposal

Hazardous waste

Hazardous waste generated from our Key Projects include spent halogenated and non-halogenated solvent, spent lubricating oil, asbestos waste, lubricating oil absorbents, and waste chemical batteries. Kwan On has registered as Chemical Waste Producers according to the Waste Disposal Ordinance. Disposal of chemical waste, including handling, processing and recycling of chemical waste, shall be done within licensed waste disposal facilities, and hazardous waste generated was handled by registered and licensed collectors.

Non-hazardous waste

The Group generated 1,552 tonnes of waste during the Reporting Period. Non-hazardous waste generated by the Group comprises two categories, namely non-inert construction waste and inert construction waste, which were disposed in landfills and public filling areas respectively. In general, the Group aims to avoid and minimise the generation of construction and demolition materials in the first place with good planning on site housekeeping and stockpile management, good planning on the use of precast and prefabrication, proper segregation and storage, maximisation of reuse and recycle prior to disposal, and avoidance on purchase of products with unnecessary or non-recyclable packaging.

Since 2014, the Group has been supporting Hong Kong Environment Bureau's "A Food Waste & Yard Waste Plan for Hong Kong 2014-2022" by nominating representatives from Key Projects of the Group as Waste Reduction Officers to raise awareness among employees on recycling and waste prevention, as well as promoting behavioural changes to further divert food waste from landfill.

Waste generated by the Group during the Reporting Period were as follows:

| Types of non-hazardous waste | Total volume (tonnes) | Intensity (tonnes/HKD1 million turnover) |
|---|----------------------------------|---|
| Non-inert construction waste (disposed in landfills) | 1,404 | 0.2 |
| Inert construction waste (disposed in public filling areas) | 148 | 2.1 |



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2. Use of Resources

The Group places great emphasis on reducing energy consumption and building a green and low-carbon image. Accordingly, the Group has been actively creating an eco-friendly working environment and fostering its employees' awareness of energy conservation, emission reduction and environmental protection, and encouraging them to be environment-friendly by implementing measures for reducing use of resources, such as saving materials. The Group also requires its employees to turn off the electrical devices such as computers and printers and other unnecessary electrical appliances before leaving the office. Besides, the Company is taking active steps to complete its electronic document management system and strives to realise paper-less office operation in the future in order to reduce paper consumption. Outside the office, the Group encourages its employees to use public transportation and reduce the use of private vehicles, with the aim of indirectly cutting energy consumption and greenhouse gas emission through increasing the use of public transportation.

Electricity consumption

The total electricity consumption by the Group during the year was approximately 282,218kWh.

To support the "Energy Saving for All" scheme promoted by the government, we have participated in the Energy Saving Charter and 4Ts Charter jointly organised by the Environment Bureau and Electrical and Mechanical Services Department since 2015, including setting energy saving goals (e.g. maintaining an average indoor temperature between 24-26°C, turning off electrical appliances when not in use and procuring energy efficient appliances), setting achievement schedule for such goals and ensuring transparency for monitoring the efficiency of energy saving, as well as encouraging employees to practice the energy saving measures with an aim of achieving such goals.

Handling water resources

The total water consumption by the Group during the year was 4,558m³.

The Group is one of the participating organisations of the "Let's Save 10L Water" Campaign. We commit to proactively reduce fresh water consumption by practicing water saving measures such as installing flow controllers and adopting rainwater harvesting systems for landscape irrigation. Nevertheless, employees are still reminded to reduce water usage whenever possible.

Handling wastewater

Wastewater at the Key Projects was collected and treated with onsite wastewater treatment facility before discharging to drains. Wastewater discharge is required meet standards for pH value, suspended solids, chemical oxygen demand stipulated in the discharged licenses issued by the Environmental Protection Department. No incidents of exceeding the required standards were reported in the Reporting Period.



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Office paper

The total paper consumption by the Group during the year was approximately 2,752kg.

To raise the awareness of its employees to reduce paper consumption, Kwan On encourages employees to use duplex printing for internal documents, adopts environmentally friendly photocopy habit and promotes paper recycling.

Energy consumption by the Group during the year were as follows:

| Types of energy | Consumption volume | Intensity (Consumption unit/HKD1 million turnover) |
|--|-----------------------|---|
| Direct energy consumption | | |
| Fuels (Litre) | 72,071 | 108.1 |
| Indirect energy consumption | | |
| Electricity (kWh) | 282,218 | 423.1 |
| Other indirect energy consumption | | |
| Water (m ³) | 4,558 | 6.8 |
| Office paper (kg) | 2,752 | 4.1 |

A3. Environment and Natural Resources

Our Key Projects may cause other impacts on the environment, therefore the Group continuously improve its technology innovative to support the sustainable development of the industry. We also strive to reduce the impact of our business operation on the environment by increasing its production efficiency and other measures, including adoption of various dust mitigation measures such as fully covering dusty materials and stockpiles on site, spraying water on unpaved areas, access roads and haul roads, as well as restricting vehicle's speed and providing dust screen and wheel washing facilities.

SOCIAL

B1. Employment

We have established a comprehensive Human Resources Management System and Procedure, which sets out the Human Resources Department's implementation, review and approval of recruitment process, a complete appraisal and compensation welfare system, and its responsibility to continuously improve the training and development system, unleash employees' potential and enhance employees' satisfaction and loyalty.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee turnover by gender, geographical region and age:

| Scope of work/ key business | Gender | | Age | | | | Geographical region | | |
|---|--------|--------|-------|-------|-------|-------|---------------------|-----------|--------|
| | Male | Female | 18-25 | 26-35 | 36-45 | 46-55 | 56 or above | Hong Kong | Others |
| | | | | | | | | | |
| Logistic department | 1 | 2 | 1 | 2 | - | - | - | 3 | - |
| Water Supplies Department contract number 15WSD11 | 4 | 7 | 1 | 3 | 0 | 2 | 5 | 11 | - |
| Hong Kong Housing Authority contract number 20130375 | 2 | - | - | - | - | 1 | 1 | 2 | - |
| Civil Engineering and Development Department contract number GE/2013/16 | 9 | 1 | - | 2 | 2 | 1 | 51 | 10 | - |
| Drainage Services Department contract number DC201205 | 3 | 1 | - | - | - | - | 4 | 4 | - |

B2. Health and Safety

The Group has prepared the Project Safety Plan in order to provide its employees a better occupational safety environment. The Plan allows Kwan On to improve its coordination, management and control of safety measures on site, and will be reviewed regularly. The Project Safety Plan lists out all statutory and contractual requirements that are applicable to the project, and identifies precautionary measures and arrangement designed to eliminate and control the respective hazards. Clear and transparent information on the Group's Safety Policy, organisational structure, in-house safety rules, training programme, site safety cycle programme and permit-to-work system are disseminated to our employees and subcontractors, so as to maintain high standard of safety and health at the project.

The Group regularly reviews the Site Safety Plan and Project Safety Plan according to the site progress and highlights activities in the forthcoming months for risk assessment. Weekly Site Safety Inspections are also conducted to monitor the implementation of safety plan and site safety performance, and to rectify non-compliances timely. Besides, the Group provides medical insurances for its employees, including insurances for major diseases, illness and death, medical care for accident injuries, hospital allowances, supplementary work-related injury compensations, outpatient and inpatient medical care. There are also various employee family insurance packages available to purchase. During the year, there were only two work-related injury incidents occurred.



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B3. Development and Training

The Group attaches great importance to employees' professional skill improvement, training and learning, which prepare them for different challenges and allow them to expose to a width of knowledge, and unleash their potentials and talents in different positions. The Group offers educational allowance to encourage and support employees to enrol external trainings that are beneficial to their work capability.

Practicability shall be the first priority in regard of training plans. The Group's Key Projects are highly correlated with the site safety, therefore every staff of the Group and its subcontractors are required to attend site specific induction training, safety induction training and mandatory basic safety training to raise their awareness on safety measures and compliances applicable to their project and construction activities. Health and safety management trainings, and extensive toolbox trainings on various safety topics are also conducted regularly by the Group to keep employees refreshed and to assist them working safely. Health and safety training materials are designed by safety officers with professional guidance from the publications of Hong Kong Construction Association, Occupational Safety and Health Council, Labour Department and other professional institutions.

Training record

During the year, the Group has provided 3,036.96 hours training in total.

B4. Labour Standard

As for prevention of child labour or forced labour, the Group normally verifies the applicants' background and referees to effectively avoid child labour or other non-compliance employment. The Group also complies with equal and voluntary labour employment principle. When signing contracts with employees, the Group will completely and accurately convey information such as working location, time and salary. Both parties shall sign contracts on a voluntary basis in order to avoid forced labour.

The Group had no child or forced labour pursuant to the Employment Ordinance.

B5. Supply Chain Management, Contractors

Annual assessment on partnered contractors is carried out to review contractors' quality, environmental and social performance, price, delivery timeliness and payment terms.

The Group has standard procedures on the management of suppliers' data protection, supplier selection and their performance assessment. Procurement Department conducts background check and trading history prior to engagement, and carries out assessment on suppliers' quality, environmental and social performance, quantity, price range, delivery timeliness and payment terms at least once a year.



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B6. Products/Service Responsibility Works/Project Quality Assurance

Project quality assurance

Through regular on-site inspections and monthly progress meetings and works reviews, which involve project team, quantity surveyors, contractors, clients and consultants, Kwan On obtains better quality control and management on the agreed terms of general specification and works contracts.

The Group also has standard procedures on acceptance of works delivered by subcontractors, which include checking the completed works quality against contract requirements and specifications, counter-checking completion information provided by contractors and carrying out sampling tests, so as to ensure the works quality.

For materials purchased from suppliers, the Group has standard procedures for checking the quality, quantity and overall content of materials received on site. Site foremen and site administrators work closely with procurement department for quality control. Besides, site administrators is responsible for ensuring proper documentation in place. If any damages or irregularities found, site foremen shall inform procurement department immediately for rectification.

Intellectual Property Rights

Kwan On has participated in Microsoft's Volume Licensing Programs. The Group is required to conduct an internal audit of all Microsoft products in use and provides Microsoft a written statement certifying the Group has sufficient licenses for the use of Microsoft products.

Data Confidentiality Management

The Group has standard management approach on handling important and confidential information by authorised personnel only. Employees are prohibited from taking any database equipment, maintenance supplies, removable storage or other information out of the office without approval. All collection, transfer and use of employees' information are in compliance with the Personal Data (Privacy) Ordinance.

B7. Anti-corruption

To maintain high standard of integrity, ethic and commercial practice, the Group has whistleblowing policy together with an open and comprehensive Enterprise Supervision System. The whistleblowing policy provides a channel to let employees and outsiders report on potential misconduct or malpractice of the Group including but not limited to bribery, extortion, fraud and money laundering. The whistleblowing policy protects the whistle-blowers for disclosure made in good faith and without malice, and it applies to all full-time, part-time and contract employees.



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For integrity education, the Group also regularly encourages employees from management level, quantity surveying department and procurement department to attend anti-corruption talks organised by Independent Commission Against Corruption, with an aim of enhancing the identification, handling and reporting of corruption cases.

B8. Community Investment

The Group actively invests in community engagement activities in the aspect of environmental protection, social services and education.

Project Hotlines

The Key Projects of the Group provide telephone hotlines at the hoarding on site, allowing transparent communication with surrounding communities should any concerns arise. Moreover, the Key Projects of the Group paid every effort in making sure the works involved in projects completed according to schedule, as well as maintaining good housekeeping around the project site, to minimise the overall disturbance to the surrounding neighbourhood.

The Company also invites children of our staff as “Young Green Pioneers” to participate in a colouring contest to promote the environment protection message.

Kwan On answers to the call of “No Straw Campaign” and encourages its employees use less disposable plastic straws to further promote green awareness.

