



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

2 0 1 6 / 1 7

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

Table of Contents

Scope and Reporting Period	2
Stakeholder Engagement and Materiality	2
Stakeholders' Feedback	2
The Company's Sustainability Vision and Mission	2
A. Environmental	5
1. Greenhouse Gas Emission	5
2. Direct Emission	6
3. Electricity	6
4. Water	7
5. Wastewater	7
6. Non-Hazardous Waste	7
7. Hazardous Waste	8
B. Social	8
1. Employment and Labour Practices	8
2. Operating Practices	10
3. Community Investment	12

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

Scope and Reporting Period

This is the first ESG report by the Group, highlighting its Environmental, Social and Governance (the “**ESG**”) performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are construction works in Hong Kong. This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of its key business operations of Kwan On Construction Company Limited, a wholly-owned subsidiary of the Company (“**Key Projects**” as listed below, contributing to a total of HK\$582M, over 75% of the Group’s consolidated revenue from 1 April 2016 to 31 March 2017 (hereinafter referred to as “**2016/17**” or the “**Reporting Period**”):

- 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)
- West Kowloon Cultural District Authority Contract No. GW/2015/05/038 (Public Infrastructure Works for Phase 1 Development of West Kowloon Cultural District (Package 1))

Stakeholder Engagement and Materiality

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

Stakeholders’ Feedback

The Group welcomes stakeholders’ feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at general@kwanon.hk.

The Company’s Sustainability Vision and Mission

Vision

We hope the Company’s every little effort to preserve the Earth can add up to yet another beautiful morning to our next generation.

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

Mission

Environmental and Safety are deeply integrated in the business due to the industry nature. The commitment from top management is important to drive the employees for implementing the environmental and safety management system.

Commitment to the Environment

Kwan On Construction Company Limited ("Kwan On") Environmental Management Policy

Kwan On is committed to carrying out construction works in a manner with minimal impact to the environment resulting from our business activities.

To minimize environmental impacts concerning our site activities, we shall: -

- * Comply with all applicable legal requirements and contractual obligations to which the Company subscribes which relate to its environmental aspects.
- * Prevent, reduce and eliminate pollution or any other degradation of environment resulting from the production process or from the use of goods and services.
- * Reduce waste and minimise the consumption of resources.
- * Educate, train and motivate employees to carry out tasks in an environmentally responsible manner.
- * Provide sufficient resources and facilities for the implementation of environmental nuisance abatement and waste management.
- * Obtain and renew the necessary environmental licences, registrations and permit.
- * Encourage environmental protection among suppliers and subcontractors.

Kwan On is committed to continual improvement of environmental performance.

This policy is reviewed periodically by the Company Top Management to ascertain continual upgrading of environmental standards.

This Policy will be communicated to all staff; contractors and suppliers involved in the Works, and be available for the public.

Signed _____ SIGNED Tony Wong (Managing Director)

Dated 6th September 2012 on behalf of the Contractor

Rev. No. 0

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

Commitment to Health and Safety

Kwan On Construction Company Limited

Policy Statement of Safety and Health

It is the policy of this Company for all projects that Safety and Health is given top priority over all other matters of production, finance, design, method, material and equipment.

The Company is committed to achieve a high level of safety and health performance with continual improvement for its employees, subcontractors and the general community by safeguarding against hazards, and ensuring that working conditions conform to those required by relevant legislation and codes of practice.

Safety is an important aspect and an integral part of our daily operations. A target is set for next year to achieve an accident rate of less than 0.50 reportable accidents per 100,000 man-hours, and nil fatal accident. To achieve this goal, adequate and appropriate resources will be deployed for implementing this policy.

The Project Director of the Company is designated to be responsible for the overall co-ordination and implementation of this policy and will in turn delegate responsibility and authority for its implementation to all management staff according to their functions. At general offices, respective Senior Managers/Managers have the responsibility to ensure that the workplace is safe for all employees and visitors. At site, the respective line supervisory staff are responsible for the safety of company's employees, subcontractors and the public.

The Safety Officer shall ensure this policy is explained to new employees as part of their induction training within two days of their commencement of work. Kwan On will provide information, instruction, training and supervision to employees and subcontractors for health and safety at the work place. All employees of the Company and sub-contractors must fully understand and comply with this policy and endeavor their efforts in implementing the Occupational Safety and Health Programmes to prevent any accident.

Kwan On recognizes the importance of opening and maintaining clear channels of communication and consultation with all members of the work force. Safety is a share responsibility, and supervisory personnel are authorized to stop work if there is any imminent danger. The successful implementation of this policy relies on the co-operation and contribution of every member of the Company.

This policy is reviewed biennially or when amendment is required for continuous improvement by the Safety Management Committee to ascertain continuous upgrading of safety and health standards. This review incorporates into Policy feasible suggestions made by employees of the Company and subcontractors. Any updated version of this policy shall be promptly brought to the attention of all employees and subcontractors of issue through circulation, newsletter, safety meetings, safety bulletin and training.

Signed _____ SIGNED Tony Wong (Managing Director)

Dated 8th September 2012 on behalf of the Contractor

Rev. No. 6

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

A. Environmental

Type of emission sources the Group involved in the Reporting Period was mainly petrol, electricity, water, paper, as well as production-related wastewater and land pollutions which are regulated under prevailing laws and regulations.

Environmental Legislation and Regulations

Key Projects complies with eight major environmental ordinances and various non-statutory requirement in Hong Kong:

- Air Pollution Control Ordinance (Cap 311);
- Waste Disposal Ordinance (Cap. 354);
- Water Pollution Control Ordinance (Cap. 358);
- Noise Control Ordinance (Cap. 400);
- Ozone Layer Protection Ordinance (Cap. 403);
- Dumping at Sea Ordinance (Cap. 466);
- Environmental Impact Assessment Ordinance (Cap. 499); and
- Hazardous Chemicals Control Ordinance (Cap.595).

The Group had no environmental conviction or prosecution for violating environmental regulations during the Reporting Period.

1. Greenhouse Gas Emission

Scope of Greenhouse Gas Emissions	Emission Sources	Emission in tonnes of CO ₂ e	Percentage of Total Emission
Scope 1			
Direct Emission	Combustion of fuel in mobile sources	21.86	7%
Scope 2			
Indirect Emission	Purchased electricity	313.36	92%
Scope 3			
Other Indirect Emission	Paper waste disposed at landfills	0.78	1%
	Electricity used for processing fresh water	2.96	
Total		338.96	

Note1: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

There were approximately 338.96 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's Key Projects in the Reporting Period.

Environmental Management Plan

The Key Projects of the Group has established 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, minimization, 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.

2. Direct Emission

A total of 80,685.80 litres of petrol, with an intensity of 138.58 litre per HK\$1 million turnover, was used for private passenger cars and vans for employees commuting and transportation of materials in the reporting period, contributing to 1.19 kg of sulphur oxides emissions and a total of 21.86 tonnes of carbon dioxide equivalent emission.

Moreover, the Key Projects adopts 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.

3. Electricity

The electricity consumption by the Group was 396,663.59 kWh, with an energy intensity of 681.28 kWh per HK\$1 million turnover.

The Group has committed to participate the Energy Saving Charter on Indoor Temperature since 2015, organized by Electrical and Mechanical Services Department. Throughout the year, the Group commits to make effort in conserving energy and combating climate change by maintaining an average indoor temperature between 24-26°C, particularly during summer months, as well as switching off electrical appliances when not in use and procuring energy efficient appliances throughout the Reporting Period.

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

4. Water

Water consumption by the Group was 7,287.81 m³, with water intensity of 12.52 m³ per HK\$1 million turnover. Water was obtained from Water Supplies Department.

The Group is one of the participating organizations of the "Let's Save 10L Water" Campaign. By pledging to participate in the Campaign, the Group commits to proactively reduce fresh water consumption by practicing water saving habits such as installing flow controllers and adopting rainwater harvesting systems for on-site landscape irrigation. Nevertheless, the Group reminds its staff to reduce water usage whenever possible.

5. Wastewater

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

6. Non-Hazardous Waste

(i) Construction and Demolition (C&D) Waste

The Group generates approximately 538 tonnes of waste to landfill (intensity: 0.92 tonne/HK\$1 million turnover), 16,114 tonnes of waste to public fill (intensity: 27.68 tonne/HK\$1 million turnover) from its key projects' operation. In general, the Group aims to avoid and minimize the generation C&D 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, maximization 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.

(ii) Office Paper

The Group practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit. Apart from reducing paper waste at source, paper recycling also contributes to conserving resources such as forests, energy and water. To efficiently recycle used paper, waste segregation and collection are particularly important.

A total of 0.16 tonnes of paper has been used for daily office operations. Paper recycling practice is engaged and promoted regularly to raise employees' awareness on conserving paper.

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

7. Hazardous Waste

The Group has registered as Chemical Waste Producers for its Key Projects according to the Waste Disposal Ordinance. Hazardous waste such as spent halogenated and non-halogenated solvent, spent lubricating oil, asbestos waste, lubricating oil absorbents, and waste chemical batteries were generated from the Key Projects. Hazardous waste generated was handled by registered and licensed collectors.

B. Social

1. Employment and Labour Practices

(i) Employment

The Group has a comprehensive Human Resources Management System and Procedure, in which it details Human Resources Department's major responsibility for the implementation, review, approval of recruitment process, training application, appraisal, dismissal and payroll terms.

Employees are entitled to annual leave and other types of leave (marriage, compassion, parental), standard working hours, rest periods, overtime compensation (in terms of leave or pay). Year-end bonus is given based on the Group's business performance, employee's job position and salary. All job applicants and employees are not discriminated during the process of recruitment, employment, training and promotion.

The Group did not note any cases of material non-compliance regarding the Group's labour practices during the Reporting Period.

(ii) Employee Health and Safety

The Group regularly reviews the Site Safety Plan and Project Safety Plan for the Key Projects according to the site progress and highlights high risk activities and relevant hazards in the forthcoming months. Weekly Site Safety Inspections were also conducted to monitor the implementation of safety plan, site safety performance and to rectify non-compliances timely.

Project Safety Plan

The Group prepares and regularly reviews the Project Safety Plan for the Key Projects for better coordination, management and control of safety measures on site in order to protect all personnel and the public engaged in the project or affected by the operations. The Project Safety Plan listed out all statutory and contractual requirements that are applicable to the project, as well as identified precautionary measures and arrangement designed to eliminate and control the respective hazards, and offered employees and subcontractors clear and transparent information on the Group's Safety Policy, organizational structure, in-house safety rules, training programme, site safety cycle programme, and permit-to-work system, so as to maintain high standard of safety and health at the project.

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

Monthly Meetings to Review Health and Safety Issues

Meetings have been arranged every month for the Key Projects to review all on-site safety related matters and to keep track on ongoing efforts and progress on measures and procedures. The meetings also provide platform to discuss public concerns, complaints, warnings, potential hazards, non-compliance observed in the preceding month, and update all participants (management, safety responsible personnel, on-site employees, subcontractors) on training plans and safety promotional activities.

Hong Kong's Good Housekeeping Competition

One of the Key Projects, CEDD Contract No. GE/2013/16, won Merit Award at the Hong Kong's Good Housekeeping Forum and Award Presentation 2016-17. The Good Housekeeping Award was organized by Occupational Safety and Health Council on 9 December 2016 at the Hong Kong Convention and Exhibition Centre. The project team was also invited to deliver a presentation sharing valuable experience with professionals across the trade regarding best practice on housekeeping technique.

Occupational Health and Safety Data	
	2016/17
Work related fatality	0
Work injury cases with sick leave >3 days	0
Work injury cases with sick leave <3 days	0
Lost days due to work injury	0

(iii) Development and Training

The Group believes that employees with higher self-esteem and self-confidence tend to sync better with society changes, thus, the Group pays special attention to employees' development and training, allowing them to expose to different types of challenges and width of knowledge, unleashing their potentials and talents. The Group offers educational allowance to encourage and support employees to enrol external trainings that are beneficial to their work capability; The Group also regularly raise awareness among employees regarding work health and safety through news and campaign provided by Occupational Safety and Health Council.

Every employee from the Group and from subcontractor 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 site and construction activities. Health and safety management trainings, and extensive toolbox training on various safety topics were also conducted regularly to keep them refreshed and to assist them working safely in their works areas and work tasks. Health and safety training materials are designed by safety officer with professional guidance from the publications of Hong Kong Construction Association (HKCA), Occupational Safety and Health Council (OSHC), Labour Department and other professional institutions.

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

During the Reporting Period, the Group has invited external parties to conduct seminars on various topics for all levels of employees, to help them enhancing relevant skills and knowledge for their job positions. Topics included sewage pumping station design, field instrumentation and monitoring works in geotechnical engineering, and geographic information system, etc.

Apprenticeship Training Scheme (ATS) and Contractor Cooperative Training Scheme (CCTS)

The Group actively supports the ATS of Vocational Training Council (VTC) and CCTS of Construction Industry Council (CIC) by recruiting 8 apprentices and 8 trainees during the Reporting Period. The Group ensures sufficient machinery, equipment and materials are provided for training apprentices and trainees, as well as dedicates suitable trainers to instruct the apprentices and trainees to learn the required skills in their trades. These scheme allow the Group to obtain reliable and stable talents to meet business growth.

(iv) Labour Standards

The Group had no child or forced labour pursuant to the Employment Ordinance. Background and reference checks are one of the standard procedures to ensure a candidate's authenticity to be hired apart from job requirements.

2. Operating Practices

(i) Supply Chain Management

Subcontractor

Quantity Surveying Department has a set of standard procedures on information management, screening and approval of contractors. Annual assessment on partnered contractors is carried out to review contractors' quality, environmental and social performance, price, delivery timeliness and payment terms.

Supplier

Suppliers engaged for construction materials for the Key Projects during the Reporting Period were mainly from England, Singapore and United States. 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.

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

(ii) Product/Service Responsibility

Quality Assurance on Works/Project Quality

Through regular on-site inspections and monthly progress meetings and works reviews, which involved project team, quantity surveyors, contractors, clients and consultants, the Group 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.

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. Site administrators is responsible to ensure proper documentation in place. If any damages or irregularities found, site foremen shall inform procurement department immediately for rectification.

Intellectual Property Rights

The Group has participated the Microsoft's Volume Licensing Programs. According to the program, the Group must conduct an internal audit of all Microsoft Products in use and provides Microsoft a written statement certifying the Group has sufficient Licenses to support the usage 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.

(iii) Anti-corruption

To maintain high standard of integrity, moral and commercial practice, the Group has whistleblowing policy together with an open and satisfactory 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.

The Group also regularly encourages employees from management level, quantity surveying department and procurement department to attend Anti-Corruption Talk organized by Independent Commission Against Corruption (ICAC).

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT 2016/17

3. Community Investment

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

Clean Shorelines

On 6 August 2016, over 40 employees of the Group carried out beach cleanup at Lower Cheung Sha Beach, Lantau Island. Bags of marine refuse found on shore were collected, sorted and disposed at proper refuse storage area. This activity enhanced the employees awareness on and put into actions on protecting the marine environment.

Donation to the Community Chest of Hong Kong

The Group has donated HK\$1 million to the Community Chest of Hong Kong's "Stock Code Balloting for Charity Scheme" to celebrate its listing on the Main Board. Community Chest of Hong Kong is an independent, non-profit making organization, with helps social welfare agencies to provide social services to over 2 million beneficiaries in Hong Kong every year.

Industrial Mentoring Scheme

The Group has also participated in the Industrial Mentoring Scheme of City University of Hong Kong's Bachelor of Engineering in Construction Engineering and Management Programme. Employees from the Group helped guiding and providing industrial-specific advices to the university students throughout the academic year.

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 minimize the overall disturbance to the surrounding neighbourhood. No project related complaints have been received during the Reporting Period.