



# 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

# 2019



# 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 2019.

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 on The Stock Exchange of Hong Kong Limited, 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

The reporting scope is determined by the directors of the Group based on the key construction projects. This report made disclosure on the overall performance in relation to environmental and social aspects of the principal business of Kwan On for the period from 1 April 2018 to 31 March 2019. Such principal business includes:

- Water Supplies Department Contract No. 10/WSD/10 (Replacement and rehabilitation of water mains, stage 4 phase 1 – mains in Shatin and Sai Kung);
- Civil Engineering and Development Department Contract No. CV/2015/01 (Provision of Universal Access Facilities for Highway Structures – Package 1 Contract 2);
- Civil Engineering and Development Department Contract No. KL/2012/03 (Kai Tak Development – Stage 4 infrastructure at former north apron area); 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.

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### STAKEHOLDER ENGAGEMENT AND COMMUNICATION

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"> <li>• Fulfillment of compliance requirements of regulatory bodies</li> <li>• Payment of taxes on time according to laws</li> <li>• Maintenance of good relationship with the government</li> <li>• Employment promotion</li> </ul>	<ul style="list-style-type: none"> <li>• Public consultations</li> <li>• Seminars</li> <li>• Reports/surveys</li> <li>• Interviews</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Service quality and safety</li> <li>• Customer Service and experience</li> <li>• Privacy</li> </ul>	<ul style="list-style-type: none"> <li>• Listening to customer opinions and handling enquiries or complaints</li> <li>• Customer communication meetings</li> <li>• Customer satisfaction surveys</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Investment returns</li> <li>• Improvement of the Group's value</li> <li>• Protection of rights</li> <li>• Realisation of information transparency and efficient communication</li> </ul>	<ul style="list-style-type: none"> <li>• General meetings</li> <li>• Annual and interim reports</li> <li>• Corporate announcements</li> <li>• Analyst meetings</li> <li>• Meetings and conference calls with investors</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Healthy and safe work environment</li> <li>• Career development</li> <li>• Training opportunities</li> <li>• Compensation benefits</li> <li>• Corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous improvement of training and development system</li> <li>• Creation of a competitive work environment</li> <li>• Improvement of performance appraisal and compensation and welfare system</li> <li>• Employees caring and welfare activities</li> <li>• Psychological counseling</li> <li>• Staff mailboxes</li> <li>• Group's intranet</li> </ul>
Suppliers, Contractors and Partners	<ul style="list-style-type: none"> <li>• Transparent procurement process</li> <li>• Development opportunities</li> <li>• Business integrity</li> <li>• Performance of contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Communication meetings</li> <li>• Review and assessment of service quality</li> <li>• Information sharing</li> <li>• Surveys</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Energy saving</li> <li>• Public welfare</li> <li>• Community culture and services</li> <li>• Safety management</li> </ul>	<ul style="list-style-type: none"> <li>• Organisation of/participation in social welfare activities</li> <li>• Practice corporate social responsibilities</li> <li>• Active communication with government authorities</li> </ul>

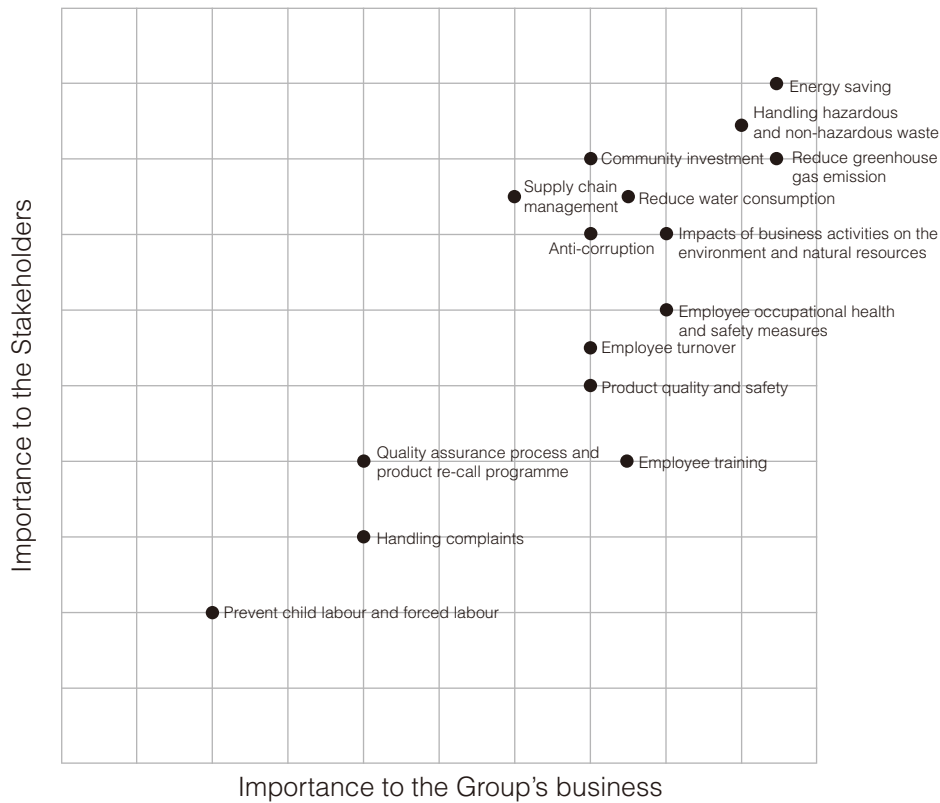
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 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 Group’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.

Materiality Matrix



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### MAJOR ESG ISSUES AND KEY PERFORMANCE INDICATORS OF PRINCIPAL BUSINESS DISCLOSURES

#### ENVIRONMENTAL

To build an even better society, Kwan On is strived to take practical steps to enhance environmental management with an aim of reducing the direct impact on the environment caused by its principal business. The principal projects of the Group have established environmental management plans for avoidance, minimisation, collection, separation, recycling, reuse and disposal of different categories of waste generated from the construction activities. By estimating the quantities and types of construction and demolition waste generated throughout the whole construction period of the projects, the environmental management plan develops corresponding environmental and waste management mitigation measures to reduce or eliminate the environmental impacts caused by site activities undertaken by the Group. During the Reporting Period, major emissions generated by Kwan On's principal business were vehicle exhaust, electricity, water, paper, as well as wastewater and land pollutions generated throughout the projects, which are regulated under prevailing laws and regulations. No non-compliance cases has been identified during the year.

#### A1. Emissions

While expanding our business, the Group is also in pursuit of the principle of environmental protection and has always been committed to improving its operating methods, so as to reduce the impact of the business on the environment. The Group reduces the use of construction materials through budgeting and planning. As greenhouse gas emitted directly or indirectly in the course of material transportation and electricity generation, we encourage employees to use public transportation instead of private vehicle, turn off lightings not in use and use LED lightings so as to further save electricity as long as normal operation is maintained.

#### Emission of Greenhouse Gas and other Air Pollutant

During the Reporting Period, the greenhouse gas emissions of the Group's principal business was approximately 854.56 tCO<sub>2</sub>e. Details of the greenhouse gas and other air pollutant emissions of the Group during the Reporting Period were as follows:

Greenhouse gas (CO <sub>2</sub> ) emissions	Volume (kg)	Intensity (kg/HKD1 million turnover)
Direct greenhouse gas emissions	243,287	164.1
Indirect greenhouse gas emissions from energy generation	597,496	402.7
Other indirect emissions	13,580	9.2

Air pollutant emissions	Volume (g)	Intensity (g/HKD1 million turnover)
SO <sub>2</sub>	1,368	0.9

The Group will continue to explore effective energy-saving alternatives to further augment our sustainability performance.

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### Waste Disposal

#### Hazardous waste

Hazardous waste generated from our principal business 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 Hong Kong Waste Disposal Ordinance and collects and disposes of relevant construction waste. Disposal of chemical waste, including handling, processing and recycling of chemical waste, shall be done within licensed waste disposal facilities, and other hazardous waste generated was also handled by registered and licensed collectors.

#### Non-hazardous waste

The Group generated 7,212 tonnes of non-hazardous waste during the Reporting Period, including 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, including good planning on the use of precast and prefabrication, proper segregation and storage, and maximisation of reuse and recycle prior to disposal.

Since 2014, Kwan On has been supporting Hong Kong Environment Bureau's "A Food Waste & Yard Waste Plan for Hong Kong 2014-2022" by nominating representatives from the principal business of the Group as Waste Reduction Officers to encourage employees to recycle and prevent waste, raise awareness of environmental protection among employees, as well as promoting behavioural changes to further divert food waste from landfill.

Non-hazardous 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)	6,842	4.6
Inert construction waste (disposed in public filling areas)	370	0.2

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A2. Use of Resources

The Group places great emphasis on reducing energy consumption through enhancing resources efficiency. To create an eco-friendly working environment, we encourage our employees to form eco-friendly habits in the work environment by raising their awareness of energy conservation, emission reduction and environmental protection, such as reminding them to turn off the electrical devices like computers, printers and other unnecessary public electrical appliances before leaving the office. To realise paperless office operation, the Group has been taking active steps to complete its electronic document management system in order to reduce paper consumption. Outside the office, the Group also encourages its employees to use public transportation and reduce the use of private vehicles, with the aim of cutting roadside vehicle emissions through increasing the use of public transportation.

#### **Electricity Consumption**

The total electricity consumption by the Group during the Reporting Period was approximately 756,324kWh.

The Group has participated in the Energy Saving Charter and 4Ts Charter jointly organised by the Hong Kong 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. We have also posted up posters of the Charters in the office to promote “Energy Saving for All” and to encourage employees to practice the energy saving measures with an aim of achieving such goals.

#### **Handling Water Resources**

The total water consumption during the Reporting Period was approximately 33,390m<sup>3</sup>.

The Group is one of the participating organisations of the “Let’s Save 10L Water” Campaign organised by the Water Supplies Department. We commit to proactively reduce fresh water consumption by installing flow controllers and practicing other water saving measures. Besides, employees are still reminded to reduce water usage whenever possible.

#### **Handling Wastewater**

Wastewater at the project sites 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 during the Reporting Period was approximately 1,908kg.

To raise the awareness of its employees to reduce paper consumption, Kwan On encourages and promotes the use of emails and electronic office systems, black-and-white and duplex printing for internal documents, adopts environmentally friendly photocopy habit and promotes paper recycling. Besides, the Group is gradually implementing the office automation system, with which internal application and approval procedures will be made online in order to realise paperless office operation and reduce paper consumption.

Resources consumption during the year were as follows:

Types of resources	Consumption volume	Intensity (Consumption unit/HKD1 million turnover)
<b>Direct energy consumption</b>		
Fuels (Litre)	63,941	43.1
Diesel (Litre)	26,563	17.9
<b>Indirect energy consumption</b>		
Electricity (kWh)	756,324	509.7
<b>Other consumption</b>		
Water (m <sup>3</sup> )	33,390	22.5
Office paper (kg)	1,908	1.3

### A3. Environment and Natural Resources

The Group is principally engaged in public construction, and our principal business may cause other impacts on the environment. As such, the Group is committed to 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 in our construction sites, in order to further reduce our impact on the environment.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### SOCIAL

#### B1. Employment

We believe that our staff is one of our most important assets for sustainable development of the Group. In order to provide our staff a quality work environment, we have established a comprehensive Human Resources Management System and Procedure, which covers a prudential recruitment process, a complete appraisal system, a competitive compensation and welfare system, and continuously improving training and development system, with an aim of unleashing employees' potential and enhance employees' satisfaction and loyalty to the Group.

#### **Recruitment and Welfare policies**

The Group has established an equality recruitment policy for equal employment opportunities for everyone. Kwan On is committed to create a work environment with no discrimination, and we adhere to the principle of openness, justice and fairness in recruitment and promotion, and adopt a unified employment standard and selection process. Employees will be awarded according to their performance and contribution based on the Group's reward and punishment measures. No discrimination or harassment against religion, ethnicity, race, gender, age, sex orientation, disability, education and nationality would be tolerated in the Group's recruitment and daily operation.

For the welfare of our employees, we provide a quality work environment and comprehensive welfare policy, including sound health management (such as insurance and health check), paid annual leaves and other types of leaves (such as marriage, compassion and parental leaves), standard working hours, rest periods, overtime compensation (in terms of leaves or salary). Apart from a comfortable and safe work environment, we have also established a competitive remuneration standard and a comprehensive employee performance management system, by which we assess our staff's performance and contribution on a regular basis as the basis for year-end bonus, salary adjustment or promotion.

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### Employee details

As of 31 March 2019, employees within the reporting scope were as follows: by gender: 90 males, 44 females; by employment category: 123 full-time employees, 11 contract staffs; by age: 4 aged 18-25, 21 aged 26-35, 24 aged 36-45, 31 aged 46-55, and 54 aged 56 or above.

As of 31 March 2019, employee details by gender, age and employment category:

Scope of work/ principal business	Gender		Age					Employment category	
	Male	Female	18-25	26-35	36-45	46-55	56 or above	Full-time	Contract
Logistics departments	13	17	2	8	10	6	4	30	–
Water Supplies Department Contract No. 10/WSD/10	9	6	–	1	3	6	5	12	3
Civil Engineering and Development Department Contract No. CV/2015/01	36	10	2	6	6	10	22	42	4
Civil Engineering and Development Department Contract No. KL/2012/03	32	11	–	6	5	9	23	39	4

Accumulated employee turnover by gender, age and employment category during the Reporting Period:

Scope of work/ principal business	Gender		Age					Employment category	
	Male	Female	18-25	26-35	36-45	46-55	56 or above	Full-time	Contract
Logistics departments	–	2	1	1	–	–	–	2	–
Water Supplies Department Contract No. 10/WSD/10	6	–	–	–	–	–	6	–	6
Civil Engineering and Development Department Contract No. CV/2015/01	33	2	5	8	3	5	14	26	9
Civil Engineering and Development Department Contract No. KL/2012/03	26	1	1	5	3	3	15	18	9

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B2. Health and Safety

The Group has prepared the Project Safety Plan in order to provide a better occupational safety environment, and to ensure a better coordination, management and control of safety measures on site. 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. Information on the Group's Safety Policy, organisational structure, in-house safety rules, training programmes, site safety cycle programmes and permit-to-work system are disseminated to our employees and subcontractors, so as to promote the importance of occupational safety to our employees and subcontractors and to maintain safety and health at the project.

The Group regularly reviews and assess the site and relevant project safety plans according to the site construction progress. We also delegate professionals to conduct regular site safety inspections and monitor the implementation and relevant performance of the safety plans. In order to further protect our staffs' safety at work, the Group provides medical insurances for its employees, covering insurances for major diseases, illness and death, medical care for accident injuries, hospital allowances, supplementary work-related injury compensations, outpatient and inpatient medical care. During the Reporting Period, no work-related injury claiming cases involving staff directly employed by the Group have occurred.

### 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. Therefore, the Group offers educational allowance to employees to encourage and support them to enrol trainings that are beneficial to their work capability.

Practicability shall be the first priority in regard of training plans. As the Group's principal business is highly correlated with the site safety, every staff accessing and working at the sites are required to attend site specific induction trainings, safety induction trainings and mandatory basic safety trainings 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 all employees to keep them refreshed and to assist them working safely. Relevant 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. Those materials are renewed on a regular basis so as to provide all employees with the updated information on work safety.

#### **Training Record**

During the Reporting Period, the Group has provided 4,207 hours training in total to relevant project staffs.

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### **B4. Labour Standard**

The Group complies strictly with the requirements under relevant labour laws and regulations. The Group normally verifies the applicants' background and referees during recruitment to effectively avoid child labour or other non-compliance employment. The Group also complies with equal and voluntary labour employment principle. When signing labour contracts or agreements with employees, the Group will completely and accurately convey information such as working location, time and salary in accordance with laws. Both parties shall sign labour contracts on a voluntary basis in order to avoid forced labour.

During the Reporting Period, the Group had no child or forced labour.

### **B5. Supply Chain Management**

Construction of the Group's projects rely on the cooperation and participation of 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 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.

### **B6. Products Responsibility and 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 contractors, 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.

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### 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 authorization 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 encourages whistle-blowers to report in good faith and without malice, and it applies to all full-time, part-time and contract employees.

The Group also encourages employees from management level, Quantity Surveying Department and Procurement Department to attend regularly anti-corruption talks organised by Independent Commission Against Corruption, with an aim of enhancing the methods of identification, handling and reporting of corruption cases. During the Reporting Period we are not aware of any legal cases involving corruption.

### B8. Community Investment

As part of the community, we believe that we have to actively contribute in the aspect of environmental protection, social services and education to support various community activities. The key projects of the Group provide telephone hotlines at the hoarding on site, allowing transparent communication with surrounding communities should any concerns arise. While ensuring our projects will complete on schedule, the Group also pays attention to maintain good housekeeping around the project site to minimise the overall disturbance to the surrounding neighbourhood. During the Reporting Period, the Group has received no major complaints relating to our projects.

The Group answers to the call of "No Straw Campaign" and encourages its employees use less disposable plastic straws to further promote green awareness.