

TONG KEE (HOLDING) LIMITED

棠記（控股）有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 8305



2019

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE
CONSULTING REPORT

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ABOUT THIS REPORT

Tong Kee (Holding) Limited (the “**Company**”) is pleased to present its second Environmental, Social and Governance (hereinafter called “**ESG**”) Report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 (the “**Year 2019**”), with an aim to provide details of the system establishment and performance of the Group in respect of sustainable development to both the internal and external stakeholders.

This report was prepared in accordance with the ESG Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on the GEM made by of The Stock Exchange of Hong Kong Limited, highlighted the environmental and social measures and activities of the Group during the Year 2019. Corporate governance is addressed separately in the Corporate Governance Report.

The Group is a multi-disciplinary contractor in Hong Kong. The Company is principally engaged in the provision of (i) repair, maintenance, alteration and addition works (“**RMAA**”) works; (ii) new construction works; and (iii) cathodic protection works. The scope of this ESG Report mainly includes data and activities of the office in Hong Kong (“**Hong Kong Office**”) and the representative office in Shenzhen (“**Shenzhen Office**”) in the Year 2019 in relation to three environmental aspects and eight social aspects.



STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a key success factor in formulating environmental and social strategy, defining the Group's objectives, assessing materiality, and establishing policy. The Group's key stakeholders include government, shareholders, customers, employees, suppliers or subcontractors and community. The Group has conducted a survey, discussed or communicated with stakeholders to understand their views and respond to their needs and expectations, evaluated and prioritised their inputs to improve the Group's performance, and finally strived to provide value to the stakeholders.

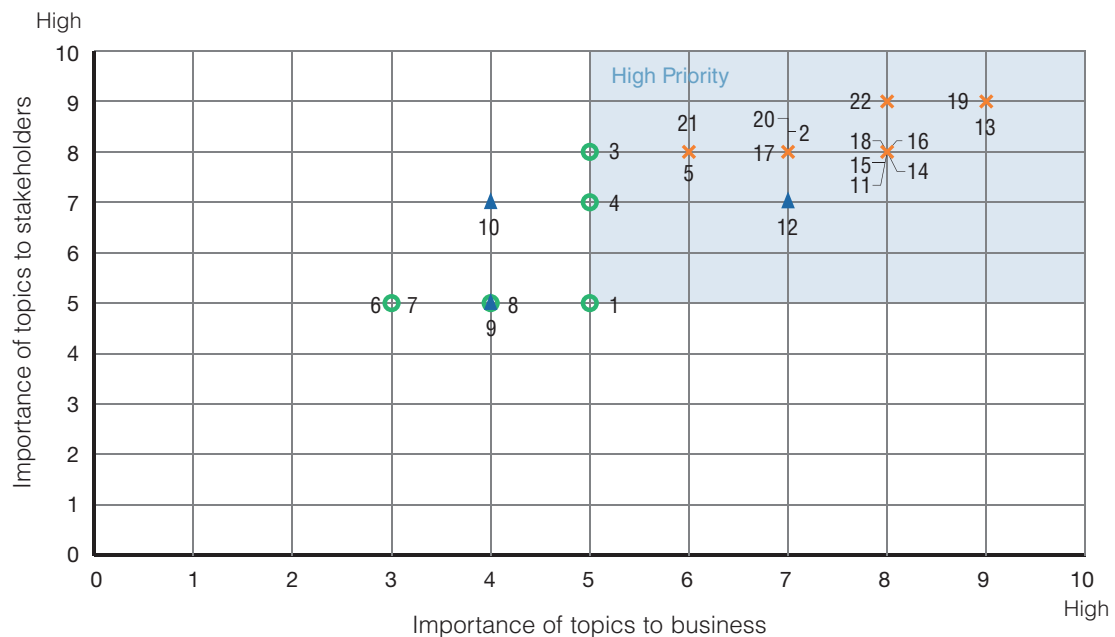
Stakeholders	Expectations and requirements	Communication and response
Government and regulatory bodies	<ul style="list-style-type: none"> Operating in compliance with the law Tax payment in accordance with the laws 	<ul style="list-style-type: none"> Law-abiding operations Tax payment on time and in full
Shareholders	<ul style="list-style-type: none"> Implementation of corporate governance and create value Information disclosure 	<ul style="list-style-type: none"> Optimising internal control and risk management Releasing operating data in due course
Customers	<ul style="list-style-type: none"> Fulfilling contracts within the law High quality services 	<ul style="list-style-type: none"> Timely completion of the works as set out in works order Adopting ISO 9001:2015 certification
Employees	<ul style="list-style-type: none"> Career development platform Remuneration and benefits Occupational health and safety 	<ul style="list-style-type: none"> Transparent promotion channel Competitive remuneration package Implementation of health and safety management system ISO 45001:2018
Suppliers or subcontractors	<ul style="list-style-type: none"> Receiving payment on time Business ethics and credit standing 	<ul style="list-style-type: none"> Payment schedule Fulfilment of obligations under any contract in accordance with laws
Community	<ul style="list-style-type: none"> Improving the environment of communities Protecting the nature 	<ul style="list-style-type: none"> Participation in charitable activities Adhering to green operations by implementation of environmental management system and energy management system ISO 14001:2015 and ISO 50001:2018

Based on the stakeholder engagement, the Group has identified issues with significant environmental and social impacts as well as significant issues concerned by the stakeholders.

MATERIALITY MATRIX

In Year 2019, the Group carried out materiality assessment on a number of ESG issues in order to identify which issues were crucial to the Group's business and were of the utmost concerned by stakeholders. It helps the Group to ensure its business development meeting the expectations and requirements of stakeholders. The Group has identified 22 ESG issues covering environmental, social and operation, and has invited both internal and external stakeholders to assess the materiality of the ESG issues through a scoring tool and interviews. The Group's management has reviewed the ranking of materiality of the ESG issues and then disclosed the result in this report. The results of materiality assessment prioritised stakeholder inputs and made the Group focused on the material aspects for actions, achievements and reporting.

The Group's materiality matrix of ESG issues in the Year 2019:



Environmental issues

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Environmental impact of construction
6. Green buildings certification
7. Customer engagement in environmental issues
8. Use of chemicals

Social issues

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

Operation issues

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy

EMISSIONS

The Group recognises that environmental protection is one of the great social concern matters. Apart from taking all reasonably practicable actions to ensure strict compliance with relevant statutory and contractual requirements, the Group has adopted principles and clause requirements of the International Standard: ISO 14001:2015 to conscientiously promote and implement all reasonably practicable environmental protection measures to prevent possible pollution and other adverse environmental impacts which may be caused by the Group's operations.

The Group has developed an environmental management plan, established Environmental Policy Statement with supportive objectives and targets, provided periodically evaluation and assessment programme in order to maintain an effective environmental management system that align with the ISO 14001:2015 standard requirements and keep monitoring and measuring both onsite performance of projects and offsite performance in office and warehouse, setting and reviewing targets, allocating resources and continually improving the Group's overall environmental performance. Employees are required to take all practicable steps to prevent adverse environmental events and provide rapid and appropriate response to address any events that occur. The Group provides appropriate training for its employees and sub-contractors to improve their awareness of the Group's environmental policy as well as their roles and obligations.

All employees and subcontractors are required to comply with the Environmental Policy Statement. The directors of the Company are responsible for ensuring the compliance, continuous sustainability and effectiveness of the Environmental Policy Statement.

During the Year 2019, air emission for nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and particulate matter ("PM") were mainly generated from the combustion sources of motor vehicles of the Group. The table below shows the key environmental performance indicators of different types of air missions emitted by the Group's operation during the Year 2019.

Air emissions	Unit	Year 2019	Year 2018
NO _x emissions	kg	537	325
SO _x emissions	kg	0.84	0.69
PM emission	kg	40	24

Greenhouse gas ("GHG") emissions refer to the sum of carbon dioxide ("CO₂") emission and the CO₂ equivalent emissions of methane ("CH₄") and nitrous oxide ("N₂O"). GHG emissions are categorised into direct emissions and indirect emissions.

EMISSIONS

The main sources of direct GHG emission from operations are the use of motor vehicles owned or controlled by the Group. The main sources of indirect GHG emission from operations are the use of purchased electricity, paper waste disposed at landfills, electricity used for processing fresh water by government departments. The Group promotes conscious use of electricity car to reduce direct GHG emission.

The table below shows the key environmental performance indicators of GHG emission emitted by the Group's operation during the Year 2019.

GHG emissions	Unit	Year 2019	Year 2018
Total GHG emissions	kg CO ₂ e	202,317	190,063
GHG emissions intensity (per employee)	kg CO ₂ e	1,729	1,653
Direct emissions due to combustion of fuels in mobile sources (Scope 1)	kg CO ₂ e	144,729	123,532
Indirect emissions due to consumption of purchased electricity (Scope 2)	kg CO ₂ e	41,933	36,823
Other indirect emissions due to paper waste disposed at landfills, electricity used for processing fresh water (Scope 3)	kg CO ₂ e	15,655	29,708



- 1 Air conditioning temperature control for energy saving.
- 2 Energy saving signs remind staff members to turn off the lights after using in order to promote energy conservation.

EMISSIONS

The Group applies the International Standards of ISO 50001:2018 to set up its energy management system and ISO 14064 – Part 1 to prepare GHG emissions of the Group's business activities.

No hazardous waste is produced by the Group. Therefore, this disclosure is not applicable to the Group. In the event when any hazardous waste is to be disposed of, the Group would engage professional companies to handle it. Non-hazardous wastes that may result from the Group's operations include construction and demolition waste and general refuse. The table below shows the key environmental performance indicators of waste produced by the Group's operation during the Year 2019. Moreover, the Group promotes switching off lighting and air-conditioning one hour within lunch time and using timer to control on/off for office electrical appliance for energy saving start from 2020.

Waste	Unit	Year 2019	Year 2018
Total non-hazardous waste produced	tonnes	2,275	2,872
Non-hazardous waste produced intensity (per employee)	tonnes	20	25
Total hazardous waste produced	tonnes	N/A	N/A
Hazardous waste produced intensity (per employee)	tonnes	N/A	N/A

The Group strictly regulates the operation of its business to ensure the compliance with local laws and regulations relating to environmental protection and pollutant emissions. In Year 2019, there was no case of material non-compliance with the Water Pollution Control Ordinance, the Air Pollution Control Ordinance, the Waste Disposal Ordinance and other relevant laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on environment. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in Year 2019.

USE OF RESOURCES

The Group recognises that efficient use of resources is one of the significant aspects to protect environment. Majority of the lighting used are LED lamps.

The Group promotes conscious use of resources by putting energy saving, water saving and issuing reminders to all employees to switch off unused lighting and air-conditioners, turn off water taps after use and use paper more effectively. And also, the Group promotes use of recycled paper for causal printing and drafting by paper saving signs



USE OF RESOURCES

The Group updates the OHSAS 18001:2007 to the latest issued International Standard of ISO 45001:2018 (Occupational Health and Safety Management System); applies and setups the ISO 50001:2018 (Energy Management System) together with the ISO 14064 – Part 1 for quantification and reporting of GHG emissions and removals in terms of design, development, management, reporting and verification of our inventory. Certification audits are planned and scheduled to be held in March 2019. This energy management system covers the resources efficiency measure to reduce the use of electricity, fuel, gas and water by the Group.

The Group consumes energy in the form of electricity for Hong Kong Office and Shenzhen Office. When purchasing electrical appliances for its business, the Group would only consider Grade 1 or 2 of the energy label. In addition, the Group does not use packaging materials since the Group had no physical products for sales. Therefore, disclosure of packaging materials used is not applicable to the Group. The below table shows the key environmental performance indicators of the Group's use of resources during the Year 2019.

Total use of resources	Unit	Year 2019	Year 2018
Electricity purchases for consumption	kWh	82,122	72,434
Electricity consumption intensity (per employee)	kWh	702	630
Amount of water consumption	m ³	44	42
Water consumption intensity (per employee)	m ³	0.37	0.40
Total packaging material used for finished products	kg	N/A	N/A
Amount of packaging material per unit produced	kg	N/A	N/A

THE ENVIRONMENT AND NATURAL RESOURCES

The Group understands that its performance in respect of emissions, waste produced, and use of resources impacts the environment, the Group endeavours to minimise such impacts, and communicate the Group's environmental policy, measures, performance, and achievements to the stakeholders.

The Group is committed to reducing the operation impacts on environment and natural resources. Series of guidelines are issued to the workforce (in-house workforce as well as sub-contractors) on air pollution, water pollution, noise control and waste management at works.

The Group has joined the Paper Policy Compliance Programme organised by the International Theme Parks Limited, by which to inspiring its employees through the responsible use of forest resources and eliminating unwanted papers for business.



EMPLOYMENT AND LABOUR PRACTICES

The Group established Employee Handbook covering topics such as: (i) disciplinary and grievance procedures; (ii) remuneration; (iii) working hours and leave; (iv) employee's compensation and medical insurance; (v) employee development and training; and (vi) termination and resignation procedures.

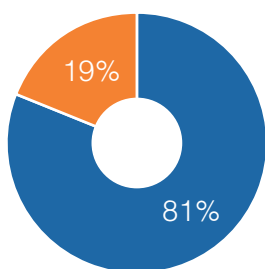
Employees' working hours, rest periods, benefits and welfare, including social security benefits and mandatory provident fund, are required to follow employment or labour laws and regulations. Selected benefit programs, including medical coverage, are also provided.

The Group is an equal opportunity employer. The Group endeavours to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotions, and benefits are required to be handled according to objective assessment, equal opportunity and non-discrimination regardless of gender, race or other measures of diversity.

The Group has implemented Corporate Social Responsibility ("**CSR**") Policy since 2010, which is for ethical decision-making and prevention of abuse of discrimination, which has been issued in both English and Chinese version, is annually reviewed by the top management for its implementation for the Group's business activities. The top management has demonstrated a strong commitment for zero tolerance on corruption and unfair operating practices, such programme is addressed from back office to the front line operations.

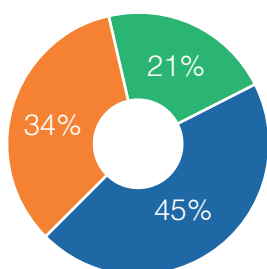
The compositions of the Group's workforce categorised by gender, age and type of employment as of 31 December 2019 are stated as follows:

BY GENDER



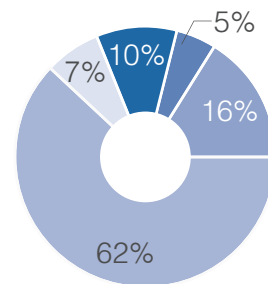
■ Male
■ Female

BY AGE



■ Below 30
■ Aged between 30 to 50
■ Above 50

BY TYPE OF EMPLOYMENT



■ Administrative and management areas
■ Finance
■ Technical areas
■ Workers
■ Others



EMPLOYMENT AND LABOUR PRACTICES

The Group strictly regulates the operation of its business to ensure the compliance with local laws and regulations relating to employment during the course of operation. In Year 2019, there was no case of material non-compliance with the Employment Ordinance and the relevant 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 on the Group. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in Year 2019.

HEALTH AND SAFETY

The Group recognises that “safe at work” and “accident prevention” are two keys of matters related to great social concern. Accordingly, the Group is committed to strictly comply with all applicable statutory requirements and contractual obligations, the Group also takes all reasonably practice measures to provide and maintain the workplace at higher health and safety standard to protect its employees including sub-contractors and others who may be affected. Appropriate steps will be taken to meet and, in any cases, exceed these requirements through continual improvement.

The Group has established Health and Safety Policy Statement. In order to achieve the Group’s commitment, it implemented the following measures:

- (i) Health and safety requirements are always given proper consideration when making decisions about other business priorities, such as productivity and profitability;
- (ii) Setting objectives and targets for maintenance as well as developing and adopting best practice methods, then monitoring and reviewing the Group’s health and safety performance against these objectives and targets;
- (iii) Promoting Health and Safety Policy Statement in its understanding, implementation and maintenance at all levels;
- (iv) Maintenance and continuous improvement of effective health and safety management system, which are actively supported by the top management and in compliance with ISO 45001:2018 standard requirements. This system will ensure that the Group assesses risks of all hazards and puts appropriate control measures in place;
- (v) Providing training and the appropriate tools and equipment to employees and sub-contractors to enable them to perform their task safely;
- (vi) Health and Safety Policy Statement shall be reviewed annually to ensure its compliance; and
- (vii) The Factories and Industrial Undertakings (Safety Management) Regulations (F&IU(SM)R) released by the Labour Department. The Group conduct corporate F&IU audit every 6 months.

Full-time safety supervisors and/or registered safety officers are deployed for all construction projects. Regular corporate safety meeting is held monthly to dialogue with staff for maintenance of healthy labour-management relations, such practice is maintained and ongoing in the Group.

HEALTH AND SAFETY

In order to ensure the implementation of measures for protection on its staff against from occupational health and safety, the Group adopts the international assessment series of OHSAS 18001:2007 since April 2011 and further updated to ISO 45001:2018 in Year 2019 with certificate awarded. Training and promotion at workplace, such as display of safety posters and warning signs are provided at working area for promotion of the occupational health and safety culture to employees and sub-contractors. Besides, incentive scheme was addressed on site to encourage staff's onsite safety performance.



The Group strictly regulates the operation of its business to ensure the compliance with local laws and regulations relating to health and safety during the course of operation. In Year 2019, there was no case of material non-compliance with the Occupational Safety and Health Ordinance and the relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in Year 2019.



DEVELOPMENT AND TRAINING

Employee Development and Training Policy is covered in the Employee Handbook. The Group is committed to providing adequate training to the employees to improve their knowledge and skills for discharging duties at work. Individuals are encouraged to enhance their skills and knowledge at every opportunity in order to perform their current job more efficiently and effectively and to be better prepared for career opportunities which may arise.

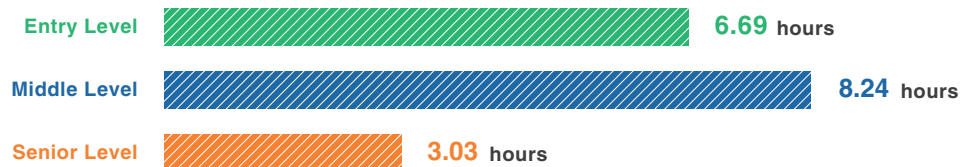
Process of staff performance appraisal is conducted by the responsible department head at the end of each year, by which further training on staff shall be considered. While for the workers, training either done by in-house or recognised organizations to enhance their capacity and employability are planned and scheduled, all relevant training cost involved are reimbursed by the Group.

Below is the list of trainings provided by the Group in the Year 2019:

- Safety Training for Frontline Management
- Submission and Inspection Training Course
- Safety Workshop
- Against Safety Conviction Cases Analysis Workshop
- Business Management Solution
- Mental Health & Helping Professions in HK
- ISO Training-Internal Auditor/Top -up Training in Management Systems
- Quit Smoking Workshop
- Fire Drill

DEVELOPMENT AND TRAINING

The average training hours completed per employee classified by employee category in the Year 2019:



The Group arranges in-house training as well as formal training regarding to anti-bribery by ICAC to all staff every 2 years, these issues which represent the Group's willingness on promotion of working environment adhering to integrity, which is maintained to practice in the Group.



LABOUR STANDARDS

In accordance with the compliance of the relevant legislation of the Hong Kong Special Administrative Region as well as implementation of CSR Policy on all business activities of the Group, it includes specifying the criteria for recruitment is in place to defence against the employment of child and forced labour.

The Group prohibits child labour. It requires both the administrative department and the one from interested parties including the client and sub-contractors/suppliers work together to prevent and identify child labour, and to ensure child labour is not in the workforce. The Group is committed to protecting human rights, to prohibiting forced labours, and to creating a workplace with respect, fairness, and free will for the employees.

The Group strictly regulates the operation of its business to ensure the compliance with local laws and regulations relating to labour standards during the course of operation. In Year 2019, there was no case of material non-compliance with the Labour Law of the People's Republic of China (中華人民共和國勞動法), the Provisions on the Prohibition of Using Child Labour (禁止使用童工規定), the Employment Ordinance and the relevant laws and regulations relating to preventing child or forced labour that have a significant impact. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in Year 2019.

SUPPLY CHAIN MANAGEMENT

Supply chain management is a key area of the Group's business, which includes managing environmental and social risks of the supply chain. The Group requires suppliers and sub-contractors to provide products and services for the Group with up-to-standard quality, health and safety to ensure compliance with environmental laws and regulations, and labour standards. The contracting for procurement of products and services is required to be based solely upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

Compliance of statutory requirements on the labour practices of Hong Kong Laws is one of the contractual obligations of the Group's sub-contract. Through a practice of maintenance of employment contracts, all subcontracted workers are securely protected under the Group's encouragement to its supply chains.

The condition of work is under the management and supervision by the Group. All the construction works shall be complied with the relevant ordinances and their subsidiary regulations.

In Year 2019, the Group did not receive any subcontractors and suppliers that had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor none of them had any non-compliance incident in respect of human rights issues.

PRODUCT RESPONSIBILITY

Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to services provided. The Group has studied the overall and actual implementation of the Group's sustainable procurement activities and report directly to the Directors and company secretary.

Protection of property right including intellectual property right, copyright, protective measures to consumer data and privacy is addressed in the Group.

Each project has a responsible project-in-charge, who is assigned to ensure the project is properly operated under his/her appropriate management to ensure that there is no unfair or misleading marketing information to be delivered to consumer. In accordance with the contractual requirements, the Group ensures that consumers are aware of their rights and responsibilities when services are delivered.

The Group has established quality management system of ISO 9001:2015, procedures have been included addressing feedback results from the client through customer satisfaction survey, and then follow-up action shall be carried out in case of suggestion being raised to take actions for preventing recurrence.

Through the maintenance of continuous communication between consumer and project team and additional application of partnering programme, appropriate measures can be enriched for resolve dispute and enhance customer satisfaction.

The Group is not aware of any material non-compliance with the Personal Data (Privacy) Ordinance and other applicable laws and regulations that have a significant impact relating to privacy matters in regard to products and services provided by the Group in Year 2019.

ANTI-CORRUPTION

The Group has developed a CSR Policy in which demonstrates its high intolerance of corruption as well as to promote a working environment adhering to integrity on its activities in business. The revised establishment of structure is provided for development and monitoring the promotion of ethical conduction of the Group.

Employee Handbook lays out the Group's expectation and certain guiding provisions on code of conduct. Whistleblowing statement in employee handbook is in place, employees are encouraged to report incidents in writing or verbally in relation to any conflicts of interest, bribery, extortion, fraud and money laundering.

The Group strictly regulates the operation of its business to ensure the compliance with local laws and regulations relating to anti-corruption during the course of operation. In Year 2019, there was no case of any material non-compliance with the Prevention of Bribery Ordinance and the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in Year 2019.

COMMUNITY INVESTMENT

The Group endeavours to support the communities in which the Group operates including community engagement to understand the needs of communities, and to ensure the Group's activities taking into consideration of the communities' interest.

The Group launches a two-year programme for volunteer service and applies to become a member of the Agency of Volunteer Service. Through its participation, the Group promotes its employees to provide various volunteer services to the society.

The Group is willing to build a cohesive society by promoting strategic partnership among business and social service partners and join the Caring Company scheme in 2019.

The Group is willing to operate the business in a sustainable basis. In the year 2019, participated sustainability performance assessment by Hong Kong Quality Assurance Agency and achieves Corporate Social Responsibility Plus Certification.

The Group and its employees participated Community Chest Walk and donated to The Community Chest.



COMMUNITY INVESTMENT



YOUR FEEDBACK

The Group will continue to adopt measures for the benefit of ESG in its operations. Stakeholders' feedback is valuable and can help the Group to improve its operational, environmental, social and governance policy and procedures. Please feel free to share your feedback on the performance via any of the following channels

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TONG KEE (HOLDING) LIMITED
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