

ALLUREFEM HOLDING LIMITED 淨人壹方控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8305)

SOCIAL AND GOVERNANCE, ENVIRONMENTAL, CONSULTING REPORT

2023



ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

ABOUT THIS REPORT

Allurefem Holding Limited (the “**Company**”) is pleased to present its Environmental, Social and Governance (hereinafter called “**ESG**”) Report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Year 2023**”), 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 C2 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 2023. Corporate governance is addressed separately in the Corporate Governance Report.

The Group is an established multi-disciplinary contractor for (i) renovation and maintenance works, alteration and addition works (“**RMAA**”) works; (ii) new construction works; and (iii) corrosion protection works in Hong Kong, and the representative office in Shenzhen (“**Shenzhen Office**”), the People’s Republic of China in the Year 2023.

GOVERNANCE STRUCTURE

Board’s oversight of ESG issues

The Board has a primary role in overseeing the Group’s ESG issues. During the Year 2023, the Board, the management and the ESG responsible staff (“**ESG Working Team**”) evaluated the impacts of ESG-related risks towards the operation and formulated ESG-related policies in dealing with relevant risks. The oversight of the Board ensures that the management and the ESG Working Team can have all the right tools and resources to oversee the ESG issues.

To demonstrate the Group’s commitment on transparency and accountability, the Group has established an ESG Working Team which has clear terms of reference that set out the powers delegated to it by the Board. The Group highly values the opinions of each stakeholder which are regarded as the cornerstone for the development of the Group.

The ESG Working Team is primarily responsible for reviewing and supervising the ESG process and risk management of the Group. ESG governance matters and ESG-related issues are reviewed at the regular meeting during the Year 2023.

Board’s ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms, and channels of communication are used to reach, listen and respond to its key stakeholders. Through communication with the stakeholders, the Group is able to understand the expectations and concerns from its stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impacts of the business decisions.

The Group has evaluated the materiality in ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) key ESG areas prioritisation with stakeholder engagement; and (iii) validation and determining material ESG issues based on the results of communication with the stakeholders.

Engaging these steps can enhance the understanding of the degree of importance of the Group’s stakeholders to each material ESG issue, and can enable the Group to plan the sustainable development direction more comprehensively in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

Board reviews progress made against ESG-related goals and targets

The progress of implementation and the performance of the goals and targets should be closely reviewed by the Group from time to time. If the progress falls short of expectation or changes of business operations, it may be necessary to make changes and communicate about the goals and targets with key stakeholders such as employees, customers and suppliers.

The Group has set future strategic goals to enable the Group to develop a realistic path and focus on the development direction for achieving its visions. The ESG Working Team will carefully examine the attainability of the targets which should be weighed against the Group's philosophy and goals.

REPORTING PRINCIPLES

The report is centred on four principles:

Materiality: Stakeholder engagement and materiality assessment were conducted regularly to identify material ESG issues, and to ensure that these issues are addressed in the report.

Quantitative: Data presented in this report have been collected prudently. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.

Balance: Both positive and negative sides of the performance have been presented in a transparent manner.

Consistency: Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

REPORTING BOUNDARIES

This report focus on reporting of two subsidiaries, namely Tong Kee Engineering Limited ("TKEL"). TKEL is engaged in performing RMAA works, new construction works and corrosion protection works in Hong Kong. The operation of TKEL is the material business segments of the Group relating to the environmental and social aspects.

This report has primarily highlighted the major performance and disclosure in Year 2023 for the four environmental aspects and eight social aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 laws 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 laws 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 and materiality matrix, the Group has identified issues with significant environmental and social impacts as well as significant issues concerned by the stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

MATERIALITY MATRIX

In Year 2023, 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 24 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 2023:



Environmental issues	Social issues	Operation issues
1. Greenhouse gas emissions	8. Community contribution	16. Anti-corruption
2. Energy consumption and resource management	9. Occupational health and safety	17. Supply chain management
3. Water resources management	10. Child labour	18. Supplier evaluation and selection
4. Waste management	11. Forced and compulsory labour	19. Customer service and satisfaction
5. Use of packaging materials	12. Training and development	20. Customer privacy
6. Impact on the environment	13. Salaries and employee benefits	21. Feedback and complaint handling
7. Climate change	14. Diversity and equal opportunity	22. Product safety and quality
	15. Talent attraction and retention	23. Intellectual property protection
		24. Marketing and labelling

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

During the Year 2023, 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 2023.

Air emissions ^(Note 1)	Unit	Year 2023	Year 2022
NO _x emissions	kg	258	225 ^(Note 2)
SO _x emissions	kg	0.30	0.26
PM emission	kg	18.11	14.10 ^(Note 2)

Note 1: The emission factors used to calculate the NO_x, SO_x and PM are sourced from: (i) the Hong Kong Environmental Protection Department’s (“EPD”) EMFAC-HK Vehicle Emission Calculation model; and (ii) the United States Environmental Protection Agency’s Vehicle Emission Modeling Software – MOBILE6.1. The assumption of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30 kmh, and include running exhaust emissions only.

Note 2: Kilometres travelled by motor vehicles of the Group for calculating NO_x and PM are restated.

Reduction target of air emissions

Air emissions	Reduction Target	Baseline Year	Status
NO _x emissions intensity	Reduce 3% by Year 2026	Year 2021	Achieved
SO _x emissions intensity	Reduce 3% by Year 2026	Year 2021	Achieved
PM emission intensity	Reduce 3% by Year 2026	Year 2021	Achieved

Greenhouse gas (“GHG”) emissions refer to the sum of carbon dioxide (“CO₂”) emission and the CO₂ equivalent emissions of methane and nitrous oxide. GHG emissions are categorised into direct emissions and indirect 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 cars to reduce direct GHG emission.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

The table below shows the key environmental performance indicators of GHG emission emitted by the Group's operation during the Year 2023.

GHG emissions	Unit	Year 2023	Year 2022
Total GHG emissions	Tonnes CO ₂ e	71.96	89.72
GHG emissions intensity (per employee)	Tonnes CO ₂ e	1.07	1.12 ^(Note 1)
Direct emissions due to combustion of fuels in mobile sources (Scope 1)	Tonnes CO ₂ e	51.05	44.93
Indirect emissions due to consumption of purchased electricity (Scope 2) ^(Note 2)	Tonnes CO ₂ e	12.93	43.58
Other indirect emissions due to paper waste disposed at landfills, electricity used for processing fresh water (Scope 3)	Tonnes CO ₂ e	7.98	1.22

Note 1: Number of employee for calculating intensity figure is restated to total employee for Year 2022.

Note 2: The emission factor is sourced from the CLP Power Hong Kong Limited sustainability report. The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs".

Scope 1: Direct GHG gas emissions from operations that are owned or controlled by the relevant company.

Scope 2: "Energy indirect" GHG gas emissions resulting from generation of purchased electricity.

Scope 3: All other indirect GHG gas emissions that occurred paper waste disposed at landfills and water used.

Reduction target of GHG emissions

GHG emissions	Reduction Target	Baseline Year	Status
GHG emission intensity (Scope 1)	Reduce 3% by Year 2026	Year 2021	Achieved
GHG emission intensity (Scope 2)	Reduce 3% by Year 2026	Year 2021	Achieved
GHG emission intensity (Scope 3)	Reduce 3% by Year 2026	Year 2021	In progress

The Group has a plan to replace traditional motor vehicles to electric motor vehicles to reduce air emissions of NO_x, SO_x, PM and GHG 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 2023. 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.

Waste	Unit	Year 2023	Year 2022
Total non-hazardous waste produced	tonnes	1,021	1,067
Non-hazardous waste produced intensity (per employee)	tonnes	15.24	13.34 ^(Note 1)
Total hazardous waste produced	tonnes	N/A	N/A
Hazardous waste produced intensity (per employee)	tonnes	N/A	N/A

Note 1: Number of employee for calculating intensity figure is restated to total employee for Year 2022.

Reduction target of hazardous and non-hazardous waste produced

Waste	Reduction Target	Baseline Year	Status
Non-hazardous waste produced intensity	Reduce 3% by Year 2026	Year 2021	In progress

The target of the Group maintains zero generation of hazardous waste in the next five years.

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 2023, 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 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 light 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.

The Group updates the OHSAS 18001:2007 to the latest issued International Standard of ISO 45001:2018 (Occupational Health and Safety Management Systems); applies and setups the ISO 50001:2018 (Energy Management Systems) 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. 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 office in Hong Kong. When purchasing electrical appliances for its business, the Group would only consider Grade 1 or 2 of the energy label. There is no any issue in sourcing water that is fit for the usage of the Group. 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 2023.

Total use of resources consumed	Unit	Year 2023	Year 2022
Purchased electricity consumed	mWh	33.16	96.85
Non-renewable fuel consumed	mWh	196.70	169.97
Total energy consumption	mWh	229.86	266.82
Total energy consumption intensity (per employee)	mWh	3.43	3.33 ^(Note 1)
Water consumption	m ³	473.00	78.92
Water consumption intensity (per employee)	m ³	7.06	0.98 ^(Note 1)
Total packaging material used for finished products	kg	N/A	N/A
Packaging material per unit produced	kg	N/A	N/A

Note 1: Number of employee for calculating intensity figure is restated to total employee for Year 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

Regarding measures to mitigate emissions, the Company closely monitors the level of energy consumption, GHG emissions and wastes disposal of TKEL. Every year, the Group is required to set its respective energy and carbon reduction targets and come up with feasible measures to achieve them. The details and results achieved are listed as follows:

Reduction target of energy and water consumption

Environmental KPI	Reduction Target	Baseline Year	Status
Total energy consumption intensity	Reduce 3% by Year 2026	Year 2021	Achieved
Water consumption intensity	Reduce 3% by Year 2026	Year 2021	In progress

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 (including in-house workforce and 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

CLIMATE CHANGE

Awareness over climate change continues to grow and is one of the most discussed topics among companies. The Group is no exception, having increasing concerns over the potential impact from climate change on the Group's business and operation. The Group regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks which may have impact on the Group's business operation.

In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures ("TCFD"), there are two major categories of climate-related risks, physical and transition risks. The Group has conducted a risk assessment based on the TCFD framework to evaluate the consequences of climate change and its implication on business. When new climate risk are identified, the Group will immediately develop a response plan such as changing the business strategy and modifying the development plan in order to reduce the negative impacts of such climate-related risks.

Risk	Time horizon	Impact to business	Risk level
Physical risk			
Acute physical risk	Short term	Increased severity and frequency of extreme weather affects daily operations and may cause damage to raw material. It reduces revenue and increases maintenance cost.	Medium
Chronic physical risk	Medium to long term	Rising temperatures increase energy use and equipment maintenance cost.	Low
Transition risk			
Technology risk	Medium to long term	Increased operation cost from the substitution of existing equipment and services.	Medium
Legal and policy risk	Long term	Increased operation cost from increased GHG emission pricing.	Low
Market and reputation risk	Long term	The shift in customer preference towards the use of sustainable and environmentally friendly raw materials in construction projects shall increase the operation cost, and failure to meet the expectations may results in the decrease of revenue.	Medium

The Group will continuously incorporate sustainable practices in its business operations and prepare and maintain sufficient resources for managing identified climate-related risks and studying the potential remediation measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

The compositions of the Group's workforce categorised by gender, age and type of employment as of 31 December 2023 are stated as follows:

	2023	2022
By gender		
Male	54 (81%)	64 (80%)
Female	13 (19%)	16 (20%)
By age group		
Under 30 years old	4 (6%)	4 (5%)
Aged between 30 to 50 years old	27 (40%)	29 (36%)
Above 50 years old	36 (54%)	47 (59%)
By employment type		
Full time	52 (78%)	80 (100%)
Part time	15 (22%)	–
By geographical region		
Hong Kong	67 (100%)	80 (100%)
Mainland China	–	–
By employment category		
Senior level	3 (14%)	9 (11%)
Middle level	13 (20%)	10 (13%)
Entry level	51 (76%)	61 (76%)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 2023, 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 2023.

During the Year 2023, the Group's annually employee turnover rate is as follows:

Employee turnover rate	Year 2023	Year 2022 ^(Note 1)
By gender^(Note 2)		
Male	20%	50%
Female	39%	50%
By age group^(Note 2)		
Below 30 years old	175%	150%
Aged between 30 to 50 years old	15%	34%
Above 50 years old	14%	51%
By geographical region^(Note 2)		
Hong Kong	24%	80%
Mainland China	—	—

Note 1: Number of employee for calculating turnover rate is restated to total employee for Year 2022.

Note 2: The employee turnover rate is calculated based on the number of employees who left employment in such category during the Reporting Period divided by total number of employees as at 31 December 2023 in such category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 systems, which are actively supported by the top management and in compliance with ISO 45001:2018 standard requirements. These systems will ensure that the Group assesses risks of all hazards and puts appropriate control measures in place;
- (v) Providing training and the appropriate tools 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 registered safety supervisors and/or 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 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 2023, 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 2023.

The safety of the Group staff has always been the foremost priority, and the Group remains committed to ensuring the highest standards of safety across the entire operation and ongoing improvements in its safety performance. The table below shows the recordable injury during the Year 2023.

Notification of Accident	Year 2023	Year 2022	Year 2021
Number of work-related fatalities	–	–	–
Rate of work-related fatalities	–	–	–
Lost days due to work injury	26 days	202 days	190 days

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 outsiders 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 2023:

- High speed railway construction site elementary safety course
- Fire marsha course
- Project manager course (Non-railway area)
- Railway safety induction
- Occupational Safety Management for project manager
- Environmental supervisor course

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

During the Year 2023, the Group's employee training rate is as follows:

	Year 2023	Year 2022 ^(Note 1)
Percentage of employees trained^(Note 2)	53%	81%
Percentage of employees trained by gender^(Note 3)		
Male	86%	77%
Female	14%	23%
Percentage of employees trained by employment category^(Note 3)		
Senior management	9%	12%
Middle management	26%	14%
General staff	65%	74%

Note 1: Number of employee for calculating training rate is restated to total employee for Year 2022.

Note 2: It is calculated by dividing the number of employees who took part in training by the number of employee as at 31 December 2023.

Note 3: It is calculated by dividing the number of employees trained in such category by the total number of employees trained.

The average training hours completed per employee classified by employee category in the Year 2023:

	Year 2023	Year 2022 ^(Note 1)
Total number of training hours	693	205
Average training hours per employee^(Note 2)	10.3	3.2
Average training hours by gender^(Note 3)		
Male	8.5	3
Female	17.8	3.7
Average training hours by employment category^(Note 3)		
Senior level	39	3.1
Middle level	19.7	3.9
Entry level	6.3	3.0

Note 1: Number of employee for calculating average training hours is restated to total employee for Year 2022.

Note 2: It is calculated by dividing the total number of training hours by the total number of employees as at 31 December 2023.

Note 3: It is calculated by dividing the total number of training hours for such category by the number of employees as at 31 December 2023 in such category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 2023, 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 2023.

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.

During the Year 2023, the number of suppliers by geographical region is as follows:

Social KPI	Year 2023	Year 2022
Hong Kong	40	80
Mainland China	60	4
Others	–	4

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 situations where several companies can meet its project requirements, the Group will select those with a good reputation for being environmentally and socially responsible. The Group offers its contractors encouragement and support in its efforts to further improve their environmental protection.

In Year 2023, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

During the Year 2023, the numbers of complaint and product recall cases are as follows:

Social KPI	Year 2023	Year 2022
Number of complaints	–	–
Number of product recalls for health and safety reasons	–	–

Intellectual Property Rights Protection

Protection of property rights including intellectual property right, copyright, protective measure to consumer data and privacy are addressed in the Group.

The Group is committed to compliance with relevant laws and regulations. All computer software was bought from licensed software suppliers with proper certificates. In order to ensure that the customer's IP rights ("**IP rights**") of engineering technique and design are properly protected during the outsourcing processes to sub-contractors, a confidentiality agreement regarding IP rights must be signed before engagement. The Group enters standard employment contracts with its employees which contain provisions on IP rights and confidentiality.

The Group is not aware of any material non-compliance with the Copyright Ordinance, Prevention of Copyright Piracy Ordinance and other applicable laws and regulations that have a significant impact relating to health and safety and privacy matters relating to services provided of redress on the Group in Year 2023.

Data Privacy Protection

The Group acknowledges the stakeholders' concern of data privacy, therefore puts great effort to protect data privacy to safeguard the corporate interest and comply with the relevant laws and regulations. The Group outlines data privacy requirements and confidentiality obligations in its internal control policy as well as employee contract that employees should strictly follow and carefully manage the corporate confidential information, including but not limited to, customer business information and personal data, trade secrets and price-sensitive information.

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 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSULTING REPORT

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 provided anti-corruption education and training through circulation of e-training materials to its directors and employees on a regular basis to raise their awareness towards ethical and corruption issues.

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 2023, 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 2023.

COMMUNITY INVESTMENT

The Group has not established formal policies on community investment. However, the Group endeavours to supporting the communities in which it operates by engaging with local stakeholders to understand their needs and ensuring that its activities take into account the interests of the community. In Year 2023, the Group and its employees participated in the Heep Hong Society Flag Day.

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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