

# GME GROUP HOLDINGS LIMITED

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT  
2016  
(Stock Code: 8188)**



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## 1. About this Report

### 1.1. About the Company

GME Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**” or “**GME**”) is an established subcontractor engaged in civil engineering works operating solely in Hong Kong. The Group is principally engaged in the provision of underground construction services and mainly serves private main contractors in public sector infrastructure projects. The services we have offered are (i) tunnel construction services (including excavation, shotcreting, shutter design and fabrication, tunnel lining services, and advanced works); and (ii) utility construction and others (layout and refurbishment of gas pipes and structural works). Over the years, we have been recognized by our customers and statutory bodies for our exceptional services and outstanding social and environmental performance. We feel privileged to have received these honours:

Figure 1: Awards and Recognitions

| Award  | Date of Award  | Awarded by   |
|--|--|--|
| Model Subcontractor                          | May 2012   | The Development Bureau and Construction Industry Council of Hong Kong  |
| Best Subcontractor Safety Performance        | August 2010<br>November 2010<br>July 2011<br>December 2011 | Customer C – A Construction conglomerate based in Hong Kong, offering construction solutions and services in Hong Kong, China and Southeast Asia.  |
| Best Performance in Temporary Work Control   | February 2012  |  |
| Best Performance on Quality of Works         | February 2012  |  |
| Best Subcontractor Environmental Performance | January 2014   |  |
| Outstanding Subcontractor Safety Performance | March 2016   | Customer B – One of the largest construction contractors in Hong Kong, providing building construction and civil engineering works. It has participated in projects on Hong Kong, Macau, China and overseas for over 30 years. |

## 1.2. Reporting Scope

This is the first Environmental, Social, and Governance (“**ESG**”) report prepared by GME for the year ended 31 December 2016 (the “**reporting period**”). The scope of the report covers the Group’s operations in Hong Kong which consist of the two service areas mentioned above.

## 1.3. Reporting Framework

This report is prepared in accordance with the Appendix 20 – Environmental, Social and Governance Reporting Guide (“**ESG Guide**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”). Information regarding Corporate Governance is addressed in the annual report of the Group for the year ended 31 December 2016 (the “**annual report**”) according to Appendix 15 of the GEM Listing Rules.

## 1.4. Materiality Assessment

To identify the material issues relevant to our operation, we have maintained an ongoing dialogue with all our stakeholders. For our first ESG report, we have engaged in various materiality assessment exercises to better understand priorities, expectations and perceptions regarding our sustainability approach. After analyzing the results of the engagement exercises, we have identified the following material issues to disclose in detail:

| ESG aspects in ESG Guide                  | Material issues of the Group   |
|---|--|
| <b>A. Environment</b>                     |  |
| A1. Emissions                             | <ul style="list-style-type: none"><li>➤ Air and Greenhouse Gas Emissions</li><li>➤ Dust Emissions</li><li>➤ Noise Abatement</li><li>➤ Waste Management</li><li>➤ Water Discharge</li></ul> |
| A2. Use of Resources                      | <ul style="list-style-type: none"><li>➤ Energy Efficient Initiatives</li><li>➤ Water Conservation</li></ul>  |
| A3. The Environment and Natural Resources | <ul style="list-style-type: none"><li>➤ Construction Impact Control</li></ul>  |

|                              |  |
|------------------------------|--|
| <b>B. Social</b>             |  |
| B1. Employment               | ➤ Employment Practices                             |
| B2. Health and Safety        | ➤ Employee Protection                              |
| B3. Development and Training | ➤ Vocational Training and Career Development       |
| B4. Labour Standards         | ➤ Proscription of Child and Forced Labour          |
| B5. Supply Chain Management  | ➤ Supplier Selection                               |
| B6. Product Responsibility   | ➤ Quality Management<br>➤ Customer Data Protection |
| B7. Anti-corruption          | ➤ Corporate Integrity                              |
| B8. Community Investment     | ➤ Community Contribution                           |

## 2. Environment Performance

### 2.1. Environmental Policy

GME is diligent towards implementing mitigation measure to limit its environmental footprints and to improve the environmental performance of its activities. As part of our environmental commitment, the Group incorporated the following policies to encourage continuous improvement in our environmental management practices:

- All operations are conducted in manners pursuant to Hong Kong's environmental laws and regulations
- Work actively with the main contractors for the integrate pollution control, conservation of resources and waste reduction practices in all operations
- Implement an Environmental Friendly Workplace Policy to engage employees in sustainable environment practices and encourage them to be vigilant towards environmental protection
- Establish environmental objectives, review those objectives and targets to continuously improve GME's environmental policy

During the reporting period, the Group was not aware of any non-compliance of any applicable environmental laws and regulations related to air pollutant and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

### 2.2. Managing Our Emissions

#### 2.2.1. Air Quality Control

During the provision of our construction services, the major source of our carbon dioxide and greenhouse gas emissions are induced by our fuel-powered machineries and vehicles. The Group has responded by implementing mitigation measures such as selecting low-emission equipment during equipment rental and using ultra-low-sulfur diesel ("ULSD") for our own equipment. The ULSD enables the vehicles and machineries to meet the same strict emission standards as gasoline-powered vehicles. The Group also carries out regular inspections to ensure gaseous emission complies with Hong Kong's Air Pollution Control Ordinance (Cap. 311).

Dust and debris generated from our tunnel constructions are one of our major pollutants affecting the surrounding environment. The Group actively engages in dust containment solutions such as dust suppression by use of water, dust control curtains, and the employment of low-dust techniques and equipment to minimize fugitive dust generation.

To ensure the effectiveness of our dust mitigation measures, we have worked with the main contractors to conduct regular dust monitoring. If dust level is discovered to have exceeded established limits, we would promptly take corrective measures to minimize our dust level.

### **2.2.2. Noise Abatement**

It is often the responsibility of the main contractors to manage noise levels at the construction sites. However, as a subcontractor, we try our best to do our part to reduce our noise impact by adopting the following best practices in the industry:

- Strategic scheduling of work to minimize or eliminate high noise level activities during noise sensitive hours
- Choose quiet and low-noise level powered mechanical equipment (“PME”)
- Refraining from simultaneous operation of PME
- Adopting silencer, acoustic louvers, and acoustic enclosures where necessary

In addition, we have instructed our construction workers to take proactive measures to reduce noise pollutions. These measures include turning off the machines during break, using noise barriers during high noise level activities and operating machineries at less noise-sensitive areas.

The noise levels are monitored regularly throughout the duration of all construction works to ensure noise levels comply with contractual requirement and the noise criteria stipulated in the Noise Control Ordinance (Cap. 400).

### **2.2.3. Wastewater Management**

The major sources of our wastewater are from our tunnel excavation, wet shotcreting, and dust suppression activities. These wastewater discharges often contain mixed pollutants such as suspended solids and chemical components. Without proper management, the leakage of these wastewater can have adverse effects on the nearby water bodies. In our effort to protect the nearby water bodies, we have managed our effluent in strict compliance with the Water Pollution Control Ordinance (Cap. 358) and have cooperated with the main contractors to ensure wastewater is properly stored and treated.

### **2.2.4. Waste Management**

Working closely with the main contractors, the Group has established our own waste management policies consistent with the Waste Disposal Ordinance (Cap. 354), which complements with our main contractors’ waste management plan to better manage, record and reduce wastes generated throughout the construction period.

### Our Policy Highlights

- Carefully plan the quantity of the material required to avoid over purchasing
- Cognizant towards material storage to prevent material deterioration
- When feasible, reuse materials before opting for disposal

### *Inert and Non-Inert Construction and Demolition (C&D) Waste*

At the construction sites, the wastes are sorted into inert and non-inert waste. Inert waste is materials that are neither chemically or biologically reactive and will not decompose. The inert waste produced during our constructions are mostly excavated soil, concrete and debris. Most of these materials are often stored for reuse in other phases of the construction. Non-inert waste consists of metals, wood and general refuse generated from workers. Recyclable non-inert wastes are reused in the construction where practical. The remaining non-recyclable materials are sent to disposal sites by the main contractors.

### *Office Refuse*

As a part of GME's effort to create a green office, our office waste has been significantly reduced through our effective recycling practices endorsed in our Environmental Friendly Workplace Policy. The Policy outlines the following solutions to promote recycling:

- Reuse single-side printed paper waste as recycle papers when applicable
- Put the recycled papers in the box near the photocopier to encourage reuse
- Store surplus materials for future use
- Reuse stationery supplies such as envelope and document folders
- Recycling bins are made available to collect recyclable wastes

During the reporting period, waste management has been managed in accordance with relevant laws and regulations.



## **2.3. Effective Resources Management**

### **2.3.1. Energy Usage**

We have complied with all energy requirement set forth by the main contractors and have adopted proactive measures to reduce our energy consumption. The Group has advertently chosen machineries that carry the energy efficiency labels while advising our construction staff to be mindful and turn off the machineries when they are not in use. Regular maintenance is performed on the machineries to optimize their performance to ensure fuel efficiency.

Similar considerations have been given to reduce our electricity usage at our office. The following environmental friendly measures have been adopted as required by our Environmentally Friendly Workplace Policy:

- Switch off electrical appliances when they are not in use
- Maintain the temperature of the air conditioner at 24 degrees Celsius
- Purchase electrical appliances with Grade 1 or 2 energy label
- Use energy-saving fluorescence or LED lighting fixtures

### **2.3.2. Water Consumption**

To better manage the Group's overall water consumption, the Group has identified useful ways to conserve water. At the construction sites, we have effectually eliminated the need for fresh water by reusing most of our wastewater. After wastewater treatment, the recycled water is used in construction activities such as shotcreting and dust suppression.

### 3. Social Performance

#### 3.1. Employment & Talent Development

Considering our employees as our most valuable asset, the Group has created a dynamic workforce where we have pooled together strengths and expertise of different talents to drive our success. The Group often conducts assessments to determine whether additional personnel is required to cope with our business development. GME's recruitment and promotion policy stipulates proper procedures to ensure the process is consistently just and fair.

GME treats all employees fairly and with respect. We understand that employees have personal obligations and we are respectful of their needs. All employees are recruited and provided with reasonable remuneration packages based on their experience, skills and performance with equal opportunity, which ensures diversity and anti-discrimination in the recruitment process. We also provide reasonable working hours and holidays to promote work-life balance.

The Group sees the potential in all of our employees and encourages them to refine their skills by providing them with various learning opportunities. Different types of trainings have been provided to correspond with job requirements and responsibilities (e.g. safety induction courses). In addition to vocational trainings, employees are also sent to attend training on environmental protection to make them more aware of the proactive actions they can take to promote an environmental-friendly workplace.

#### Labour Standards

The Group strictly prohibits the employment of child and forced labour. The human resources department would conduct regular screening of recruits, especially at construction sites, to ensure zero violation and full compliance with labour laws.

During the reporting period, the Group has complied with all relevant employment laws and regulation, including Employment Ordinance (Cap. 57).

#### 3.2. Workplace Health and Safety

Protecting the health and safety of our employees is our top priority. We aim to excel in our health and safety performance and strive to create an accident-free workplace. Our commitment is well-reflected in our health and safety policy, which stipulates to:

- Support and nurture a culture that promotes employee wellness and raises health safety awareness
- Adopt and maintain management systems designed to support continuous

performance improvement

- Furnish necessary information, training and support and provide a healthy and safe working environment
- Ensure commitments from all employees and all levels of management
- Require our business partners to meet the same health and safety standards

In addition to adhering to our customers' occupational health and safety objectives and policies, the following safety measures have been adopted at the construction sites to further protect our frontline employees:

- Provide training to workers and coach them on safe postures for lifting heavy or bulky objects
- Ensure machinery are only operated by professionally trained workers
- Conduct regular inspection on machinery to prevent malfunctions
- Stack materials securely to prevent them from sliding or collapsing where overhead work is being performed
- Erect warning signs in working areas with potential risks

Our lost time injuries frequency rates (LTIFRs) was 4.5 for the year ended 31 December 2016. We are also regularly recognized by our customers for our excellent safety performance. Our safety awards are displayed in figure 1 of this report.

During the reporting period, the Group's operations has complied with all relevant laws and regulations relating to workplace health and safety.

### **3.3. Product and Service Management**

Over the years, we have gained the trust of our customers by consistently delivering top quality products and services. This is made possible by our continuous commitment to excellence and our willingness to go the extra mile for our customers.

#### **3.3.1. Reliable and Quality Services**

GME has continuously devoted its best efforts to provide high quality and extensive services. A Quality Management System ("QMS") complying with ISO 9001:2008 has been established for management activities, resources management, product realization, quality monitoring, quality review and improvement.

Each project is closely monitored under the QMS to ensure that our services (i) meet our customers' requirements; (ii) are completed within the given timeframe and budget; (iii) comply with all relevant and applicable rules and regulations.

The QMS has also included a *Document, Data and Record Control Procedures and Management System Record List* to define the controls needed for the protection of intellectual property and customer data.

During the reporting period, the Group was not aware of any incidents of non-compliance with regulations and laws concerning healthy and safety, advertising, labelling and privacy matters of our products and services provided.

### **3.3.2. Supply Chain Management**

GME's operations are supported by a wide range of suppliers. From construction materials to site equipment, we understand the crucial role of our suppliers in our business value and we are committed to engage them to share our commitment for quality, environment, health and safety.

To ensure the suppliers meets our expectations, the Quality Management System imposes a strict internal control over the procurement process. The suppliers are selected under the condition that they have met our selection criteria and their products meet our quality requirements. Inspections are further conducted to ensure that the purchased product meets the specific purchase requirements.

For construction materials such as concrete and steel, additional attention has been given to the materials' quality to ensure they are safe for use. Samples of the materials are sent to independent laboratories to perform inspections and quality tests. Any materials that fall short on the quality requirements would be returned to the suppliers for replacement.

### **3.3.3. Corporate Integrity**

The Group values and upholds integrity, fairness, transparency, and accountability in all aspects of our operation. We expect our employees and suppliers to have the same integrity and professional ethics in their business relationships. The Group has zero-tolerance towards any form of corruption and fraud. This is reinforced in the Code of Conduct and Employee Handbook which stipulate the proper procedures to follow when dealing with legal and ethical issues. For instance, when administering a contract, the employees involved should neither have any personal interest invested nor accept gratuities or anything of monetary value from involving parties.

When there is a suspected misconduct, malpractice, or fraud, the Group's whistle-blowing policy protects all stakeholders (e.g. employees, customers, suppliers, etc.) to allow them to file a report without fear of repercussion. All cases reported are investigated and once a violation has been identified, the involved individual would be subject to disciplinary actions.

During the reporting period, the Group was not aware of any breach of laws and regulations relating to anti-corruption.

### **3.4. Community Investment**

At GME, we are well aware of our social responsibility in the areas where we operate to create a positive impact for the community. From a corporate level to employee initiatives, we embrace a culture of giving back to the community through financial support and volunteerism. Our community investments have focused on supporting initiatives that enhance the quality of life and reflect the goals and values of our company. During the reporting period, GME has made charitable contribution to fund the program to provide clean water solutions for developing countries and disaster zones.

#### 4. The Stock Exchange's ESG Reporting Guide Index

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange. General disclosures are indicated in the table below, that directs readers to the relevant sections.

| Aspect                                 | ESG Guide | Section                             | Page |
|--|-----------|-------------------------------------|------|
| <b>A. Environmental</b>                |           |                                     |      |
| Emissions                              | A1        | 2.2 Managing Our Emissions          | 4    |
| Use of Resources                       | A2        | 2.3 Effective Resources Management  | 7    |
| The Environment and Natural Resources  | A3        | 2. Environmental Performance        | 4-7  |
| <b>B. Social</b>                       |           |                                     |      |
| <b>Employment and Labour Practices</b> |           |                                     |      |
| Employment                             | B1        | 3.1 Employment & Talent Development | 8    |
| Health and Safety                      | B2        | 3.2 Workplace Health and Safety     | 8    |
| Development and Training               | B3        | 3.1 Employment & Talent Development | 8    |
| Labour Standards                       | B4        | Labour Standards                    | 8    |
| <b>Operating Practices</b>             |           |                                     |      |
| Supply Chain Management                | B5        | 3.3.2 Supply Chain Management       | 10   |
| Product Responsibility                 | B6        | 3.3.1 Reliable and Quality Services | 9    |
| Anti-corruption                        | B7        | 3.3.3 Corporate Integrity           | 10   |
| <b>Community</b>                       |           |                                     |      |
| Community Investment                   | B8        | 4. Community Investment             | 11   |