



LKS Holding Group Limited
樂嘉思控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8415

Environmental, Social and Governance Report 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TABLE OF CONTENTS

1.	About this Report.	4
1.1.	Reporting Period	4
1.2.	Reporting Scope.	4
1.3.	Reporting Framework	4
2.	Environmental Performance.	5
2.1.	Emissions Policies and Compliances.	5
2.2.	Minimizing Emissions	6
	Carbon Footprint – Greenhouse Gas (“GHG”) Emissions	6
	GHG Emissions and Electricity Usage Analysis in Project Locations	7
	Air Pollutants Emission	7
	Waste Reduction.	8
2.3.	Use of Resources and the Environment	8
	Energy Consumption – Electricity	8
	Water Consumption	8
	Fossil Fuel Consumption – Petroleum	8
3.	Employment Policies and Compliances	9
3.1.	Occupational Health and Safety Policies and Compliances	9
3.2.	Development and Training Policies	9
4.	Supply Chain Management.	9
5.	Product Responsibility	9
5.1.	Quality Assurance Process.	10
5.2.	Protecting Intellectual Property Rights	10
5.3.	Consumer Data Protection and Privacy Policies	10
6.	Anticorruption Policies and Compliances.	10
6.1.	Conflict of Interest	10
6.2.	Preventive Measures and Whistle-blowing Procedures.	10
7.	Community Investment	11
7.1.	Charity Donation and Community Care	11
8.	Considering the Future of Sustainable Development	11
9.	Stakeholders’ Feedback	11

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

1.1. Reporting Period

This Environmental, Social and Governance (“**ESG**”) report illustrates and highlights the environment and social performance of the Group from 1 April 2017 to 31 March 2018 unless otherwise stated.

1.2. Reporting Scope

The content of this ESG report is focused on the Group’s business in interior design and fitting-out for residential, commercial and industrial properties in Hong Kong. This report demonstrates the ESG performance of the Group in achieving sustainable development for the future.

1.3. Reporting Framework

This ESG report follows the disclosure requirement as set out in the Environmental, Social and Governance Reporting Guide (“**ESG Guide**”) contained in Appendix 20 to the GEM Listing Rules.

Key Performance Index (“**KPI**”) Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the section of this report
A. Environmental Performance	Environmental Performance
A1. Emissions Policies and Compliances	Emissions Policies and Compliances Minimizing Emissions
A2. Use of Resources	Minimizing Emissions Use of Resources and the Environment
A3. The Environment and Natural Resources	Environmental Performance Use of Resources and the Environment
B1. Employment Policies and Compliances	Employment Policies and Compliances
B2. Health and Safety Policies and Compliances	Occupational Health and Safety Policies and Compliances
B3. Development and Training Policies	Development and Training Policies
B4. Labour Standards	Employment Policies and Compliances
B5. Supply Chain Management	Supply Chain Management
B6. Product Responsibility	Product Responsibility Quality Assurance Process Protecting Intellectual Property Rights Consumer Data Protection and Privacy Policies
B7. Anticorruption Policies and Compliances	Anticorruption Policies and Compliances Conflict of Interest Preventive Measures and Whistle-blowing Procedures
B8. Community Investment	Charity Donation and Community Care

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. ENVIRONMENTAL PERFORMANCE

The Group is committed to conducting business in an environmentally friendly manner. Its environmental management system has been certified with the ISO 14001:2004 in 2012, reflecting its commitment in preventing pollution, reducing waste, and meeting applicable legal and environmental requirements. In response to the growing demand on green building certification in the construction industry, the Group continues to raise the bar for its environmental management policy to cope with the green building requirement by using energy efficient technologies and products in the green building schemes such as LEED and BEAM with some of its projects. Together with its employees and staffs from its subcontractors and suppliers, the Group's emissions and waste generation are strictly controlled and monitored in an environmental conscious manner.

2.1. Emissions Policies and Compliances

The Group complies with related environmental laws and regulations of Hong Kong and has obtained various international certifications which demonstrated its environmental commitment in developing its business sustainably.

International Certifications

ISO 9001

ISO 14001

OHSAS 18001

Environmental related Laws and Regulations

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

Waste Disposal (Charges for Disposal of Construction Waste) Regulation
(Chapter 354N of the Laws of Hong Kong)

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)
Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)
Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
Public Health and Municipal Services Ordinance (Chapter 132 of the
Laws of Hong Kong)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2. Minimizing Emissions

Carbon Footprint – Greenhouse Gas (“GHG”) Emissions

The total net GHG emissions generated by the Group were 83.50 tonnes of carbon dioxide equivalent (“tCO₂-eq”) (mainly carbon dioxide, methane and nitrous oxide) (2017: 90.57 tCO₂-eq). With the total audited area of 279.46 metre square (“m²”), (156.63 m²), the total annual carbon emissions intensity due to energy usage was 0.299 tCO₂-eq/m². The following table highlights the year on year comparison of the Group’s carbon footprint.

Scope	Sources of GHG emissions	2018		2017		% change
		GHG* emissions (in tCO ₂ -eq)	Distribution	GHG* emissions (in tCO ₂ -eq)	Distribution	
1	Mobile-Unleaded petroleum consumed by the Group’s motor vehicles	20.67	24.75%	0	0%	/
2	Purchased electricity	58.12	69.61%	84.60	93.41%	-31.30%
3	Disposal of paper waste	4.62		5.57		
	Fresh water processing	0.06	5.64%	0.28	6.59%	-21.27%
	Sewage water processing	0.02		0.12		
	Total GHG emissions	83.50		90.57		-7.81%
	Carbon emission intensity	0.299		0.578		-48.27%

* The GHG is calculated according to the ‘Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong’ jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

The total net GHG emissions has been reduced by 7.81% with the carbon emission intensity being reduced by almost 50% (from 0.578 to 0.299 in tCO₂-eq/m²) as compared to the last reporting period. The reduction in carbon emission intensity was mainly attributed to the relocation of the Group’s headquarters with a much larger space and the introduction of energy-efficient lighting fixtures and electrical equipment.

The usage of petroleum in the Group’s mobile vehicles contributed almost 25% of total GHG emissions at 20.67 tCO₂-eq.

Paper waste constituted 4.62% of the Group’s total GHG emissions, paper was the only waste generated from office administration. It was recorded that 962.99 kg of paper (2017: 1,160.76 kg) was used. Paper waste was collected by the office building management for recycling and disposal. The Group has been recycling single side printed papers for reuse and using digital technology to replace papers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG Emissions and Electricity Usage Analysis in Project Locations

It is noteworthy that the overall electricity and water usage cannot represent the actual GHG emissions of the Group, as it is common practice that electricity and water are provided by property owners in project locations. Since the corresponding usage was significant to reflect the total GHG emissions, a more comprehensive data collection method with the help of the property owners shall be established in the future. The following table abstracted the GHG emissions from three projects completed by the Group during the reporting period:

Scope	Source of GHG emissions	GHG emissions (in tCO ₂ -eq)	GHG emissions (in tCO ₂ -eq) (by scope)
1	Mobile (Motor Vehicles – Petroleum)	20.67 (0.00)*	20.67 (0.00)*
2	Purchased electricity	30.01 (55.04)	30.01 (55.04)
	Total GHG emissions	50.68 (55.04)	50.68 (55.04)

Summary of total Greenhouse Gas Emissions from project locations during the reporting period

* Numbers in brackets indicate figures of the previous reporting period

It is notable that just the 3 projects alone, the electricity usage at 30.01 tCO₂-eq already surpassed the electricity used in the office at 28.11 tCO₂-eq (58.12-30.01). Therefore, it is important, if possible, to gather the energy usage data from all projects to calculate the Group's total carbon footprint.

Air Pollutants Emission

Construction works performed must comply with the relevant Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Construction Dust) Regulation. During construction and demolition processes, dust generated by various activities could make a significant contribution to local air pollution. High levels of dust, combined with other outdoor air pollutants, can cause respiratory problems to the employees at work and the members of the public. In addition, the Group's projects are usually conducted indoor. Noxious odour and volatile organic compound ("VOC") are the major molecules emitted or evaporated from the liquid or solid materials (e.g. solvent, paint or other organic materials) that are used for construction related works; thus, the indoor air quality is being affected and so is the health of the employees working there.

With the Group's environmental management policy, the corresponding employees of project management are responsible for the effective administration and observation of preventive measures used to minimize the adverse effect caused by indoor air pollutants in project locations. Measures including the assurance of adequate indoor ventilation, provision of personal protection equipment ("PPE") to employees, and adoption of pollution mitigation procedures to control dust and potential VOC source are adopted.

Another major source of air pollutants emission was from the use of vehicles. Motor vehicles emit a considerable amount of respirable suspended particulates and nitrogen dioxide (NO₂) into the atmosphere. Hence, the uses of more efficient transportation methods or use of electrical vehicles shall be considered to minimize the air pollutants emission generated by transportation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste Reduction

The environmental impact from the waste generated by construction and demolition is the most significant and critical emissions throughout the Group's operations. The overall impact not only relates to the amount of waste generated, but also relates to the impact or nuisance created from the working process. Waste including packaging materials, flooring (vinyl or wood), drywall such as wall board, gypsum or plastic board, concrete waste, carpeting materials is difficult to be recycled as they are generally collected together without source separation and end up being disposed of at landfill. However, the Group would seek for more sustainable waste management plan to control, record, and monitor the overall waste generation and disposal.

During the reporting period, there were over 532.16 tonnes of waste being transferred to government waste disposal facilities. The following table summarized the amount and destination of the waste.

Government waste disposal facilities	Types of construction waste accepted	Weight (in tonnes)		Variance
		2018	2017	
Public fill reception facilities	Consisting entirely of inert construction waste +	29.22	112.70	-74.07%
Sorting facilities	Containing more than 50% by weight of inert construction waste +	196.14	158.60	23.67%
Landfills	Containing not more than 50% by weight of inert construction waste +	306.80	694.04	55.80%
Annual Total		532.16	956.34	-44.35%

+ Inert construction waste refers to rock, rubble, boulder, earth, soil, sand, concrete, asphalt, brick, tile, masonry or used bentonite

Nevertheless, the total inert material waste was reduced by 44.35% year on year proving the Group's hard work in reducing waste being disposed of at landfill.

2.3. Use of Resources and the Environment

Energy Consumption – Electricity

The total electricity consumed was 74,517.00 Kilowatt-hour ("kWh") (2017: 108,455.36 kWh). With the total operation area of 279.46 m² (2017: 156.63 m²), the energy intensity was 266.65 kWh/m² (2017: 692.43 kWh/m²), a reduction of 61.49%.

Water Consumption

The total fresh water consumption was 141 cubic meters ("m³") (2017: 673 m³), reducing 79% year on year. The Group is conscientious in water conservation as it is one of the most precious natural resources on earth.

Fossil Fuel Consumption – Petroleum

A total of 7,632 litres of petroleum was used while zero was recorded in the last reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. EMPLOYMENT POLICIES AND COMPLIANCES

As at 31 March 2018, the total workforce of the Group was 39 (2017: 32) with no turnover. The Group complies with the laws and regulations relating to employment, child and forced labour practices. Employees' remuneration is structured to encourage a sustainable workforce and to attract, retain, and motivate employees. The Group's employee handbook is designed to communicate important laws and work ethics surrounding employment, benefits and welfare, and occupational health and safety guidelines. It is an essential tool in helping to define the expectations of both the management and the employees, and to protect them from unfair or inconsistent treatment and discrimination. The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. Recruitment of employees is strictly abided by the hiring guidelines so that suitable talents are recruited in accordance with job requirement, relevant laws, and candidates' expectation for a fair, healthy and sustainable workforce.

During the reporting period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relating to labour disputes against the Group.

3.1. Occupational Health and Safety Policies and Compliances

The Group emphasizes the importance of the well-being of employees and strives to provide a safe and healthy working environment for them. Regular reviews and audits are performed in accordance with the statutory and industrial requirements and the work injury rate remains to be zero. Through adopting various occupational health and safety measures such as briefings and notices, safety awareness and practices are promoted and enhanced among employees. Employees are provided with PPE such as helmet, gloves, eyewear and face masks for protection and to ensure work health and safety. During the reporting period, the Group did not violate any related safety and health ordinance and provisions.

3.2. Development and Training Policies

The Group understands that human resource is its valuable asset and the knowledge, experience and skills of employees are important and critical to its continued success and growth. To encourage and assist employees in developing their potential, external professional training and tuition assistance are offered to assist employees to further develop themselves and progress on their career path.

4. SUPPLY CHAIN MANAGEMENT

The quality and safety of the final project works are one of the top priorities of the Group. To ensure product safety and service quality, various suppliers of products and materials as well as subcontractors are engaged for goods and services. To make sure goods and services are procured in an honest, competitive, fair, and transparent manner that delivers the highest cost performance, suppliers and subcontractors are selected based on rational and clear criteria. There are over 500 suppliers (including materials suppliers and subcontractors) on the approved suppliers list. The Group's procurement and project management team would regularly review the list and provide updates to its employees. The team also monitors, audits and manages processes regarding materials selection, quality management system, and work performance to ensure its supply chain is effective and efficient that guarantees the quality and standard of its projects.

5. PRODUCT RESPONSIBILITY

The Group is committed to providing innovative and high-quality work to customers. During the reporting period, the Group has completed a total of 74 fitting-out and renovation projects and 132 alterations and additions projects, of which 51 were in the residential sector and 155 in commercial and industrial sector. By partnering with suppliers and subcontractors to ensure product quality and service stability, the Group periodically monitors the overall performance of suppliers and subcontractors by conducting on-site audit with documented report for continuous improvement and on-going cooperation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.1. Quality Assurance Process

The procurement and project management team would evaluate, oversee and manage the quality of work performed by the Group's employees and subcontractors in terms of their regulatory requirement compliance, quality management system, time management, work standard, quality performance and workmanship, safety standard and performance, proper equipment usage and maintenance to ensure projects are completed timely with the required standard. During the reporting period, there was no significant complaint in service quality and delivery.

5.2. Protecting Intellectual Property Rights

The Group registered several trademarks and domain names as they are important to its brand and corporate image. The Group complies with the intellectual property ("IP") rights regulations. During the reporting period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

5.3. Consumer Data Protection and Privacy Policies

The Group complies with the Personal Data (Privacy) Ordinance (Cap 486 of the Laws of Hong Kong), all personal data collected from employees, customers and suppliers are kept confidential. The Group's computers and servers are protected by highly encrypted access passwords. As stipulated in the Group's Code of Conduct on confidentiality, employees are instructed of their responsibility to protect the entirety of information being collected and used and to secure them appropriately.

6. ANTICORRUPTION POLICIES AND COMPLIANCES

The Group is committed to conducting business with the highest level of business ethics and integrity. Directors and employees must adhere to the Group's Code of Conduct to ensure business activities are conducted with transparency and effectiveness. To formalize the commitments, employees are required to read and understand the Group's rules and regulations and Code of Conduct. Fraudulent activities including the action to request, obtain, or provide an advantage or to avoid an obligation when dealing with the Group's business are strictly forbidden. The Group conducts periodic and systematic risk assessment and communicates related anti-fraud policy and procedures to its employees on a regular basis.

6.1. Conflict of Interest

The Group requires its directors and employees to avoid the conflict between personal and financial interest and their professional official duties in the Group. A situation in which directors or employees exercise authority, influence decisions and actions or gain access to valuable information when dealing with third parties with his profession to achieve financial and personal gain is strictly prohibited.

6.2. Preventive Measures and Whistle-blowing Procedures

The Group's Code of Conduct requires directors and employees to declare any conflict of interest by completing the required form as instructed by the Human Resource Department. The Group encourages whistleblowing where an employee or a third party could report any concern about suspected misconduct, malpractice or irregularity, and conflict of interest to the senior management in strict confidence. During the reporting period, communications were made to ensure employees understand the Group's Code of Conduct and there was no related fraudulent case reported against the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7. COMMUNITY INVESTMENT

7.1. Charity Donation and Community Care

The Group cares for the community by making donation to and participating in the Yuen Long Town Hall Management Committee. Yuen Long Town Hall is a non-profit organization providing dynamic supportive services to the elderly and the youth living in the proximity. Besides, the Group is committed to conducting business in a manner that minimizes any potential impact rendered to the community and perform its works in an environmentally friendly and sustainable way.

8. CONSIDERING THE FUTURE OF SUSTAINABLE DEVELOPMENT

Although developing sustainably in spite of the industry's fierce competition, meeting all applicable legal and regulatory requirements on ESG matters and raising customers' awareness on the environment is becoming more challenging, the Group will still be able to leverage on its solid executive experience, strengths on compliance and positive relationship with customers to thrive sustainably in the industry.

9. STAKEHOLDERS' FEEDBACK

Your comments and feedbacks regarding the Group's performance and approach on ESG aspects are valuable to its continuous improvement. Please email your questions, suggestions and recommendations to info@lksholding.com.