



Knowledge \ Opportunity \ Synergy

KOS INTERNATIONAL HOLDINGS LIMITED

高奧士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8042

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

2019



CONTENTS

	PAGES
SCOPE AND REPORTING PERIOD	2
STAKEHOLDER ENGAGEMENT AND MATERIALITY	2
STAKEHOLDERS' FEEDBACK	2
THE GROUP'S SUSTAINABILITY VISION	2
A. ENVIRONMENTAL	3
A1 Environmental Conversation and Emission Reduction	3
A2 Use of Resources	3
– Office paper	3
– Electricity	4
– Water	4
– Packaging	4
A3 The Environment and Natural Resources	4
B. SOCIAL	5
Employment and Labour Practice	5
B1 Employment	5
B2 Health and Safety	9
B3 Development and Training	9
B4 Labour Standards	10
Operating Practices	11
B5 Supply Chain Management	11
B6 Service Responsibility	11
B7 Anti-Corruption	13
Community	
B8 Community	14



SCOPE AND REPORTING PERIOD

As a reputable Hong Kong-based human resources solutions provider, KOS International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is dedicated to providing high quality recruitment services, and secondment and payroll services for our customers. Meanwhile, the Group stringently adheres to its environmental and social responsibilities. The board of directors of the Company (the “**Board**”) plays a pivotal role in the implementation of the Group’s environmental, social and governance (collectively referred to as “**ESG**”) management policies and the supervision of its daily practices, and has overall responsibility for the effectiveness of the implementation of the Group’s ESG strategy, practices and reporting.

In compliance with the requirements under Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and Guidance provided by The Stock Exchange of Hong Kong Limited, the Group is pleased to present its second ESG Report for the year ended 31 December 2019 (the “**Reporting Period**”) demonstrating the Group’s overall performance in three subject areas, namely, Environmental and Social of business operations of its offices in Hong Kong, Macau and the People’s Republic of China (the “**PRC**”), during the Reporting Period.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on this ESG Report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions including lunch meetings, sub-committee meetings, executive committee meetings and annual general meetings to share views, discuss and review areas of attention which will help the business to meet its potential growth and be prepared for future challenges.

STAKEHOLDERS’ FEEDBACK

The Group welcomes stakeholders’ feedback on our ESG approach and performance. Stakeholders can give their suggestions or share their views with us via email to info@kos-intl.com.

THE GROUP’S SUSTAINABILITY VISION

The Group commits to becoming a responsible corporate which upholds a high standard of corporate governance, strictly follows the code of ethics, advocates environmental protection and community services, and promotes social responsibility practices. It also embeds social responsibility into its operation and management to facilitate sustainability in economy, society and the environment.



A. ENVIRONMENTAL

A1 Environmental Conversation and Emission Reduction

The Group recognise that the environmental protection is a key issue in the current society. We work to reduce the environmental impact of our operations and to promote environmental protection within the Group.

Since the principal business of the Group is the provision of human resources services including recruitment services and secondment and payroll services, no material pollutant is produced, emitted or discharged during the course of provision of its human resources services. As such, the Group is not subject to any specific rules and regulations in relation to the environmental protection matters. Nevertheless, the Group is aware that the daily operation of the office consumes office paper, electricity and water. The Group recognises the impact caused by these consumptions and the production of waste. We do indirectly generate carbon dioxide (“CO₂”) emissions, mainly through the use of purchased electricity. A total of 12.32 tonnes (2018: 8.03 tonnes) of CO₂ were indirectly generated from our use of purchased electricity during the Reporting Period. We only produce general office wastes and most of these wastes are non-hazardous. In order to mitigate indirect CO₂ emissions and save costs, we have introduced measures to manage our energy consumption levels. For details of the measures, please refer to “A2 Use of Resources” section below.

A2 Use of Resources

The Group is committed to protecting the environment by enhancing our operational efficiency and energy efficiency to reduce office paper, electricity, water and waste by following initiatives:

Office paper

- Using E-fax to minimise printing needs
- Handling documents electronically except for formal documents
- Using recycled paper and double-sided printing except for formal and confidential documents

During the Reporting Period, a total of approximately 0.27 tonnes (2018: 0.20 tonnes) of office paper were used for daily office operations in Hong Kong.



Electricity

- The use of electricity in the office of the Group must comply with the principles of power saving, safety first, high efficiency and low consumption
- Light and electronic appliances like air-conditioners, computers, photocopy machines, printers in workplace must be turned off when not in use

During the Reporting Period, the electricity consumption of the Hong Kong office was 24,632 kWh (kilowatt-hour) (2018: 14,876 kWh), with an energy intensity of approximately 367.6 (2018: 330.6 kWh/internal staff). The increase in electricity consumption during the Reporting Period was mainly due to the Hong Kong office of the Company has been changed in November 2018 and the new office was about twice the size of the original office.

Water

The water consumption of the Group is minimal. The majority of the water supply facilities are provided and managed by property managers on our rented premises, and the usage have been included in the management fees.

Packaging

During the course of the Group's business operation, it does not generally involve the use of packaging materials and thus its impacts on the environment are considered to be minimal.

A3 The Environment and Natural Resources

Save as disclosed above, the Group's business has no direct or significant impact on the environment and natural resources.

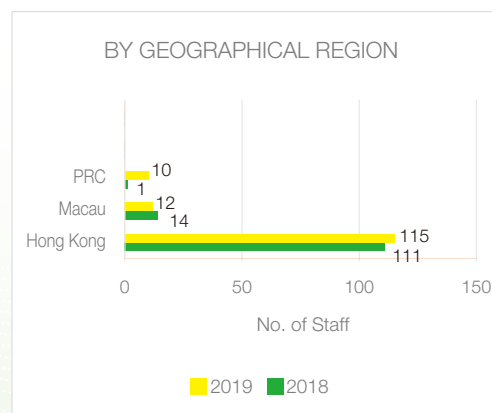
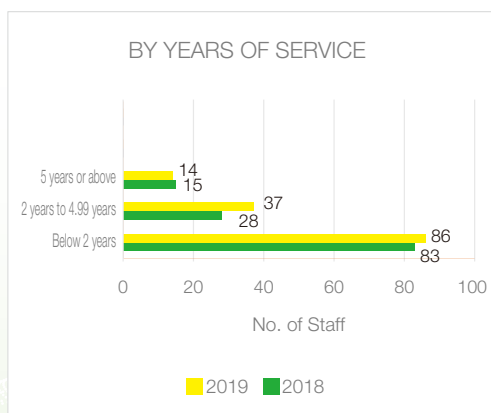
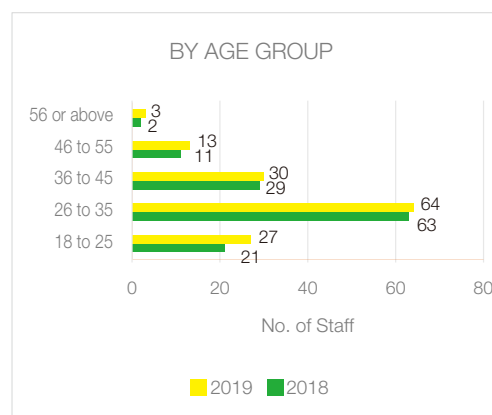
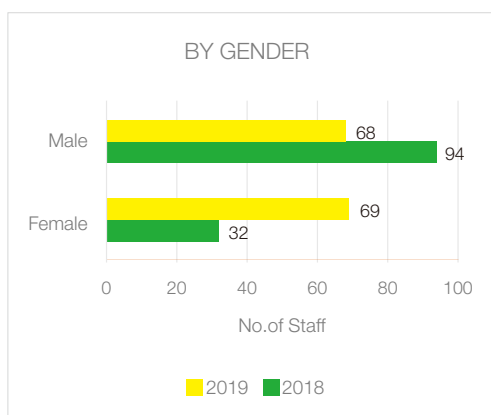
B. SOCIAL

Employment and Labour Practice

B1 Employment

In support of equal employment opportunities, the Group adopts fair and open recruitment mechanism with all positions being openly recruited regardless of age, gender, race, nationality, religion, marital status or disability.

As at 31 December 2019, the Group complied with all relevant Hong Kong, Macau and the PRC employment laws and regulations that deal with working hours and rest period and had a total of 137 (2018: 126) full time employees, with whom 67 (2018: 45) employees worked for itself (as “**Internal Staff**”) and 70 (2018: 81) employees seconded to work for the clients (as “**Seconded Staff**”). The majority of the Internal Staff are consultants for carrying the recruitment services. Breakdowns of the current employees by gender, age group, years of service and geographical region are set forth below respectively:





Compensation and Benefits Package

The Group's internal staff are remunerated in accordance with their performance, qualification, work experience and prevailing industry practice. In addition to a fixed salary, commission-based bonuses are offered to consultants whose sales figures exceed a certain level to attract and retain eligible employees to contribute to the Group. The seconded staff have been remunerated in accordance with their contracts with the Group and the relevant laws and regulations in Hong Kong or Macau.

The Group safeguards employees' entitlement to statutory benefits. We participate in the mandatory provident fund ("**MPF**") for our employees, including the internal staff and seconded staff, in accordance with the MPF in Hong Kong and the Social Security Regime in Macau and the state-managed retirement benefit scheme managed by the PRC government, respectively, and have paid the relevant contributions accordingly. We have also maintained employees' compensation insurance for all our employees.

Employee Communication

The Group treasures employees as its valuable assets. Employees are encouraged to provide their opinions directly to the directors and the chief executive officer of the Company by email. In addition, the Group arranges catch up meeting with the chief executive officer and team head by weekly and also arranges month-ended meeting for all employees in order to let the employees to provide their opinions to the top management. To strengthen and upgrade employees' qualifications, the Group provides appropriate appraisals to employees in trainings and development activities. It also enhances employees' sense of satisfaction through presentation of awards.

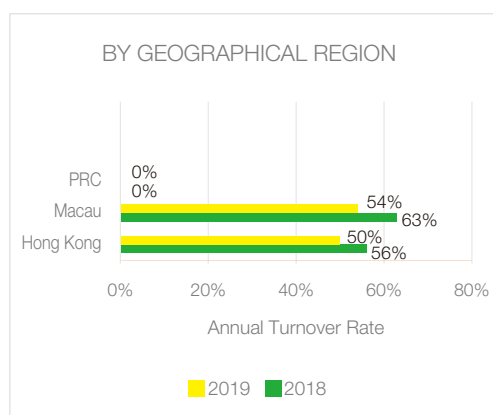
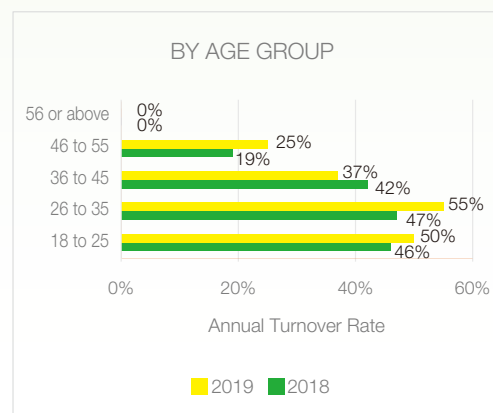
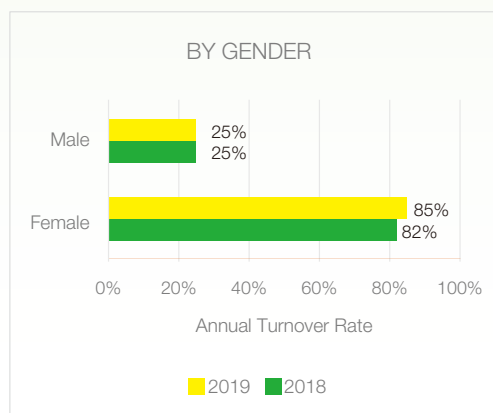
Internal activities are regularly organised to actively engage employees and enhance their sense of belonging. Activities include:

- Annual dinner;
- Company trip;
- Christmas party;
- Chinese New Year lunch;
- Interest class, such as Taichi lesson;
- Lunch/Dinner meeting with employees; and
- Monthly birthday celebration.



Staff Turnover

The annual turnover rate in the Reporting Period was approximately 48% (2018: 43%), in which the rates categorised by gender, age group and geographical region was:



To enhance stability of the Group's quality workforce, the Group will continue to provide a safe, healthy and harmonious working environment to employees.

B2 Health and Safety

The Group ensures that safety is placed at the top priority in its operation, and is maintained as a critical component in its workplace culture. It constantly improves safety performances of its different business areas, in order to provide a safe and healthy environment to employees. Employees involved in work-related injuries shall inform their Department Heads or Human Resources Department within 24 hours after the accident, and seek medical consultation in nearby hospitals or clinics. Within 48 hours after the injured employees obtained the sick leave certificates, Human Resources Department shall complete and submit the work injury report to the insurance company for related compensation. There was no work-related fatality, lost days due to work injury and material non-compliance in relation to occupational health and safety laws and regulations recorded in the Reporting Period.

B3 Development and Training

The Group values its employees as human capital and invest resources to educate and maintain their standards so that they can make a greater contribution to its success. The chief executive officer of the Group is responsible for providing training and developments to its employees.

We provide orientation programmes for new internal staff to familiarise them with our daily operation and information technology systems. We also provide appropriate on-the-job training for our internal staff to enhance their capability.

During the Reporting Period, the Group organised in-house training workshops to the staff to improve their performance effectiveness.



The percentage of employees trained by gender and employee category and the average training hours completed per staff by gender and employment category are set forth below respectively:

		2019	2018
Attendee	No. of staff	42	15
	By gender		
	Male	19	10
	Female	23	5
	By employment category		
	Senior Management	14.28%	6.67%
	Middle Management	42.86%	60.00%
	General Staff	42.86%	33.33%
Training hour	Total	496	70
	By gender (Average hours per staff with training)		
	Male	14.05	5.00
	Female	9.96	4.00
	By employment category (Average hours per staff with training)		
	Senior Management	9.17	2.00
	Middle Management	15.44	4.89
	General Staff	9.06	4.80

B4 Labour Standards

The Group believes in nurturing and developing top talents regardless of race, gender, age, religious belief, pregnancy, marital status, family status or disability.

The recruitment of the Group also complies strictly with the local laws and conduct. Personal data collected during the process will be used to assist in the selection of suitable candidates and to conduct interviews and verification of personal data. The Group ensures that identity documents and relevant certificates are carefully checked before interview and employment. Applicants are required to sign a declaration for provision of true and correct information. Employees can be dismissed for any frauds. No material non-compliance in relation to laws and regulations regarding prevention of child and forced labour was recorded during the Reporting Period.



Operating Practices

B5 *Supply Chain Management*

Due to the nature of the Group's business, we have no major suppliers. During the Reporting Period, we had not engaged any subcontractors to provide our human resources services to any of our clients and the majority of our operating costs comprised staff and related costs. We procure equipment and IT system support and maintenance services from vendors for our business operation.

B6 *Service Responsibility*

As a human resources services provider, the key service responsibilities are on providing high quality human resources services and privacy matters of our clients and candidates. Emphasis is therefore placed on recruiting and retaining skillful, knowledgeable and experienced consultants, monitoring service quality and staff training.

During the recruitment process of our consultants, we look for personnel who have good communication skills as it is important to effectively connect with our clients and candidates and to maintain long-term business relationships. When we are recruiting seconded staff, we will look into the skills and/or professional qualifications required for the positions which our clients are looking for.

We provide after-sales services for both our recruitment services and secondment and payroll services. We generally provide replacement for the placed candidates under certain circumstances for our recruitment services and we may terminate the relevant seconded staff if their performance is below the required standard. We will also meet with our clients and candidates on a regular basis to build up good relationships and to collect feedbacks on our services provided. The Group believes that this will allow it to maintain its high quality of services provided and gain market intelligence to keep its staff abreast to the latest developments in the human resources services industry.

During the Reporting Period, there were no material complaints made against us and our internal and seconded staff by our clients.



Intellectual Property Rights


Any assets of the Group, including materials and information for official purposes, shall not be taken or copied for personal purposes without authorisation. Such violation is an offence under the laws of Hong Kong, Macau and the PRC, offender will be subject to disciplinary action or prosecution. The Group does not allow any infringement of its assets and intellectual property rights, and will take appropriate disciplinary actions against offenders.

During the Reporting Period, the Group was not aware of any dispute or infringement by (i) the Group of any intellectual property rights owned by third parties; or (ii) any third parties of any intellectual property rights owned or being applied by the Group.

Data Protection and Privacy

We, as a human resources services provider, have in our possession a substantial amount of personal data related to individual candidates. Our software system also stores information relating to performance assessment of such candidates by our Group and our clients. Pursuant to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), we are obliged to keep all such data confidential. Therefore, we have implemented internal control measures to safeguard the security and confidentiality of our candidate database as follows:

- (a) *Access to documents:* We restrict access to information and candidate database on a stringent need-to-know basis by maintaining policies specifying the level and extent of documentation required in our key business activities and for general use. Approval from our management team shall be obtained before any external requests to review the documents and any release of the documents are executed. There are also security measures in place to monitor the use of information internally by our staff, including (i) implementing security policy to limit certain staff from accessing company information away from office and/or out of working hours; (ii) keeping detailed records of our staff's online activities and behaviours (including the time and date of each login, browser used for each session, number of page hits, actions the staff performed, candidates and/or clients the staff viewed, notes taken, messages sent and received) which enables the Group to closely and continuously monitor our staff's activities and behaviours to see if there are any abnormal activities such as excessive client and/or candidate view, access of candidate and/or client that falls outside of the staff's area of focus or scope of work; and (iii) configuring our IT and email systems so that mass data export is only available to our system administrators (i.e. our executive Directors).
- (b) *Storage of electronic data:* The majority of our personal data collected are uploaded and stored in a server operated by our software service provider. They have implemented backup policies to safeguard the information in any unexpected situation.

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- (c) *System security:* Our Directors consider that there are robust security measures in place to ensure security in every process of our operation to prevent security system breaches. These measures include adopting the latest technologies to store and control data collected centrally in the cloud to prevent data from being stored locally on staff workstations or local file server which may lead to information leakage, requiring confidential data accessed by authorised staff through designated user's accounts and passwords, disabling the alteration and/or reviewing of data by general staff, and encrypting backup data. We prevent hackers from attacking our candidate database by, among others, utilising certified recruitment software with functions of user authentication, data back up and segregation, operating system and database security to enhance protection against cyber attacks, implementing firewall protecting our internal network from intrusion, installing anti-virus software on servers and workstations as well as applying security patches and updates of operating systems. During the Reporting Period, we had not experienced any incidents relating to hackers attacking our candidate database.
- (d) *Compliance with the relevant laws and regulations:* Our employees are required to adhere to the obligations and responsibilities set out in the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and all relevant laws and regulations in relation to the data privacy protection.

During the Reporting Period, there were no incidents and complaints concerning breaches of customer privacy or losses of customer data for the Group.

B7 Anti-Corruption

Conflict of interest exists when personal interest is in contrary or in contradiction with the Group's interest. It includes the use of a person's official position to benefit himself, his family, relatives or friends or any person to whom he owes a favour or is obliged in any way. The Group is committed to ensuring its business does not involve in any conflict of interest. Its code of conduct requires staff to avoid unapproved conflict of interest situations. Approval shall be obtained from the Board.

Any bribery and corruption activities are also prohibited pursuant to the Prevention of Bribery Ordinance of the Laws of Hong Kong, and as stated in the Group's code of conduct. Whistleblowing policy is established to provide clear guidelines on reporting misconduct and malpractice, with channels for all shareholders, customers, suppliers and internal staff to raise concerns under the policy. When a suspicious case is received, the Group undergoes investigation procedures with secured protection on complainant's confidentiality. If complainant's identity is exposed, whoever retaliates against the complainant will be subject to disciplinary actions. All concerns will be handled impartially and effectively, and will be reported to relevant enforcement authorities when necessary. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

B8 Community

The awareness of corporate social responsibility has been increasing in the market. The Group realises the importance of different stakeholders' expectations. In achieving long term, stable and healthy business prosperity and growth, the Group strives to balance the interests between stakeholders and is committed to improve the community's wellbeing.

During the Reporting Period, the Group participated in various charitable activities, including "Annual CPA Australia Charity Run", "Sun Life Resolution Run", "Project WORKS Corporate & Community Partnership Gathering cum Gratitude Concert 2019", "Green Monday 7th Anniversary Gala Dinner Sponsorship" and "World Vision Skip-A-Meal". Also, the Group arranged or participated in a number of free talks for job seekers.



The Group will continue to fulfil its corporate responsibilities and serve the community to the best of its abilities. We will also strive to achieve better allocation of resources in the perspective of providing assistance to the community in need and pursuing environmental protection, as well as contributing to the sustainable development of our society.