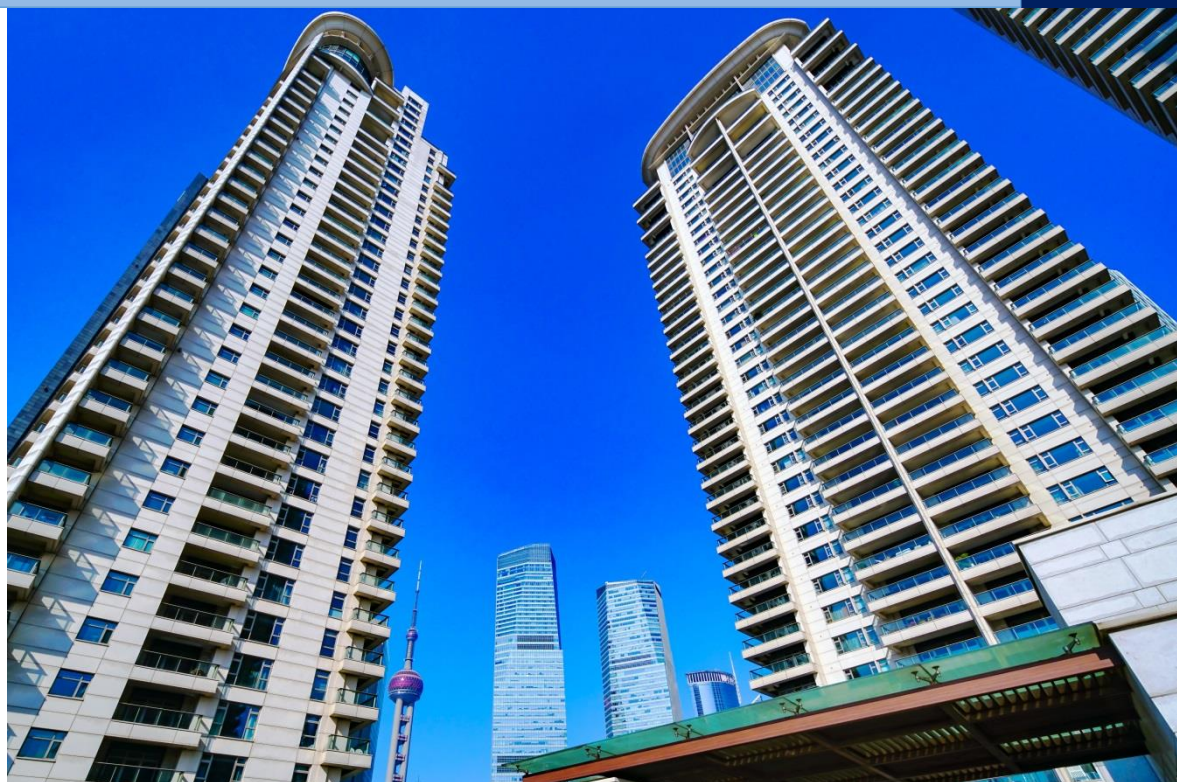


# 2017

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



**TOMSON GROUP LIMITED**

**湯臣集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 258

## INTRODUCTION

Tomson Group Limited (the “Company”), established in the late 1980’s, is a listed company on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 258). The Company and its subsidiaries (the “Group”) are principally engaged in property development and investment, hospitality and leisure business, securities trading, PVC operations as well as operation of and investment in media and entertainment business.

This is the second Environmental, Social and Governance Report (“ESG Report”) issued by the Company. The content of this ESG Report has been prepared in compliance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## REPORTING PERIOD AND SCOPE

This ESG Report reflects the Group’s practices in sustainable development and social responsibility for the year from 1st January, 2017 to 31st December, 2017 (the “Reporting Period”).

Based on the principle of materiality for disclosure and reporting, the Company has decided to include the property development and investment business and the hospitality and leisure business in the scope of this ESG Report. Below are the key operating subsidiaries engaged in the aforementioned business activities:

- (A) Property development/investment/management
  - (i) Grand View Property Management (Shanghai) Co., Ltd.
  - (ii) MHK (Penha Hill) Limited
  - (iii) Shanghai Tomson Outer Gaoqiao Development Co., Ltd.
  - (iv) Tianjin Jinwan Real Estate Development Co., Limited (completed disposal in August 2017)
  - (v) Tomson Group Garland (Shanghai) Housing & Estate Ltd.
  - (vi) Tomson Haijing Garden (Shanghai Pudong New Area) Co., Ltd.
  - (vii) Tomson International Trade Building (Shanghai) Co., Ltd.
- (B) Golf course, club operation and property development
  - (i) Tomson Golf (Shanghai) Limited

This ESG Report primarily covers the environmental, social and governance information and aspects related to the Group’s operations in Shanghai, Tianjin, the Hong Kong Special Administrative Region (“Hong Kong”) and the Macau Special Administrative Region (“Macau”) of The People’s Republic of China (“China”).

## ENVIRONMENTAL PROTECTION

As an experienced real estate developer of high-end residential properties and high-grade commercial buildings in China, the Group recognizes that the long-term viability of its businesses is closely linked with the well-being of the society. The Group strives to minimize the potential impacts of its businesses on the environment and society in which it operates. One of our goals is to create living, working and retail communities that are harmoniously integrated and value-adding to the environment of the neighbourhoods. To attain our goals, Tomson Riviera and Tomson Commercial Building adopt new version of ISO standards and now operate ISO 14001:2015 Environmental Management System which has been certified by China Quality Certification Centre.

### A1. Emissions

The Group has complied with the Environmental Protection Law of the Mainland of China and other relevant laws and regulations in the cities in which the Group operates.

In the property development business, the Group outsources construction works to general contractors which manage all operations in the construction sites. To mitigate the impact of construction on the environment, the Group requires its contractors to exercise controls over the emission of dust in building construction and the emission of waste gas generated from fuel combustion, in accordance with the Air Pollution Prevention and Control Law of the Mainland of China and other applicable laws and regulations related to air pollution in the cities in which the Group operates. The Group regularly checks on the performance of contractors via site visits to ensure compliance.

In addition, the Group provides 80 rechargeable battery-powered golf carts for use by the members in Tomson Shanghai Pudong Golf Club to minimize air pollution and noise generated from operating golf carts. Separately in Waigaoqiao Free Trade Zone, in order to support the use of electric vehicles, several charging stations for electric vehicles have been installed and operating in Tomson International Trade Building and Tomson Waigaoqiao Industrial Park. They are available for use by the tenants of the buildings.

#### *Air emissions*

The air emissions were mainly from vehicles and gaseous fuel consumption (Approx.):

Nitrogen oxides	Sulphur oxides	Particulate Matter
15,736,216 kg	78,289 kg	2.16 kg

## Greenhouse gas emissions

Scope 1 emissions were mainly from vehicles, stationery combustion and refrigerants (Approx.):

	Carbon dioxide	Methane	Nitrous oxide
CO <sub>2</sub> equivalent emissions	1,375,971 kg	798 kg	41,317 kg

For Scope 2 energy direct emissions, the CO<sub>2</sub> equivalent emissions mainly from purchased electricity were approximately 7,597,983 kg. The total greenhouse gas emissions (Scope 1 and Scope 2) were approximately 9,016 tonnes. The Group does not report Scope 3 emissions because of lack of complete and accurate data.

The Group disposes of solid wastes in accordance with the provisions of the Solid Waste Pollution Prevention Law of the Mainland of China and other relevant laws and regulations in the cities in which the Group operates. Earthwork and construction waste generated from construction are collected in time and disposed of properly and legally.

Non-hazardous solid wastes, mainly domestic and commercial wastes, generated in the Group's offices in Hong Kong, Macau and the Mainland of China amounted to 4.3 tonnes while those generated in various residential and commercial property projects in Shanghai amounted to 1,984.5 tonnes (including construction waste) during our operations in the Reporting Period. 0.6 tonne of hazardous waste was recorded, and it was properly handled by a licensed collector.

## A2. Use of Resources

For its operations in the Mainland of China, the Group strictly abides by the Energy Conservation Law of the Mainland of China. Elsewhere, the Group adheres to the principles of recycling and reduction, and implements green office practices where practical. The Group increases awareness of its employees on energy saving and water saving, as well as encourages employees to participate in the green office initiatives.

Electricity is a major resource the office operations consume every day. The Group promotes reduction in energy consumption by using various efficiency measures, which include switching off idle lightings and electrical appliances, as well as using programmed energy-saving modes to control electric and electronic devices (including but not limited to computers, printers, photocopiers and air-conditioners). In addition, the Group has started adopting LED lighting in various areas of the Group's offices and properties in Macau, Shanghai and Tianjin, including Tomson Riviera, Tomson Commercial Building, Tomson Riviera Tianjin and the clubhouse of Tomson Shanghai Pudong Golf Club. At this early stage of adoption, LED lighting accounted for 5% to nearly 100% of the lightings used in the specific areas. Going forward, the Group anticipates increasing use of LED lighting or other energy-saving alternatives in its properties and offices when the time comes for lighting replacement.

To reduce paper consumption, the Group encourages the use of digital documents and double-sided printing and copying. Recycling bins are provided in the offices to promote paper recycling and minimize paper wastes.

The Group recognizes the carbon footprint arising from travels to business meetings. Emails and phone calls are the preferred modes of communication. Furthermore, the Group has set up video-conferencing and audio-conferencing facilities in the offices to conduct most business meetings. Business travels are restricted, where possible, to where meetings in person are necessary.

Water is essential to all communities. The Group promotes water conservation to employees. Reminders of water-saving responsibilities and actions, in form of notices and signs, are posted near where the water resources are in the offices. Tomson Shanghai Pudong Golf Club is a high water-consuming business, an incentive/penalty scheme is being used to motivate the employees of the Club to conserve water. Water-efficient flushing systems are installed in the majority of the public washrooms in Tomson Commercial Building. Moreover, standard procedures are put in place to ensure the efficient use of water based on operating needs and estimates. For instance, water from nearby rivers is used to irrigate the greenery of Tomson Shanghai Pudong Golf Club. Disinfectants and other cleaning agents are carefully applied to the swimming pool of Tomson Riviera's clubhouse to make sure that the frequency of water change is minimized while meeting the water quality requirement. In Tomson International Trade Building and Tomson Waigaoqiao Industrial Park, the Group diligently performs daily monitoring and prompt repairs for water leakage to comply with the relevant regulations of the local authorities.

The Group has stringent planning and control management over the use of consumables and supplies for operations. Replacement is chosen where repair is not cost efficient or technically impractical. Consumables and supplies are budgeted annually, purchased monthly based on operating needs, and recorded for allocation and consumption. Inventories are kept to minimal levels, and logbooks are maintained and audited for purchase and control management.

Use of resources	Unit	2017 (approximately)
Electricity	kWh	11,560,866
Electricity intensity	kWh per revenue of HK\$1 million	8,015
Water	Cubic meter	351,329,597
Water intensity	Cubic meter per revenue of HK\$1 million	243,558

As disposal of the Tianjin operations was completed in 2017, its use of resources is not included in the above table.

Since the Group is mainly engaged in service industry, only immaterial traceable paper packaging material was consumed.



### **A3. Managing Significant Impacts on the Environment and Natural Resources**

The Group strictly abides by the Water Pollution Prevention and Control Law of the Mainland of China and other relevant laws and regulations in the cities in which the Group operates and adopts corresponding measures and preventive control on emission of waste water.

The Group believes the daily operations of its businesses have no direct significant impact on the environment and natural resources. To maintain the green plantations within the Group's properties and golf course in a healthy condition, pesticides and fertilizers are selectively used. The Group understands the importance of minimizing the effects of these chemicals on the environment and water resources. Therefore, the Group has engaged qualified professionals to deal with the storage, usage, collection, recycling and disposal of pesticides and fertilizers, as well as their related packages, strictly in accordance with the relevant laws and regulations.

## **EMPLOYMENT AND LABOUR PRACTICES**

### **B1. Employment**

Our employees are valuable assets that contribute to the success of the Group. The Group strictly follows the requirements of the Labour Law of the Mainland of China, the Labour Contract Law of the Mainland of China, the Employment Ordinance of Hong Kong and the relevant laws in Macau.

#### ***Recruitment, Compensation and Benefits***

The Group emphasizes the importance of a highly-efficient staff management and incentive structure. We recruit and promote employees based on a number of factors, such as professional experience, educational background and capabilities. Remuneration and benefit packages are generally structured with reference to market terms and practice, as well as individual responsibilities, performance and qualifications. Discretionary bonus may be paid based on individual contribution. In addition, the Company has established a share option scheme pursuant to which options may be granted to directors and employees of the Group, when appropriate, to subscribe for shares of the Company.

The Company also participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance of Hong Kong (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is funded by contributions from employer and employees pursuant to the provisions of the MPF Ordinance. Employees of the Group in the Mainland of China are members of respective state-managed defined contribution retirement benefits schemes operated by the local governments. The employers and the employees are obliged to make contributions at a certain percentage of the payroll under rules of the schemes. In addition, the Group makes contribution to social security fund for its employees in Macau in accordance with the laws of Macau.

Employees are eligible for stipulated annual leave, sick leave and other types of leave in accordance with national and local laws applicable in the cities where the Group operates.

### *Anti-Discrimination, Equal Opportunity and Diversity*

The Group promotes a diverse workplace where people of different backgrounds are valued and respected. We do not discriminate on the basis of race, colour, national or ethnic origin, gender, sexual orientation, religion, disability, age, cultural background, social group, marital status, family status or other factors.

The Group has complied with the applicable labour laws and regulations in all material aspects including, inter alia, dismissal and working hours.

## **B2. Health and Safety**

Health and safety of the employees is our top priority. One of the approaches is to create a strong culture of safety awareness by implementing high safety standards and providing appropriate training and education to our employees. The Group cares about its employees and their families, and therefore it strives to provide a safe and healthy working environment to them. Medical insurance is provided to our employees. Health check-ups are arranged annually for employees in various operations of the Group, including Tomson International Trade Building and Tomson Waigaoqiao Industrial Park. Protective wears and kits are provided to employees according to the nature and requirements of the jobs. In summer, the Group also provides hardship allowance, beverages and cooling kits to its employees of Tomson Shanghai Pudong Golf Club and the property management staff of the Group's properties who carry out responsibilities or perform work outdoor under high temperature. The Group adopts international standards of occupational health and safety management system. For instance, Tomson Riviera and Tomson Commercial Building comply with and operate OHSAS 18001:2007 Occupational Health and Safety Management System which has been certified by China Quality Certification Centre.

The Group strictly abides by the Production Safety Law of the Mainland of China and other relevant laws and regulations related to safety management in the cities where the Group operates.

For the properties held by the Group, property management companies are hired to manage the security operation and provide security personnel to safeguard the properties and the people in the properties. In addition, memoranda and notices are given to employees of the Group regarding the protocols of office security during and after office hours and personal safety during emergency situations and extreme weather conditions.

During 2017, no severe injuries or fatalities of the Group's employees were reported. The Group was not subject to any material claim or penalty in relation to health and work safety, and has been in compliance with the relevant laws and regulations in all material aspects in Hong Kong, Macau and the Mainland of China.

### **B3. Development and Training**

To ensure the professionalism of our employees at all levels, employees of the Group are encouraged and sponsored to attend training and development courses relevant to their jobs and responsibilities. Despite lacking a formally publicized policy in this area, the Group has been providing educational or training allowance to employees up to the full costs of the courses approved by the management and attended by the employees. The Company will consider formalizing the policy on this subject in the near future.

Besides, the Group not only offers new employees on-the-job training by experienced personnel but also provides continuous training to employees periodically, according to the nature of the jobs and the requirements of the respective industries. Specialty training and preparation courses are arranged to support employees in applying for or renewing professional qualifications, including certificates, licences, and permits, relevant to their jobs and industries. To upgrade the quality management system of the Group's properties, training on the requirements and application of ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System was provided to selected property managers of Tomson Riviera and Tomson Commercial Building in the first half of 2017 and they successfully passed the required examinations. The standards of the new version of these systems have been applied after verification by China Quality Certification Centre.

In addition, four in-house seminars are arranged for the directors and senior executives of the Company annually. Topics of these seminars revolve around the latest development and trends of the industry, regulatory compliance, macro-economic environment, tax regulations, as well as banking and finance.

### **B4. Labour Standards**

The Group is well aware that child labour and forced labour violate fundamental human rights. The Group prohibits the use of child labour and validates the actual ages of job applicants in the recruitment process. Besides, the Group does not use unlawful or unfair means to restrict the employment relationship between the employees and the Group. Employees are free to leave employment upon giving reasonable notice as stipulated in their employment letters.

The Group has been in compliance with relevant laws and regulations, and has not found any cases or been assessed any fines or penalties with regard to child labour and forced labour during 2017.



## OPERATING PRACTICES

### B5. Supply Chain Management

In the property development and investment business, the Group hires design companies, construction contractors and property management companies to design, build and manage properties. The Group primarily selects suppliers through tenders. For contractors, the tender process is developed in accordance with relevant laws and regulations and the tender decision is made in a fair and equitable manner. In selecting contractors and equipment suppliers, the management takes into account various factors, such as (i) quality of services; (ii) contracting costs; (iii) safety management; (iv) industry qualifications/licenses; and (v) relevant track records and reputation. The Group requires its contractors to maintain a high standard of quality for the services provided, and to put in place adequate occupational health and safety and environmental protection procedures in accordance with the applicable laws and regulations and safety requirements imposed by the relevant government authorities in Macau and the Mainland of China.

The Group's Construction Projects Department enters into contracts with suppliers awarded with tenders. The department is also responsible for monitoring the performance of our contractors by conducting on-site inspections and supervision and assessments on the contractors periodically.

### B6. Product Responsibility

The Group is an experienced real estate developer in China with well-established brand and reputation in the development of high-end residential properties and high-grade commercial buildings. The Group is proud of the portfolio of its completed projects, and believes that reliability and quality of its products and services are crucial to its success.

The Group is dedicated to delivering high-quality products and services to consistently meet the requirements of its customers. The Group and construction contractors enter into contracts, under which the contractors are obligated to carry out operational and quality assurance activities while ensuring regulatory compliance. In addition, the Group has established stringent quality control standards and followed testing and inspection procedures at the key stages of a property development project to ensure that construction and product quality are consistent with the designs and compliant with applicable laws and regulations. Contractors are required to rectify any defects or non-compliance incidents in a timely manner. Property checking and acceptance procedures are established to ensure properties are ready for delivery to our customers pursuant to the sales agreements.

To ensure its services quality, Tomson Riviera and Tomson Commercial Building adopted new version of ISO standards and now operate ISO 9001:2015 Quality Management System which has been certified by China Quality Certification Centre.

The Group is committed to a responsible approach to advertising and marketing. It strictly follows the Advertising Law of the Mainland of China and other laws and regulations related to advertising products and services in the relevant jurisdictions. The Group's advertising and promotional materials are reviewed by relevant professionals to ensure accuracy and avoid misrepresentation of information for the prospective customers.

The Group treats customer information confidential in accordance with the Law on Protection of Consumer Rights and Interests of the Mainland of China, as well as other laws and regulations related to consumer privacy in the cities where the Group operates.

Our customers are important to us. The Group makes every effort to understand its customers' needs and enhance their satisfaction and experience with its products and services. The Group highly values any feedback from its customers on its business operations. Proper guidelines are set up to handle and resolve customer complaints in a timely manner.

The Group has been in compliance with relevant laws and regulations and has not been assessed any fines or penalties which had a material and adverse impact on our business operation with regard to product safety, advertising, labelling and privacy matters.

## **B7. Anti-Bribery and Corruption**

The Group is committed to ethical conduct in doing business. All forms of corruption, extortion, fraud and bribery are prohibited. The Group abides by the Anti-Unfair Competition Law, the Interim Provisions on Prohibiting Commercial Bribery and the Anti-Money Laundering Law of the Mainland of China and other laws and regulations that call for integrity and ethical conduct in operating a business.

The Group makes clear its expectations on employees to ensure professional and ethical conduct of all staff. Our employees are informed of the Group's expectations and guidelines in the normal course of business, as well as the applicable laws and regulations related to improper payment, frauds and money-laundering.

The Group has adopted a whistle-blowing policy, which was formulated and approved by the Board of Directors of the Company. An Executive Director of the Company has been designated to handle any complaint received under the policy, and the Audit Committee of the Board of Directors of the Company (the "Audit Committee") is responsible for monitoring the implementation of the policy.

The whistle-blowing policy details the protocols of reporting and handling improper or illegal behaviours within the Group that could be detrimental to the interests of shareholders, investors, customers and general public. It emphasizes protection of whistle-blower's identity and confidentiality of reported cases and the information involved, and sets out the available channels and methods for reporting concerns and the procedure of handling reported cases by the Group's designated personnel.

The Audit Committee meets regularly with the Company's senior management to consider the effectiveness of internal controls and risk management of the Company. As far as the Company is aware, no corruption or bribery incidents and fraudulent practices have been brought to the Company's attention during 2017.

## COMMUNITY RESPONSIBILITY

### B8. Community Investment

It is the goal of the Group and its staff to act responsibly and contribute to the society with a vision of building strong, long-lasting relationships with different stakeholders in our communities. Although the Group has not formalized its continuing practice, it makes donations regularly to various international and local charitable organizations (e.g. World Vision and Orbis) in Hong Kong and the Mainland of China. Our colleagues also write regularly to the sponsored children under World Vision program to keep in touch with them. The Group has been a consistent sponsor for the "Heart to Heart Project" organized by The Hong Kong Federation of Youth Groups since its launch in 2005. The "Heart to Heart Project" links schools and companies who contribute resources to engage students to serve the community. The project encourages the participating schools to organize more than 2,000 hours of volunteer activities a year.

