

### Kato (Hong Kong) Holdings Limited 嘉濤(香港)控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 2189

### 2019

Environmental, Social and Governance Report



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## Scope and Reporting Period

This is the first Environmental, Social and Governance ("**ESG**") Report of Kato (Hong Kong) Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

This ESG report covers the environmental and social performance of the Group's business operations in Hong Kong from 1 April 2018 to 31 March 2019 (the "**Reporting Period**"), unless otherwise stated.

The Group principally engages in care services for the elderly in Hong Kong. Its business operations involve rendering of elderly home care services and sales of elderly home related goods. The Group offers over 1,100 residential care places across four districts in eight care and attention homes for the elderly, namely:

- 1. Kato Home for the Elderly in Tuen Mun;
- 2. Kato Home for the Aged in Tuen Mun;
- 3. Fai-To Home for the Aged (On Lai) Branch in Tuen Mun;
- 4. Fai To Home for the Aged (Tuen Mun) Branch in Tuen Mun;
- 5. Fai To Sino West Combined Home for the Aged in To Kwa Wan;
- 6. Happy Luck Elderly Home Limited in Tsuen Wan;
- 7. Tsuen Wan Elderly Centre Limited in Tsuen Wan; and
- 8. Pine Villa in Tseung Kwan O.

### **Stakeholder Engagement and Materiality** •

The Group values relationships with its stakeholders. The Group maintains ongoing dialogue with its shareholders, employees and customers by holding general meetings, regular performance reviews, appraisals and interview sessions, so as to facilitate effective communication and collect constructive feedback. Such feedback is considered as essential in the decision-making process of the Group's daily operation, from improving its business performance to bringing insights for future development.

During the Reporting Period, the Group specifically engaged internal stakeholders, including the members of the board (the "**Board**") of directors (the "**Directors**") of the Group, senior management and frontline staff to provide feedback on the material ESG topics of the Group's operation. Four ESG topics were identified to be imperative to the Group's operation:

- Pharmaceuticals management;
- Customer service;
- Product and service quality; and
- Emergency response ability.

The Group will continue to identify areas of improvement for the concerned topics and enhance its ESG management.

# Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. Stakeholders may share with the Board any suggestions and views by writing to 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories.

### The Group's Ethics and Business Integrity •

Ethics and business integrity are of great importance to the Group, as a provider of elderly home care services. In line with the corporate values, the Group has formulated a code of conduct to spell out the Group's commitments to ethics and business integrity in a set of formal written requirements, which are strictly observed by the employees (at all levels, divisions and care and attention homes for the elderly) and all sub-contractors' staff.

The Group is committed to conducting all the business dealings with integrity, in accordance with strong business ethics, including:

- Being accurate and truthful in dealings with third parties, and not misrepresenting the Group or the quality, features, price or availability of the Group's products and services;
- Being honest and forthcoming with the employees of the Group;
- Taking reasonable care to meet business commitment; and
- Exercising reasonable care to ensure that the Group meets the terms of its contractual obligations with its customers, business partners and associates.

The Group's commitments to uphold ethics and integrity enables the Group to secure a firm foothold within the residential care home for the elderly industry, so as to continue enhancing its market position in the residential care home for the elderly sector and fulfilling its social responsibility.

## • The Group's Corporate Social Responsibility Value

The Group recognises its impact on the society and environment. Therefore, upon compliance with contractual requirements, the Group adheres to the highest standards of corporate social responsibility in its business operations.

As an integral part of the Group's corporate values, corporate social responsibility has guided the Group throughout its business operation. The Group was in full compliance with the rules and regulations as stipulated in the Residential Care Homes (Elderly Persons) Ordinance (Chapter 459 of the Laws of Hong Kong), the Code of Practice for Residential Care Home (Elderly Persons) (the "**RCHE Code of Practice**") and the handbooks issued by the Social and Welfare Department (the "**SWD**") regarding service quality standards during the Reporting Period.

The Group strives to cultivate a homely atmosphere as far as possible in its care and attention homes for the elderly such that the residents would feel secure and comfortable. To nourish interpersonal relationships of residents, social and recreational activities were organised to enhance interactions among residents.

The Group will continue its endeavours to contribute to the society, by giving the needy and underprivileged a hand through voluntary work and donations. The Group will carry on promoting harmonious relationships and a zero-harm environment for its employees, residents and the society as a whole.

### A. Environmental

The Group puts significant effort in environment protection and reduction of greenhouse gas ("GHG") emissions. It has developed a guidance memorandum regarding environmental protection practices. The memorandum has been revised during the Reporting Period, with additional initiatives encouraging employees to use energy more efficiently and to reduce paper and stationary waste. The Group mainly consumed electricity, gas, water and paper; generated clinical waste, expired medication waste and paper waste during the Reporting Period.

During the Reporting Period, the Group strictly abided by the laws, rules and regulations enforced by Hong Kong in relation to environmental protection and pollution control, including but not limited to the followings:

- Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the "WDO");
- Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the "Waste Disposal (Chemical Waste) (General) Regulation"); and
- Waste Disposal (Clinical Waste) (General) Regulation (Chapter 3540 of the Laws of Hong Kong).

During the Reporting Period, no material non-compliance with laws and regulations relating to air and GHG emissions, discharge into water and land, or the generation of hazardous and non-hazardous waste was recorded.

### A1. EMISSIONS

#### A1.1.Air Emissions

Town gas and Liquid petroleum gas ("**LPG**") was consumed as stationary fuel for canteen operation for several elderly home during the Reporting Period. The operation emitted 3.89 kg of nitrogen oxides (NO<sub>x</sub>) and 0.02 kg of sulphur oxides (SO<sub>x</sub>) during the Reporting Period.

#### A1.2. Greenhouse Gas Emissions

Throughout the Reporting Period, the Group's business operation contributed to an emission of 1,660.01 tonnes of carbon dioxide equivalent ( $tCO_{2eq}$ ) (mainly carbon dioxide, methane and nitrous oxide), with an emission intensity of 0.14  $tCO_{2eq}/m^2$  with reference to the total floor area of the Group's care and attention homes for the elderly.

Scope of GHG Emissions	Emission Sources	GHG Emission (tCO <sub>2</sub> eq)	Total Emission (%)
Scope 1 Direct GHG Emission			
Combustion of fuel for stationary	LPG	4.92	3.2%
SOURCES	Town gas	47.67	
Scope 2 Energy Indirect GHG Emission			
Purchased electricity		1,563.30	94.8%
Purchased gas		10.53	
Scope 3 Other Indirect GHG Emission			
Paper waste disposed at landfills		6.97	2.0%
Freshwater processing by governme	ent	17.32	
Sewage processing by government		9.30	
Total		1,660.01	100.0%

Note: Emission factors were made by reference to Appendix 27 of the Listing Rules.

# A. Environmental

#### A1.3. Hazardous Waste

The Group mainly engages in the provision of residential care home, which generated chemical and clinical wastes. A total of 0.07 tonnes of chemical and clinical waste was generated during the Reporting Period, including used syringes, needles and surgical dressings.

#### A1.4. Non-hazardous Waste

Non-hazardous waste from the Group's operation consists mainly of domestic waste from the Group's care and attention homes for the elderly and paper waste from offices. A total of 543.56 tonnes of non-hazardous waste was generated from the operations of the Group during the Reporting Period.

#### A1.5. Measures to Mitigate Emissions

The Group keeps track of its LPG consumption, electricity consumption, gas consumption, water consumption and waste disposal at landfills to estimate GHG emissions and strived to reduce related emissions whenever possible.

#### A1.6. Waste Handling and Reduction Initiatives

The Group strictly observed the WDO in handling both hazardous and non-hazardous waste. Paper saving initiatives have been adopted such as encouraging employees to print paper on both sides and utilise recycled papers for draft works.

Used or contaminated sharps and dressings are disposed of into specific containers which are carefully coded with fixed colours and sealed with ties separately. All clinical wastes are collected by licensed clinical waste collectors by dedicated vehicles. Expired medicines will either be returned to the hospitals for further handling, or collected by licensed clinical waste collectors for disposal.

### **A2. USE OF RESOURCES**

Although the Group has not established formal policies on the efficient use of resources, it encourages employees to observe resource conservation practices.

#### A2.1. Energy Consumption

Energy Sources	Consumption (kWh)	Energy Intensity (kWh/m²)	
	()	()	
LPG	21,443	1.75	
Purchased electricity	3,065,289	250.34	
Purchased gas	248,933	20.33	
Total	3,335,665	272.42	

The Group's business operations resulted in a total energy consumption of 3,335,665 kWh from the use of LPG, purchased electricity and town gas, with an overall energy intensity of 272.42 kWh/m<sup>2</sup> with reference to the total floor area of the Group's care and attention homes for the elderly during the Reporting Period.

### A. Environmental

#### A2.2. Water Consumption

Water consumed by the Group in the Reporting Period was 42,870 m<sup>3</sup>, with water intensity of  $3.50 \text{ m}^3/\text{m}^2$  by total floor area of the Group's care and attention homes for the elderly. No issue in sourcing water that is fit for purpose had been identified during the Reporting Period.

#### A2.3. Energy Use Efficiency Initiatives

Staff members are reminded to follow the energy use efficiency initiatives implemented by the Group, including:

- Maintaining the temperature of air conditioner at 25°C or above;
- Setting computer to energy-saving modes when idle; and
- Switching off unnecessary electronic appliances and devices.

#### A2.4. Water Use Efficiency Initiatives

The Group encourages water conservation and reminds staff to reduce water wastage whenever possible.

#### A2.5. Packaging Materials

The Group's business operation did not involve the use of packaging materials during the Reporting Period.

### A3. THE ENVIRONMENT AND NATURAL RESOURCES

#### A3.1. Significant Impacts of Activities on the Environment

In view of the considerable amounts of electricity and gas consumed from its operation, the Group is dedicated to minimising the adverse impacts it poses to the environment by implementing several initiatives targeted at energy conservation.

During the Reporting Period, the Group used disposable clinical instruments and personal protective equipment for hygienic reason. To minimise the risks posed to public health and the environment, employees are instructed to strictly abide by the laws and regulations relating to chemical and clinical waste management.

### **1. EMPLOYMENT AND LABOUR PRACTICES**

#### **B1. Employment**

The Group had a total number of 405 full-time and part-time employees as at 31 March 2019. The Group strictly abided by all applicable laws and regulations in relation to employment in Hong Kong during the Reporting Period, including but not limited to the followings:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); and
- Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong).

During the Reporting Period, there was no material non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare of the Group.

The Group has established written policies, procedures and guidelines for its principal business operations, covering aspects including procurement, financial management, sales, inventory control and personnel management, and specified the authority of the person making major decision. Frontline workers are required to strictly follow the responsibility of duties and respective code of practices as listed out in employment handbook, financial and operational policies and procedures and code of practice.

#### **Competitive Compensation and Benefits**

High-calibre and committed staff is the most valuable asset to the Group's successful development. The Board has set up the remuneration committee to formulate remuneration policy and recommend salary adjustment and performance bonus. The Group offers equitable and market-competitive remuneration packages to attract and retain talents. Employees are entitled to mandatory provident fund, medical insurance and body check programme. On top of statutory holidays, various types of paid leave including annual leave, sick leave, maternity leave, paternity leave, compensation leave, compassionate leave and injury leave are also provided.

#### Equal Opportunity

The Group embraces diversity in the workplace. Equal opportunities are given to employees in respect of recruitment, training and development, promotion, compensation and benefits. The Group complied with relevant laws and regulations in Hong Kong during the Reporting Period including but not limited to the followings:

- Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong);
- Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong);
- Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong); and
- Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong).

During the Reporting Period, there was no non-compliance relating to equal opportunity, diversity and anti-discrimination.

#### Communication with Employees

Internal meetings are held regularly to facilitate effective communications inside the Group. Through meetings, new instructions and guidelines are developed and delivered to all levels of employees.

Annual appraisal is conducted with employees to evaluate their attitudes and performances at the workplace and identify areas of improvement for career advancement. Quarterly performance assessment against procedures on nursing care is conducted, ensuring their competences are in line with the duties and responsibilities of respective roles.

#### **B2. Employee Health and Safety**

Safe and healthy working environment is vital for employees — not only to reduce injury and illness, but also to raise working morale and productivity. Hence, the Group has implemented strict preventive and control measures to protect employees from contamination, infections and accidents. During the Reporting Period, the Group complied with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

Personal protective equipment is provided to the staff subject to the needs and types of work engaged in, with items including surgical masks, surgical disposable gloves and protective goggles. Staff who carries out nursing and personal care procedures is required to use and dispose of personal protective equipment in accordance with appropriate procedures.

Fire drills are always conducted with proper records and overseen by home managers. Handrails, corridors, fire alarms and other fire services installations and equipment must be properly installed, regularly inspected and maintained in good conditions at all times. Emergency evacuation plans are displayed at conspicuous locations inside every care and attention homes for the elderly. Adequate lighting is provided for every exit route which is kept clear of obstructions.

No work injury case or material non compliance with relevant laws and regulations in relation to occupational health and safety of the Group was recorded during the Reporting Period.

Occupational Health and Safety Data during the Reporting Period					
Work related fatality	0				
Work injury cases >3 days	0				
Work injury cases ≤3 days	0				
Lost days due to work injury	0 day				

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

The Group acknowledges the importance of providing employees with training and development opportunities. It is essential to promote the personal growth of employees, and improve the reliability of services delivered to residents.

New employees are required to attend induction trainings to familiarise themselves with necessary knowledge, technical skills and procedures. Existing employees are also provided with reinforcement training to enhance operational efficiency and attentiveness at work.

The Group also develops training timetable to facilitate continuous development of staff through internal and external programmes. To cater for the needs of staff, the programmes cover a range of training topics, including first aid knowledge, occupational safety, stress management, infection control, drug management and nursing care.

#### **Qualification attainment**

Employees engaging in different divisions should acquire enough experience or professional qualifications. Within the operations of the Group, professionals who practise medicine, nursing, social work and therapy service are required to obtain formal certificate in respect of the professions, as stipulated in the following laws and regulations in Hong Kong:

- Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong);
- Nurses Registration Ordinance (Chapter 164 of the Laws of Hong Kong);
- Supplementary Medical Professions Ordinance (Chapter 359 of the Laws of Hong Kong); and
- Social Workers Registration Ordinance (Chapter 505 of the Laws of Hong Kong).

#### **B4. Labour Standards**

There was no child or forced labour employed in the Group, and there was no non-compliance with laws and regulations relating to preventing child and forced labour during the Reporting Period. The Group's human resources department strictly abided by the Group's recruitment guidelines, which included verification of candidates' identity, employment background and relevant certificates during the Reporting Period.

Whenever imported workers are considered, the human resources department is responsible for the application and tracking the status of visa permit, ensuring the candidate meets the conditions of stay regarding employment as imported workers.

### 2. OPERATING PRACTICES

#### **B5. Supply Chain Management**

All of the Group's suppliers were in Hong Kong during the Reporting Period. They primarily provided medical care products, groceries, health care products, laundry services and referral services of physiotherapists and occupational therapists.

The Group adopts an internal quality evaluation system for supplier selections and maintains a list of approved suppliers for the supply of recurrent goods and services. In selecting suppliers, the Group performs assessments based on various criteria, including history of the suppliers' quality, timing of delivery, source of the products, price and suppliers' reputation in the industry. The Group periodically evaluates the performance of the approved suppliers. If the goods and services procured through the suppliers are found defective, counterfeit, poor quality or are otherwise unsafe or ineffective, the Group will find alternatives.

In respect of the referral of physiotherapists and occupational therapists, the Group arranges interviews with selective candidates. The Group verifies the qualifications by reviewing the background and certificates of candidates, ensuring the employees hired through employment agencies are professional and qualified.

#### **B6. Product and Service Responsibility**

The Group dedicated to delivering reliable and quality offerings in the daily operation. During the Reporting Period, the Group complied with specific standards and all applicable laws and regulations. There was no non-compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided during the Reporting Period. The sales of elderly home related goods, including medical equipment, consumables and other supplies, are assured of attainment of international standards and specific requirements.

#### Pharmaceuticals Management

Pharmaceuticals taken by the residents are provided by hospitals and handled by the staff of the Group in accordance with the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong). Detailed practical guidelines on proper medication management, in terms of storage, recording and preparation are developed within the Group to ensure safe and secure handling.

#### Storage and Recording

All medicines are clearly labelled and kept in a secure and locked place, which are maintained and accessible only to designated levels of personnel. To tie in with the established quality assurance mechanism, health workers conduct monthly review to confirm that the medicines stored at the Group's care and attention homes for the elderly are in line with residents' medication records. For any change in medication for the residents (such as change of prescription after attending medical follow-up), the Group will update the residents' personal medication record accordingly.

#### **Dispensation of Medicine**

Every nurse and health worker adheres to the general guideline of "three checks five rights" and selectively cross-checks each others' work to avoid mistake in the distribution of medicines. Whenever a medicine expires, or is reported of abnormalities in the colour, odour or consistency, the staff members of the Group would consult and take advice from the hospitals. Unused medicines are securely stored and disposed of in accordance with the Waste Disposal (Chemical Waste) (General) Regulation. Employees who violate pharmaceutical handling and safety procedures can be subject to dismissal.

#### Safety and Hygiene of Elderly Homes

Cleanliness and sanitation play an important role in the betterment of the environment and the prevention of outbreak of infectious diseases in the care and attention homes for the elderly of the Group. Through implementations of standardised procedures and precautionary measures, the cleanliness and hygiene of premises are well maintained. The disease-inducing risks are simultaneously addressed and minimised.

Care workers cleanse and disinfect the facilities and equipment across the Group's care and attention homes for the elderly in accordance with the Group's cleansing quality requirements. Personal hygiene of staff and residents are maintained at all times, especially for staff that handle food and render daily personal care to the residents. To further control the spread of infectious diseases, immediate cleaning or disinfection is conducted when items are contaminated.

Fans, ventilation fans and filters of air conditioners are installed and maintained to facilitate proper ventilation across care and attention homes for the elderly, especially those situated in toilets and bathrooms. While receptacles for general garbage are cleaned regularly and covered at all times, clinical wastes containing blood is handled with extra precautions.

#### **Emergency Response Management**

The Group believes that preparedness helps responding to emergencies in an organised, resilient and alert manner. As such, the Group has identified possible threats from internal and external aspects and established specialised contingency plans in terms of the natures of emergencies (e.g., fire, gas leakage, outbreak of infectious diseases and medical emergencies). The plans provide clear leadership and accountability in the main areas, with roles and responsibilities clearly defined.

Home managers must make detailed records and report to Licensing Office of Residential Care Homes for the Elderly of any incidents/accidents, for after-the-emergency reviews and for taking steps to strengthen the capacity to respond. The Group should be highly cooperative with emergency response personnel and with internal or external investigations of accidents, environmental mishaps, drug or alcohol-related incidents, and other irregularities.

### **B. Social**

#### **Customer Service**

The Group pledges to provide services of the highest standards, which is ultimate goal beneficial to the residents physically, emotionally and socially. Apart from full compliances with the RCH(EP)O and the RCHE Code of Practice, the Group has also embedded the service quality standards developed by the SWD into the Group's ongoing management process and daily service provision.

After admission of the residents, the care and attention homes for the elderly provide orientation sessions and customise a personal care plan for them, followed by care workers providing suitable daily personal care services that address the health conditions of residents with due care (including eating conditions, emotional, mental, social and behavioural conditions, and exercise). To provide a hazard-free environment, the designs of furniture and equipment, bathrooms, toilets and corridors are based upon the requirement and specification as stipulated in the RCHE Code of Practice.

The Group actively engages with residents and their families through daily communications, periodic surveys and meeting sessions. Management review meetings are conducted to review the survey results, to identify key improvement areas and opportunities, to design and to implement measures for improving on identified deficiencies and to cater the needs of residents. The SWD conducts surprise visits to homes and provides feedback on their facilities and service, thereby assisting and encouraging homes to enhance their service standard. Complaints are dealt with in accordance to the Group's guidelines on proper procedures with special attention. No material non-compliance with relevant laws and regulations in relation to customer services of the Group was identified during the Reporting Period.

#### **Data Protection and Privacy**

The Group adopts strict policy and procedures to ensure that the privacy and confidentiality of residents are being respected and protected. The principles are also applicable to suppliers, employees and other parties.

Any personal data, including those of the Directors, staff and residents, should be handled with due attention. Personal information of residents will only be used for daily operation, unless with prior written consent and authorisation from the residents or their family members. The Group ensures that any personal care activities are conducted in a manner which respect the privacy and dignity of the residents. Sufficient personal space and facilities for protecting privacy (e.g. screens or curtains) are provided to the residents when rendering personal care services or nursing procedures.

It is the Group's duty to safeguard the confidentiality of business and operational information. Internet access and emails are protected with password and firewalls. Staffs are prohibited from disclosing any confidentiality of the Group and misuse of company information. During the Reporting Period, the Group fully complied with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### **B7.** Anti-corruption

The Group is committed to conducting its business with integrity, impartiality and honesty. All directors and employees are subject to code of conduct, staff policy and regulation on the prevention of potential bribery, extortion, fraud and money laundering.

During the Reporting Period, the Group was in full compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and other applicable laws and regulations relating to anti-corruption. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

#### **Conflict of Interest**

All Directors and employees are required to declare any current or potential conflict of interests to the Group by completing conflict declaration form. Employees, especially those in charge of key functions such as procurement, should not accept any entertainment, gifts or other benefits that could in any way influence the business decisions in favour of any person or organisation with whom the Group may have business dealings. Anyone who receives or is offered a gift or other benefits exceeding a certain amount shall declare to the Chief Executive Officer and the internal audit team. A Conflict of Interest Register should be maintained by the Company Secretary and reviewed annually by the Board.

#### Whistleblowing Policy

In line with the Group's commitment on accountability, a whistleblowing mechanism is developed among employees (at all levels, divisions and care and attention homes for the elderly) and all subcontractors' staff. It is to protect complainants against unfair dismissal, victimisation and unwarranted disciplinary action.

Any suspected misconduct, fraudulent activities or malpractices in any matters related to the Group should be made in writing and sent to 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong to the executive Directors. All reports of complaints, including the identity of the complainant, will be treated in the strictest confidence. Persons who victimise or retaliate against those who have raised concerns will be subject to disciplinary actions.

#### **B8. Community Investment**

Aiming at making continuous contributions to the community, the Group participated in various voluntary services during the Reporting Period. The Group will continue to act socially responsible and make use of its influence to offer assistances to the needy and underprivileged.