



K W Nelson

Interior Design and Contracting Group Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8411

Environmental, Social and
Governance Report 2018

CONTENTS

Scope and Reporting Period	2
Stakeholder Engagement and Materiality	2
Stakeholders' Feedback	3
The Group's Sustainability Mission and Vision	3
A. Environmental	3
A1. Emissions	4
A1.1 Air Emissions	4
A1.2 Greenhouse Gas (GHG) Emissions	4
A1.3 Hazardous Waste	5
A1.4 Non-hazardous Waste	5
A1.5 Measures to Mitigate Emissions	6
A1.6 Wastes Reduction and Initiatives	6
A2. Use of Resources	7
A2.1 Energy Consumption	7
A2.2 Water Consumption	7
A2.3 Energy Use Efficiency Initiatives	7
A2.4 Water Use Efficiency Initiatives	7
A2.5 Packaging Material	7
A3. The Environment and Natural Resources	8
A3.1 Significant Impacts of Activities on the Environment	8
B. Social	8
1. Employment and labour practices	8
B1. Employment	8
B2. Employee Health and Safety	9
B3. Development and Training	9
B4. Labour Standards	9
2. Operating Practices	10
B5. Supply Chain Management	10
B6. Product Responsibility	10
B7. Anti-corruption	12
B8. Community Investment	12

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

SCOPE AND REPORTING PERIOD

This is the third Environmental, Social, and Governance (ESG) report of the K W Nelson Interior Design and Contracting Group Limited (hereafter the “Group”), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 20 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group principally engaged in providing interior decoration services, with a focus on commercial premises including office and retail space mainly located in Hong Kong. Key services offered by the Group include providing interior design proposals by in-house designers, engaging subcontractors to carry out fitting-out works and coordinating, managing and supervising the fitting-out works by the Group’s project managers. This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of its key operations stated below in Hong Kong from 1 January 2018 to 31 December 2018 (the “Reporting Period”), unless otherwise stated.

- the operation in Hong Kong of the headquarter of K W Nelson Interior Design and Contracting Group Limited incorporated in the Cayman Islands with limited liability; and
- the operation in Hong Kong of K W Nelson Interior Design and Contracting Limited incorporated in Hong Kong with limited liability (a major subsidiary of the Company).

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group engages with key stakeholders such as board members, managers, supervisors, frontline workers, suppliers, and customers to understand their needs and concerns. The Group communicates with stakeholders via various communication channels such as written memos, regular meetings, personal interviews.

In order to identify the most significant ESG aspects, the Group distributed quantitative surveys to stakeholders. Through the stakeholder surveys carried out during this Reporting Period, key material issues raised by the stakeholders mostly focused on social aspects, environmental aspects, on the other hand, were considered less material for the Group. Following topics have been deemed as the most important by stakeholders:

- Customer Privacy
- Customer Service
- Product/Service Quality
- Anti-corruption
- Occupational Health and Safety

The Group will consider starting dedicated communication with its stakeholders to closely monitor the above aspects and to identify areas of improvement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at info@kwnelson.com.hk.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

The Group incorporates ESG into daily management in order to achieve the optimum balance on economic performance, environmental protection, social responsibility, and satisfaction for stakeholders.

The Group has formulated several short to mid-term strategic goals: (i) establishing an international team and expanding the Hong Kong office, and optimizing the Group's equipment and facilities; (ii) focusing on high-quality customers to strengthen the Group's market position in Hong Kong and China; (iii) increasing the Group's influence and identifying more business opportunities; and (iv) expanding the Group's business in mainland China.

The board is fully committed to formulate and implement ESG strategies, and the ESG performance is also supervised by the board members. Relevant risks and opportunities have been embedded into the Group's strategic goals, which also closely align with the overall mission and vision on sustainability. The Group plans to invest in state-of-the-art equipment and facilities to increase work efficiency. The Group considers employees as the most valuable asset, and sustains its capability in interior design by investing in design and technical talents. This will ensure better service provided to the customers, and help the Group keep a keen market sensitivity toward the latest practices in the industry. The Group believes that by continuously investing in the environment and people, financial outcome will be enhanced, and synergies will be formed, ultimately achieving sustainable development for all stakeholders.

A. ENVIRONMENTAL

Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving, and waste reduction. To help conserve the environment, the Group implements green office practices such as re-deployment of office furniture as far as possible, encourage the use of recycled paper for printing and copying, double-sided printing and copying, reduce energy consumption by switching off idle lightings, air conditioning, and electrical appliances.

The Group stringently complies with applicable laws and regulations concerning environmental protection and pollution control, such as Environmental Impact Assessment Ordinance, Waste Disposal Ordinance.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste had been identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

A1. Emissions

Direct and indirect environmental impacts generated by the Group during the Reporting Period mainly included the following activities: 1) consumption of gasoline for Group-owned vehicles; 2) consumption of purchased electricity; 3) processing of freshwater and sewage; 4) business air travel; and 5) waste disposal.

A1.1 Air Emissions

The office did not generate direct air emissions, fitting-out works carried out by sub-contractors may generate some indoor air pollutants, and the liability shall be borne by the sub-contractors. Meanwhile, the Group has designated project managers to supervise on-site work.

Passenger cars operated on gasoline were used for daily business operations. Their combustion generated several air emissions include nitrogen oxides (NO_x), sulphur oxides (SO_x), and respiratory suspended particles (PM). Due to lack of data, only SO_x could be calculated from the consumption of gasoline, with a total emission of 0.03 kg during the Reporting Period.

A1.2 Greenhouse Gas (GHG) Emissions

GHG emissions were generated directly from the consumption of mobile fuel (i.e. gasoline for group-owned vehicles). Indirect GHG emissions — due to the Group's activity but owned or controlled by another entity — were also generated from the consumption of purchased electricity, processing of fresh water and sewage, land filling of waste papers, and business air travel.

There were 38.77 tonnes of carbon dioxide equivalent (tCO_{2e}) GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation during the Reporting Period. The overall intensity of the GHG emissions for the Group was calculated based on the revenue (in HK\$'000).

The GHG reported included the following activities and scope:

- Direct (scope 1) GHG emissions from the consumption of gasoline;
- Energy indirect (scope 2) GHG emissions from purchased electricity;
- Other indirect (scope 3) GHG emissions from business air travel, municipal freshwater and sewage processing, and paper waste disposed at landfills

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

Scope of GHG emissions	Emission sources	GHG Emission (in tCO _{2e})	Sub-total (in tCO _{2e})	Total GHG emission (in percentage)
Scope 1 Direct emission ¹	Combustion of gasoline in mobile sources	6.41	6.41	17%
Scope 2 Energy indirect emission ²	Purchased electricity	13.55	13.55	36%
Scope 3 Other indirect emission	Paper waste disposed at landfills	0.96	17.81	47%
	Electricity used for processing fresh water	0.01		
	Electricity used for processing sewage	0.01		
	Business air travel by employees ³	16.83		
Total		37.77		100%
Intensity (kg CO _{2e} /HK\$'000)		0.30		

Note 1: Emission factors were made reference to Appendix 20 of the GEM Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factor of 0.79 tCO_{2e}/MWh was used for purchased electricity from Hong Kong Electric (HKE).

Note 3: Emissions were calculated using the online tool provided by the International Civil Aviation Organization.

A1.3 Hazardous Waste

The Group did not generate a significant amount of hazardous waste, thus, no data was recorded nor policy has been formulated.

A1.4 Non-hazardous Waste

The Group generated a total of 39.11 tonnes of non-hazardous waste during the Reporting Period. The overall intensity of non-hazardous waste generation for the Group was calculated based on the revenue (in HKD).

Two major categories of non-hazardous waste — domestic waste from office and construction and demolition (C&D) waste from fitting-out works — were generated. Office waste mainly included waste papers, and it was assumed that the purchased paper during the Reporting Period was all consumed and finally disposed at landfills. This assumption was made due to the difficulties in implementing waste auditing to trace different paper waste streams.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

A total of 38.91 tonnes of C&D waste from fitting-out works were generated. A large difference on C&D waste has been reported compared with that of the last Reporting Period, which is due to the improved and more comprehensive data collection system. C&D waste from fitting-out works mainly included waste building materials such as gypsum board, wood board, ceiling grid, carpet, paper waste, and other decoration debris. They were all treated properly by sub-contractors, following the Waste Disposal Ordinance.

Sub-contractors are responsible for hiring waste trucks to transport the C&D waste to designated landfills for construction waste. The Group’s designated project managers will monitor the process to ensure no illegal dumping of C&D waste by the subcontractors.

Non-hazardous waste	Annual waste amount (in tonnes)	Waste treatment method
C&D waste from fitting-out works	38.91	Treated by sub-contractors
General office waste (i.e. waste paper)	0.20	Collected by the building custodian for further municipal waste treatment
Total	39.11	
Intensity (kg waste/HKD)	0.31	

A1.5 Measures to Mitigate Emissions

To reduce emissions from vehicles, employees are encouraged to use public transport. When traveling using Group’s vehicles, schedule and route are well planned to avoid unnecessary traveling distance and/or congestion. To reduce emission related to business travel, the Group encourages employees to take low-carbon traveling methods. Employees may apply for flight only under certain business circumstances.

A1.6 Wastes Reduction and Initiatives

The Group promotes paperless office — documents and information are transmitted electronically to avoid paper consumption. When printing is needed, paper should be printed on both sides whenever possible. The Group also encourages employees to recycle paper, plastic bottle and tin can; and has recycled equipment such as computers and communication devices through the recycling programme of Environmental Protection Department.

No formal policy on waste reduction has been established by sub-contractors, nevertheless, they bear in mind to reduce waste and reuse them whenever possible as it also brings in direct economic benefits.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

A2. Use of Resources

A2.1 Energy Consumption

The Group consumed two types of energy: electricity and gasoline, with a total consumption of 38,238.87 Kilowatt-hour (kWh). The electricity consumption was estimated from the paid electricity bills and may be subject to some uncertainty. The overall intensity of energy consumption for the Group was calculated based on the revenue (in HK\$'000).

Energy source	Direct consumption	Consumption in kWh unit
Electricity	17,157 kWh	17,157
Gasoline	2,379 liters	21,081.87
Total		38,238.87
Intensity (kWh/HK\$'000)		0.31

Note: Conversion factors were made reference to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

A2.2 Water Consumption

The total water consumption for the Group was 37m³, with an intensity of 0.30m³ per HK\$'000,000 of revenue. Water was sourced from municipal tap-water. No issues on sourcing water were reported during the Reporting Period. The Group's business operation did not generate a significant amount of industrial wastewater.

A2.3 Energy Use Efficiency Initiatives

The Group considers the efficient use of energy can reduce indirect emissions associated with their consumption in addition to a reduction in operating expenses, which is mutually beneficial to the Group and the environment. The Group encourages employees to turn off electrical appliances or switch them to standby mode when they are not in use; turn off all unnecessary lighting, air conditioning, and electrical appliances before leaving the office.

A2.4 Water Use Efficiency Initiatives

The Group consumed insignificant amount of water resources. Under many circumstances, the Group does not have direct control over the water use efficiency, thus no policies nor initiatives have been formulated.

No formal policy on energy or water use efficiency has been established by sub-contractors, nevertheless, they bear in mind to save water and energy during daily operation as resource saving also brings in economic benefits.

A2.5 Packaging Material

The Group's business operation did not involve any significant use of packaging materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group's business activities do not generate major impacts on the environment. Indirect environmental impacts have been mainly mitigated by promoting pro-environmental behaviours among the employees. The fitting-out works were designed according to the requirements from clients and carried out by the sub-contractors. The Group will continuously monitor air emission and solid waste generation to ensure the minimum impacts on the surrounding environment and to create a clean and healthy environment.

B. SOCIAL

1. Employment and labour practices

The Group stringently complies with national and local laws and regulations concerning employment and labour practices, including but not limited to the followings: Employment Ordinance, General Holiday Ordinance, the Disability Discrimination Ordinance, and the Race Discrimination Ordinance.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.

B1. Employment

The employment policies and guidelines outline remuneration and promotion policy, compensation and dismissal policy, holiday/paid/sick/compassionate leave policies, working attendance policy, appraisal, rewarding and penalty, development and training, and occupational health and safety.

The Group continues to provide a competitive salary for employees, which includes basic salary and generous year-end bonus at the end of the year after completion of one-year employment. The Group also refers to the market average salary level to make adjustment on employees' salary.

The Group ensures all employees are entitled to benefits and welfare upon successful completion of probation, including annual leave, sick leave, Mandatory Provident Fund, etc. Working hours were set the same as that of the last Reporting Period. All employees are entitled to 17 days of public holidays per annum, in addition to 12 days of annual leave.

The termination of a labour contract includes different types and categories, such as resignation, dismissal, and termination under various situations. The employment may be terminated upon either party giving to the other party one calendar month's prior notice in writing or by the payment of one calendar month's salary.

The recruitment procedure, appraisal, promotion, and rewarding and penalty system were outlined in the Employee Handbook. The Group has specifically formulated the "fair opportunities for promotion" rule and all employees have the opportunity to be promoted based on their performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

Equal opportunity is provided to all employees in respect of promotion, appraisal, training, development and other aspects. Employees are not discriminated against or deprived of opportunities based on gender, nationality, ethnic background, religion, political affiliation, age, marital status, and physical disability.

B2. Employee Health and Safety

The Group strictly follows relevant laws and regulations such as the Occupational Safety and Health Ordinance. There was no material non-compliance with the applicable laws and regulations relating to occupational health and safety which had a material impact on the Group.

The Group's project managers have been trained and awarded with Certificate for Safety & Health Supervisors (Construction) by the government, who are responsible for coordinating, managing and supervising the fitting-out works carried out by the sub-contractors, ensuring their compliance with laws and regulations relating to health and safety.

Due to employees' prolonged use of computers, the Group has provided employees with desks of suitable height and task chairs of adjustable height, and encourages them to pay attention to their usual sitting posture, take breaks and do stretching exercises regularly, thus reducing occupational strain. Employees are also reminded to take safety precautions and use suitable tools when lifting heavy goods or reaching items at height.

B3. Development and Training

The Group provided comprehensive career development and training to employees. Training needs were identified through systematic evaluation. During the Reporting Period, the Group has specifically encouraged its employees to attend external interior design courses to enhance their knowledge and skill level.

B4. Labour Standards

The Group strictly follows relevant laws and regulations such as Employment Ordinance and the Disability Discrimination Ordinance of the Laws of Hong Kong. Background checks were conducted for new employees and all employees must show their original Identity Card to prove their legal identity. No child labour, forced, or compulsory labour was reported and/or identified within any sites of the Group during the Reporting Period. There are no major risks associated with incidents of child labour, forced or compulsory labour within the Group's business operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

2. Operating Practices

B5. Supply Chain Management

The Group requests suppliers, contractors, and other business partners to implement adequate management policies regarding their social and environmental impacts. Regular meetings and discussions were held with sub-contractors to ensure their compliance with relevant laws and regulations in Hong Kong, such as those identified under the Environmental and Social section.

During procurement, the project managers are responsible for selecting and reviewing suppliers. More environmentally friendly products or services should be procured when it is feasible, with a view to minimizing negative impacts to the environment and human health, and also conserving natural resources.

B6. Product Responsibility

Product Labelling, Health and Safety, and Advertising

The product labelling and advertising are not applicable items as the Group did not produce any products. The purchased materials building materials such as gypsum board, wood board, ceiling grid, PVC pipe, carpet were imported from Europe and they were all environmentally-friendly materials and have been inspected by the Environmental Protection Department. The Group's project manager will supervise on-site fitting-out work to ensure work procedures follow the Occupational Safety and Health Ordinance and generate minimum health and safety impacts on the fitting-out workers and the surrounding community.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided had been identified during the Reporting Period.

Quality Assurance

The Group's project manager will supervise on-site projects to ensure high-quality fitting-out works being conducted for clients. When the project managers find any work not conforming to the operating procedures, they will immediately follow up and correct it.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

Data Protection

The Group acknowledges the importance of protecting privacy and confidentiality of relevant stakeholders and prohibits the use of any personal information of clients by other parties. The Group implements various schemes to prevent data leakage and misuse or abuse of customer sensitive information. The Group follows Personal Data (Privacy) Ordinance to handle personal information. Employees must strictly comply with anti-virus protection regulations. To protect confidential information (e.g., any information about technologies, business strategies and methods, technical specifications, know-how, Intellectual Property, customers, clients, suppliers of the Group, and any information which the Group may be subject to confidentiality or non-disclosure obligations), privacy and interests of K W Nelson and its stakeholder, employees shall:

- not approach or contact any existing customers of the Group for the purposes of soliciting business from such customers;
- use confidential information solely for the advancement of the business of the Group and not for personal benefit or that of any other person or entity;
- maintain and protect at all times and in any circumstances, the strictest confidentiality in respect of all confidential information except when required by law or by the order of a court and only to such extent as required or ordered; and
- undertake not to remove or transmit any confidential information, whether in original form or in duplication or reproduction, from the premises of the Group by electronic or any other means without the prior written consent of the Group.

Intellectual Property

The Group extensively invests in innovation and prides itself on introducing innovative designs and services to various customers. Correspondingly, the Group pays great attention to protect its intellectual property (IP) rights. The IP clauses set out in Labour Contract continues to guide the protection of IP rights and business confidentiality of the Group and its business partners. All employees shall protect the Group's IP rights (including but not limited to all concepts, ideas, plans, drafts, sketches, designs, drawings, layouts, images, charts, models, artworks, development or improvement, and any other intellectual achievements whether or not copyrights, or any other intellectual property rights subsist or are capable of subsisting in respect of the same).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

B7. Anti-corruption

The Group requires that internal employees and external partners follow ethical behaviours to conduct businesses. All parties shall also conform to the Prevention of Bribery Ordinance, and relevant laws, regulations and regulatory documents related to commercial bribery.

All employees must not offer nor accept any gifts without the consent of the Group. Employees discovering any corruption, bribery, blackmail, fraud and money laundering incidents must report to the administration department. All complaints filed are confidential and the Group is responsible for protecting the legitimate rights and interests of the whistle blower.

In the event of bribery, extortion, fraud and money laundering, the Group will investigate in depth and report to the Hong Kong Independent Commission Against Corruption (ICAC) if necessary. The Group has not aided, abetted, assisted or colluded with an individual who has committed, or conspired to commit any unlawful activities.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Period.

B8. Community Investment

The Group strives to implement corporate social responsibility and actively participates in public welfare activities. No formal policy on community investment has been established. Nevertheless, during the Reporting Period, the Group has actively encouraged its employees to participate in the various Marathon events and other charitable events such as Walk for Millions.

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ESG Report 2018

If you have any opinions regarding this Report, please contact our ESG reporting team via email.

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