



# **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**

**2017**

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## 1. Introduction

This is the second Environmental, Social and Governance Report (this “Report”) of K W Nelson Interior Design and Contracting Group Limited compiled in accordance with the Environmental, Social and Governance Reporting Guide published by The Stock Exchange of Hong Kong Limited (“SEHK”). This Report aims to disclose relevant environmental, social and governance (“ESG”) information, including information on the policies, environmental key performance indicators (“KPIs”) and compliance with relevant laws and regulations that have a significant impact on the Group (as defined below), to the stakeholders of the headquarter of K W Nelson Interior Design and Contracting Group Limited and its subsidiaries.

### Reporting Specification

To improve readability, the headquarter of K W Nelson Interior Design and Contracting Group Limited will be referred to as “the Company”, the Company and K W Nelson Interior Design and Contracting Limited will be collectively referred to as “K W Nelson”. The Company and its subsidiaries will be collectively referred to as “the Group”.

### Reporting Standard

This Report is compiled:

- in accordance with Appendix 20, Environmental, Social and Governance Reporting Guide, of the Rules Governing the Listing of Securities on the Growth Enterprise Market of SEHK (“the GEM Listing Rules”); and
- with reference to the Global Reporting Initiative G4 Sustainability Guidelines published by the Global Reporting Initiative.

### Reporting Boundary

The scope of this Report includes:

- 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).

## **Reporting Period**

The reporting period of this Report is from 1 January 2017 to 31 December 2017, which is same as the annual report of the Company.

## **Reporting Cycle**

This Report is to be published annually.

## **Access to the Report**

The English and Chinese versions of this Report can be browsed or downloaded from:

- investor relations section of the Company's website  
<http://www.kwnelson.com.hk>
- HKEXnews website by Hong Kong Exchanges and Clearing Limited  
<http://www.hkexnews.hk>

## **Contact Us**

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

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## 2. Preface

The Group notices increase in public's expectation of sustainable development and disclosure of ESG information. Stakeholders, including government, stock exchange, investors, suppliers, customers, employees and other social groups, expect to understand the Group's ESG policies and non-financial risks more thoroughly. As an enterprise with social responsibility, the Group commits to the long term sustainability of the environment and communities in which it operates. To quantify the effectiveness of our ESG policies and management systems of non-financial risks, the Group has introduced the measurement and reporting of various environmental KPIs in this report. The measurement and reporting of environmental KPIs is an ongoing and consistent process, allowing for meaningful comparisons of ESG data in subsequent ESG reports.

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. The Group also places high value on the corporate governance practices such as employment, labour practices and operating practices, and the board (the "Board") of directors of the Company (the "Directors") firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Group and its stakeholders. The Group will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the Corporate Governance Code and align with the latest developments.

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. The Group commits to operate in a sustainable manner and at the same time maintains the balance of rights and interests between different stakeholders. By regular stakeholder engagements via different channels, the stakeholders are encouraged to express their opinions on the Company's ESG policies. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. During the reporting period, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

To prepare and compile this Report, the Group has specifically formed a reporting team consisting of management and external consultant, which updates the Board on a regular basis regarding the reporting progress. When preparing and compiling this Report, the Group has reviewed its existing policies and achieved a better understanding of the values of ESG reporting. During the reporting process through the approach of measurement, management and changes, the Group hopes to drive improvement and innovation while minimizing the Group's non-financial risks.

The Board of the Company is pleased to present the ESG Report for the period from 1 January 2017 to 31 December 2017, which outlines the Group's policies and performance in four areas which are environmental, employment and labour practices, operating practices and community investment.

### **3. Environmental**

K W Nelson is principally an interior decorator focusing on commercial premises including office and retail space mainly located in Hong Kong. Our services include provision of interior design proposals by our in-house designers, engaging subcontractors to carry out fitting-out works and coordinating, managing and supervising the fitting-out works by our project managers.

The major sources of emission are from the office in Hong Kong and fitting-out works carried out by subcontractors.

Regarding the emission from the office in Hong Kong, due to the fact there are only 13 employees working in Hong Kong, the amount of emission is extremely limited. The major sources of emission are from private cars, air conditioning, electricity and water used in the office.

Regarding the emission from the fitting-out works carried out by subcontractors, the major sources of emission are from electricity and water used, and solid waste produced during construction.

In the reporting period, K W Nelson has complied with all relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

### **3.1 Air and Greenhouse Gas Emissions**

During the reporting period for K W Nelson, the source of direct air and greenhouse gas emissions from gaseous fuel consumption is from the private cars. The air emissions of the private cars include nitrogen oxides (“NO<sub>x</sub>”), sulphur oxides (“SO<sub>x</sub>”) and respiratory suspended particles (“RSP”), while the greenhouse gas emissions of the private cars include carbon dioxide (“CO<sub>2</sub>”), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O).

Other major direct greenhouse gas emissions are hydrofluorocarbons (HFC) and perfluorocarbons (PFC), which are resulted from the use of air conditioning equipment in the office.

Its major indirect greenhouse gas emission is CO<sub>2</sub> resulted from the generation of electricity, which is used in the office and by the fitting-out works carried out by subcontractors.

Other minor and indirect greenhouse gas emissions sources are:

- CO<sub>2</sub> emissions resulted from disposal of solid waste at landfills, with sources from the office and the fitting-out works;
- CO<sub>2</sub> emissions resulted from the electricity used by Water Supplies Department for processing fresh water and sewage used in the office and by the fitting-out works.
- CO<sub>2</sub> emissions resulted from business air travel by employees.

### **3.2 Discharge into Water and Land, and Generation of Hazardous and non-Hazardous Waste**

During the reporting period for K W Nelson, the major source of discharge into water is from use of water in the office and by the fitting-out works, and the amount of discharge is extremely limited.

Due to its business nature, there is no generation of hazardous waste.

The major source of non-hazardous waste is from the solid waste of the office and the fitting-out works.



### 3.3 Policies and Use of Resources

As an enterprise with social responsibility, K W Nelson encourages its employees to use their best endeavours to reduce waste and emissions, with a view to contributing to the community and the environment. K W Nelson believes in ‘many a little makes a mickle’, despite the fact that the amount of emission is very limited due to its business nature and K W Nelson is in a relatively passive position in reducing waste and emissions. Regarding emission policies, all emissions are handled by relevant government agencies, property management or subcontractors, in ways that are in accordance with local laws and regulations. Regarding the solid waste resulted from fitting-out works, the subcontractors are responsible for hiring waste trucks to transport the solid waste to landfills, while project managers of K W Nelson are responsible for monitoring the process and ensuring there is no illegal dumping of solid waste by the subcontractors. In addition, K W Nelson considers the efficient use of resources, such as electricity and water, is of equal importance to emission policies. Efficient use of resources not only can reduce waste and emissions from the sources, but also reduce operating expenses, which is mutually beneficial to the Company and the environment. Due to its business nature, water consumption and packaging material used for finished products of K W Nelson is minimal and it does not have any issue in sourcing water that is fit for purpose.

Policies relating to reduction of waste and emissions, and efficient use of resources include:

- encourage employees to use their best endeavours to take public transport during business trip;
- encourage employees to reduce unnecessary overseas business trip, thus reducing indirect carbon emissions;
- consider energy efficient products when procuring and replacing equipment, e.g. replacing incandescent lighting with LED lighting;
- turn off electrical appliances or switch them to standby mode when they are not in use, thus reducing the amount of electricity used;
- use duplex printing, recycle papers and use electronic means to reduce paper usage;
- reuse office stationaries (e.g. envelopes and folders);
- turn off all unnecessary lighting, air conditioning and electrical appliances before leaving the office;
- encourage employees to recycle paper, plastic bottle and tin can; and
- encourage employees to recycle equipment such as computers and communication devices through the recycling programme of Environmental Protection Department.

## 4. Social – Employment and Labour Practices

K W Nelson believes employees are essential assets in driving corporate sustainable development and long term success, thus maintaining a good relationship with employees is of utmost importance. By regular communication through different channels, the employees are encouraged to express their opinions on the policies relating to employment and labour practices. In order to recruit, develop and retain talented employees, K W Nelson offers competitive remuneration packages to the staff, including internal promotion opportunities, performance-based commission and bonus. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors are reviewed by the Remuneration Committee, having regard to K W Nelson's operating results, individual performance, seniority, experience, duties and responsibilities within the Group and comparable market statistics. Each executive Director may also receive a discretionary bonus in respect of each completed calendar year of service. The amount of such bonus will be determined by the Remuneration Committee, subject to the approval by the shareholders of the Company in general meetings.

In the reporting period, K W Nelson has complied with all relevant laws and regulations relating to employment.

## **4.1 Employment**

### **4.1.1 Remuneration**

K W Nelson has formulated employment policies and guidelines that comply with the employment laws of Hong Kong, which are detailed in the Employee Handbook.

The initial salaries and benefits of the employees are based on prevailing local market rate and subject to adjustment based on experiences and qualifications. To ensure K W Nelson can attract and retain outstanding employees, the remuneration packages are subject to review on a regular basis. In addition, discretionary bonuses are awarded to qualified employees based on the performance of K W Nelson and individual employee.

Salaries are paid monthly on or before the 30th of each month. Salary advice slips are provided to employees prior to payment date so that they can review with ease.

Employee performance reviews are carried out once a year in the first quarter, which aims to:

- ensure adequate communication between K W Nelson and its employees;
- give feedback on employee's performance; and
- reach a consensus with individual employee on the areas and ways of improvement and to agree on training needs.

K W Nelson also reviews individual salaries once a year in the first quarter. Such review will be performed based on market salary surveys and the results of individual employee performance review.

### **4.1.2 Benefits**

K W Nelson operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

### 4.1.3 Working Hours

Ordinary employees work 5 days a week, 8 hours and 45 minutes a day and 43 hours and 45 minutes a week in total.

Employees in the project management department work 5.5 days a week, 8 hours a day from Monday to Friday, 3 hours and 45 minutes on Saturday and 43 hours and 45 minutes a week in total.

Due to operational requirement, employees may be required to work outside the normal working hours. K W Nelson encourages the management and employees to maintain a work-life balance, avoid unnecessary overtime and maintain a good corporate culture.

### 4.1.4 Holidays

K W Nelson provides holidays and leaves for the employees including public holidays, annual leave, sick leave, maternity leave and paternity leave:

- public holidays of 17 days per annum, set by the General Holidays Ordinance (Chapter 149 of the Laws of Hong Kong) with the dates published in the Government Gazette;
- paid annual leave of not less than 12 days per annum;
- sick leave in accordance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong); employees have to provide proper medical certificate;
- 10 weeks of maternity leave, in accordance with the Employment Ordinance; and
- 3 days of paternity leave, in accordance with the Employment Ordinance.

#### **4.1.5 Recruitment, Dismissal, Equal Opportunity, Diversity and Anti-Discrimination**

On recruitment, promotion and daily operation, K W Nelson adopts policies relating to equal opportunity which aim to eliminate discrimination of gender, nationality, marital status, religious belief and disability in workplace.

K W Nelson has established a complete complaint mechanism. Employees can file complaints to the administration department if discrimination or sexual harassment behaviours are discovered. All complaints filed are confidential and K W Nelson is responsible for protecting the legitimate rights and interests of the whistle blower.

K W Nelson has adopted a broad diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. K W Nelson seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness.

Dismissal or voluntary termination of employee's contract shall be enforced in line with the Employee Handbook, which is in accordance with the Employment Ordinance.

## 4.2 Health and Safety

K W Nelson is committed to provide employees a safe working environment to protect them from occupational hazards. During the reporting period, K W Nelson has secured employees' insurance policies in accordance with the laws of Hong Kong.

K W Nelson has implemented smoke-free workplace policy, which prohibits employees from smoking inside the office including lift lobby and toilet. Employees should ensure that their guests also adhere to the same policy.

If an accident occurs resulting in injury or fire breaks out in the workplace, employees should handle such incident by referring to the Company's internal guidelines with common sense and report to the administration department. First aid box and fire extinguishers are stored in accessible places in the office for emergency uses.

To prevent influenza from spreading in the workplace and affecting the health of employees, K W Nelson reminds employees to pay attention to personal hygiene practices, including:

- wash hands frequently;
- cover nose and mouth when sneezing or coughing;
- dispose tissue papers properly in rubbish bins;
- put on a surgical mask when having respiratory symptoms; and
- seek medical attention and apply for sick leave if suffering from severe influenza, so as to prevent spreading of infection to colleagues.

Due to employees' prolonged use of computer, K W Nelson 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.

The subcontractors appointed by K W Nelson are governed by relevant laws of Hong Kong and they have to comply with laws and regulations relating to health and safety. The project managers of K W Nelson have been trained and awarded with Certificate for Safety & Health Supervisors (Construction), who are responsible for coordinating, managing and supervising the fitting-out works carried out by the subcontractors, ensuring the subcontractors' compliance with laws and regulations relating to health and safety. During the reporting period, K W Nelson has complied with all relevant laws and regulations relating to health and safety.

### 4.3 Development and Training

K W Nelson values employees' development of skills and knowledges, believing that talent retention can drive innovations and business development. K W Nelson expects to grow and create values together with its employees.

Regarding new employee orientation, the administration department will first provide the Employee Handbook, provide basic training and explain relevant rules, regulations, benefits and etc. The new employee will be briefed about the Company's background and introduced to the department head. The head and members of the department will be responsible for training of the new employee.

Each employee shall develop their own training objectives during the annual performance review and they can file training programmes applications to the management. K W Nelson shall reimburse fees of examinations or training programmes for the employees taking the examinations for acquiring professional qualifications or showing satisfactory performance in the training programmes.

On the subject of employees' career prospects, if vacancies or new positions occur, K W Nelson shall consider internal promotion or transfer, thus encouraging upward mobility of employees.

During the reporting period, the Directors confirmed that they have complied with corporate governance code on directors' training. They have participated in continuous professional development by attending seminars/in-house briefing/reading materials to develop and refresh their knowledge and skills and provided a record of training to K W Nelson. These covered a broad range of topics including directors' duties, corporate governance and recent updates on the GEM Listing Rules. During the reporting period, the company secretary of the Company undertook not less than 15 hours relevant training.

#### **4.4 Labour Standards**

K W Nelson strictly complies with the policies and guidelines in the employment laws of Hong Kong, including elimination of child and forced labour. All subcontractors are required to ensure no child nor forced labour are employed. During the recruitment process, the administration department requires candidate to provide identification document to check if the age of candidate complies with the laws.

During the reporting period, K W Nelson has complied with all relevant laws and regulations relating to labour standards.

### **5. Social – Operating Practices**

#### **5.1 Supply Chain Management**

K W Nelson continues to monitor closely on its daily operation and encourages subcontractors to join force in promoting performance of sustainable development. Subcontractors are bound by contracts and the laws and regulations of Hong Kong, ensuring their compliance with laws and regulation relating to environmental and social policies. For instances, they are forbidden to employ under-age labour and the products supplied must meet environmental standards. During procurement, the project managers are responsible for selecting and reviewing suppliers. More environmental 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.



## 5.2 Product Responsibility

K W Nelson has formulated regulations relating to software security, network security and privacy, to ensure its products are safe and responsible.

Employees must strictly comply with anti-virus protection regulations, the highlights are:

- all computers must be installed with licensed software; Employees are strictly prohibited from installing any pirated software;
- anti-virus software must be installed on all computers;
- update the operating system and anti-virus software on a prompt and regular basis, thus fixing security vulnerabilities;
- backup employees' computers and servers on a regular basis, hence protecting possible data loss caused by hardware or software failures; and
- when computers or servers showing signs of anomaly, promptly notify the administration department, and conduct quarantine and inspection based on relevant protocols, so as to minimize potential risks.

To protect confidential information, privacy and interests of K W Nelson and its stakeholder, employees must strictly comply with regulations relating to information handling, the highlights are:

- disclosure of K W Nelson's information relating to copyrights, intellectual property rights and other confidential information, to unrelated third parties or employees, is prohibited;
- employees will have to keep such information confidential after resignation;
- to avoid potential leak of information, meeting with clients and visitors should be carried out in conference room, instead of in working area of the office;
- proper networking and server permissions are configured to avoid employee accessing information unrelated to his work; and
- handle personal information in accordance with Personal Data (Privacy) Ordinance.

During the reporting period, K W Nelson has complied with all relevant laws and regulations relating to product responsibility.

### **5.3 Anti-corruption**

K W Nelson considers ethical conduct is of utmost importance in corporate sustainable development and long-term success. Employees must comply with relevant laws and regulations in Hong Kong, prohibiting individual and commercial bribery, extortion, fraud and money laundering.

Guidelines relating to anti-corruption are formulated in the Employee Handbook, for instance:

- Without consent of K W Nelson, employees must not offer nor accept any gifts;
- Employees endeavours to avoid conflict of interests and they should report such conflict in advance if any; and
- Employees discovering any corruption, bribery, blackmail, fraud and money laundering incidents must report to the administration department. All complaints filed are confidential and K W Nelson is responsible for protecting the legitimate rights and interests of the whistle blower.

In the event of bribery, extortion, fraud and money laundering, K W Nelson will investigate in depth and take necessary legal actions to protect the rights and interests of the Company and its stakeholders.

During the reporting period, K W Nelson has complied with all relevant laws and regulations relating to anti-corruption.

## **6. Social – Community**

### **6.1 Community Investment**

K W Nelson is committed to create a positive impact on the communities in which it operates. Employees are encouraged to participate in community projects and activities. Due to its business nature, K W Nelson does not have any specific policies in relation to community engagement and donation during the reporting period. In the coming year, the management shall review policies relating to community investment and explore the feasibility of increasing community investment activities.

## 7. Key Performance Indicators

### 7.1 Environmental Key Performance Indicators

K W Nelson continually improves by managing, monitoring and reporting its environmental KPIs. The tables below present a quantitative overview of our 2017 performance.

<b>KPI A1.1:</b>		
<b>The types of emissions and respective emissions data</b>		
<b>Item</b>	<b>Unit</b>	<b>2017</b>
Private cars NO <sub>x</sub> emissions	g	1,342
Private cars SO <sub>x</sub> emissions	g	37
Private cars RSP emissions	g	99

<b>KPI A1.2:</b>		
<b>Greenhouse gas emissions in total and, where appropriate, intensity</b>		
<b>Item</b>	<b>Unit</b>	<b>2017</b>
<b>Scope 1 – Direct emissions from sources</b>		
CO <sub>2</sub> equivalent emissions from private cars	kg	6,736
<b>Scope 2 – Energy indirect emissions</b>		
CO <sub>2</sub> equivalent emissions from purchased electricity	kg	13,423
<b>Scope 3 – Other indirect emissions</b>		
CO <sub>2</sub> equivalent emissions from paper waste	kg	1,950
CO <sub>2</sub> equivalent emissions from fresh water processing	kg	11
CO <sub>2</sub> equivalent emissions from sewage processing	kg	5
CO <sub>2</sub> emissions from business air travel	kg	9,104
Total CO <sub>2</sub> equivalent emissions	kg	31,229
Revenue	HK\$'000	89,343
CO <sub>2</sub> equivalent emissions intensity	kg/HK\$'000	0.35

<b>KPI A1.4:</b>		
<b>Total non-hazardous waste produced and, where appropriate, intensity</b>		
<b>Item</b>	<b>Unit</b>	<b>2017</b>
Total non-hazardous waste produced	t	2,461
Revenue	HK\$'000	89,343
Non-hazardous waste intensity	t/HK\$'000	0.028

<b>KPI A2.1:</b>		
<b>Direct and/or indirect energy consumption by type in total and intensity</b>		
<b>Item</b>	<b>Unit</b>	<b>2017</b>
Energy consumption by private cars	kWh	24,129
Energy consumption by purchased electricity	kWh	16,991
Total energy consumption	kWh	41,120
Revenue	HK\$'000	89,343
Energy consumption intensity	kWh/HK\$'000	0.46

<b>KPI A2.2:</b>		
<b>Water consumption in total and intensity</b>		
<b>Item</b>	<b>Unit</b>	<b>2017</b>
Total water consumption	m <sup>3</sup>	28
Revenue	HK\$'000	89,343
Water consumption intensity	m <sup>3</sup> /HK\$'000	0.00031

## 8. Index of Environmental, Social and Governance Reporting Guide of SEHK

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

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