



漢國置業有限公司

Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

**2016/17 ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**

TABLE OF CONTENTS

1	ABOUT THIS REPORT	1
2	EMPLOYMENT AND LABOUR PRACTICES.....	3
3	OPERATING PRACTICES AND MANAGEMENT	6
4	ENVIRONMENTAL PROTECTION AND RESOURCES UTILIZATION	8
5	COMMUNITY PARTICIPATION.....	11
6	THE STOCK EXCHANGE’S ESG REPORTING GUIDE INDEX.....	12

1 ABOUT THIS REPORT

Hon Kwok Land Investment Company, Limited (the “Company”, together with its subsidiaries, “Hon Kwok Land” or the “Group”) publishes the first Environmental, Social and Governance (ESG) Report.

The purpose of this report is to convey the management approach, sustainability strategies and key performance metrics of the reporting period to stakeholders.

1.1 Reporting Framework

The report is prepared pursuant to the Environmental, Social and Governance Reporting Guide (the “Guide”), set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with reference to General Disclosures. Information regarding Corporate Governance is addressed in the annual report according to Appendix 14 of the Main Board Listing Rules.

1.2 Reporting Period

The report covers environmental and social matters pertaining to the Group’s financial performance in 2016/17 (1 April 2016 to 31 March 2017), unless otherwise specified.

1.3 Reporting Scope

The scope of this report covers the Group’s principal businesses and operations of property development, property investment, and property related business which it has direct management control, unless otherwise specified.

This report includes the Hong Kong headquarters and all the active wholly- and partly-owned subsidiaries in Hong Kong and the People’s Republic of China (PRC).

1.4 Stakeholders Engagement

The Group believes that effective communication with stakeholders is essential for improving relationships and enhances understanding of the Group’s yearly performance and management approach.

To identify the most significant aspects of the Group approach, key stakeholders including investors, shareholders and employees engaged in multiple discussions to review areas of attention relating to ESG matters.

The Group communicates with stakeholders on a regular, comprehensive and interactive basis, activities include interviews, teleconferences and site visits.

The Group also proactively maintains a high level of corporate transparency through press releases, announcements, promotional materials, and ongoing dialogue with key stakeholders. The Group believes that transparency enables the Group to enhance its environmental and social practices.

1.5 Questions and Feedback

If you have any comments or suggestions about this report, please contact the company secretarial department at the address below:

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2 EMPLOYMENT AND LABOUR PRACTICES

2.1 Employment Policy

Employees are the Group's greatest asset. The Group's business success depends on how well the Group can attract, retain and develop its employees.

The Group's Administration Department strictly abides by the Group's recruitment standards and guidelines throughout the employment process.

The Group strictly complies with all local employment and labour related laws and regulations. Key regulations include:

- The Employment Ordinance (Cap. 57, the Laws of Hong Kong)
- The Minimum Wage Ordinance (Cap. 608, the Laws of Hong Kong)
- The Employees' Compensation Ordinance (Cap. 282, the Laws of Hong Kong)
- Labour Law of the People's Republic of China
- Labour Contract Law of the People's Republic of China
- Social Insurance Law of the People's Republic of China

The Group has formulated the "Employee's Handbook" in accordance with all applicable laws and the practical conditions of the Group. The Handbook covers aspects such as recruitment and employment policy, work time attendance and leave management, working hours, reward and penalty management, equal opportunities, remuneration and welfare.

Equal opportunities are given to employees in all aspects, from recruitment to training and development, to compensation and benefits. The Group does not tolerate any acts of discrimination, including age, sex, marital status, pregnancy, family status, disability, race, nationality or religion under the protection of relevant laws.

The Group offers promotional opportunities, competitive remuneration (including performance bonus), compensation and benefits packages to attract and retain talent. Remuneration is provided with reference to market conditions and the qualifications and experience of each employee. In addition, the Group offers performance related discretionary bonus schemes designed to reward employees according to their efforts and performance and achievement. Employees are also entitled to Medical Insurance Schemes and respective Mandatory Provident Fund (MPF) Schemes. Moreover, all employees are entitled to all public and statutory holidays declared by the Hong Kong SAR Government and in Mainland China. Different types of paid leave including annual leave, sick leave, maternity leave, compensation leave, marriage leave and compassionate leave are provided to employees.

The use of child labour and forced or compulsory labour is strictly prohibited by the Group. The Administration Department verifies candidates' identity through checking their identity cards as well as relevant certificates of proof.

In order to maintain good relationships with employees, policies of remuneration, benefits, training and occupational health and safety are regularly monitored and reviewed.

As a part of its effort to promote a sense of belonging among all employees, the Group has organized activities such as annual dinners, annual outings, and presented prizes to long service employees to show gratitude for loyalty.



Figure 1. The Group's 2017 Annual Dinner



Figure 2. Presentation of prizes to long service employees

2.2 Occupational Health and Safety

Workplace health and safety is of the foremost importance for all operations of the Group. The Group strives to manage the inherent risks of work project and enhance the work safety of employees by establishing a variety of measures.

The Group requires its contractors to strictly abide by the Group's policy of safeguarding employee occupational safety. The Group mandates that its building contractors comply with all relevant laws and regulations to ensure the provision of a safe and healthy working condition for employees to avoid any occupational hazards.

The Group demands its contractors and management companies monitor employee health and safety performance at its day-to-day operations, including the Group's property management, security, carpark and hygiene services.

Safety information is communicated by the team in charge of each project. All contractors are thoroughly briefed on safety precautions prior to engaging in high-risk activities. Routine safety inspections are put into practice to allow rectification of works to avoid accidents.

During the reporting period, the Group has complied with the relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards including the Occupational Safety and Health Ordinance (Cap. 509), the Laws of Hong Kong).

2.3 Education, Training and Career Development

The Group aspires to develop and grow with its staff. The Group is willing to offer employees adequate work-related training and ample opportunities to equip themselves and develop their career with competitive remuneration incentives.

Training is provided to all newly hired employees. Employees are required to join the training which covers internal regulations such as health and safety, labour discipline, job and operational needs. In addition, job-specific and on-the-job training are provided to employees based on the skills required for different positions.

The Administration Department of the Group has formulated policies on Educational Subsidy and Professional Membership Reimbursement to employees in Hong Kong. Educational subsidy is provided to encourage and assist employees in pursuing continuing education programs, whereas reimbursing costs for technical and professional membership fees encourage employees to actively participate in professional associations.

3 OPERATING PRACTICES AND MANAGEMENT

3.1 Supply Chain Management

Supply chain management is critical in facilitating Group operations. The Group aims to build mutually beneficial relationships with its suppliers to ensure the maintenance of the Group's high-quality standards.

To develop in a sustainable manner, the Group prefers suppliers who seek to integrate principles of sustainable development with attention to environmental and safety performance. Suppliers and vendors are required to adhere to all relevant environmental and safety related regulations in Hong Kong and Mainland China.

The Group engages its suppliers through a fair and stringent procurement and selection process. The Group requires every potential supplier to ensure compliance with all relevant laws and regulations and to safeguard its quality standards.

The Group oversees and monitors all approved suppliers on an annual and continuous basis. Any misconduct may result in termination of supplier contracts depending on the severity of the incident.

With regard to property development and management, the Group's suppliers mainly include building contractors and various suppliers of building materials and facility and equipment. The Group governs its contractors to ensure the selection of suppliers on a fair and reasonable basis.

3.2 Services Quality and Product Management

The Group continuously devotes its best effort to deliver the best products and services to its customers while ensuring their health and safety. Through implementing stringent management approaches and procedures, the Group is committed to pursue excellence in quality to satisfy the need of the market and customers.

For property development, the Group appoints independent consultants to ensure the quality and safety of building construction and that relevant standards are met.

For property management, the Group strives to provide the best quality service to tenants. The Group offers cleaning, maintenance services, and optimizes security services to uphold the highest service standards. To create a comfortable environment to the tenants, the Group provides environmental conservation services to keep the environment clean and green.

The Group takes the protection of client personal data seriously and carefully. Stringent security measures are in place to provide adequate protection to ensure all corporate data and information are strictly confidential. The responsible data management personnel abides by all local relevant laws and regulations in respect of collection, usage and holding information. During the reporting period, the Group has fully complied with the Personal Data (Privacy) Ordinance (Cap. 468, the Laws of Hong Kong) to protect and maintain data confidentiality of employees, customers and business partners.

During the reporting period, the Group's operations have complied with all relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

3.3 Moral Integrity and Anti-corruption

The Group strives to uphold a high standard of ethics and integrity. A moral integrity and anti-corruption mechanism has been established to encourage sustainable development.

The policy has been established to govern the behavior of all its employees, contractors, and suppliers. Under the policy, employees are obliged to:

- Prevent conflicts of interest when dealing with suppliers, customers, and all other individuals or organizations;
- Prohibit the use of the Group's name, logo, information or other properties to further employee's personal interests;
- Decline any kind of incentive from any involved individuals, such as customers, brokers, clients, contractors, suppliers; and
- All gifts received shall be reported to the management and only gifts of small or non-monetary value can be accepted.

A whistle-blowing system has also been formulated by the Group to act as an effective channel to allow its employees to report and flag any misconduct and malpractice within the Group.

During the reporting period, the Group has complied with all applicable laws and regulations relating to bribery, extortion, fraud and money laundering, including the Prevention of Bribery Ordinance (Cap. 201, the Laws of Hong Kong).

4 ENVIRONMENTAL PROTECTION AND RESOURCES UTILIZATION

4.1 Environmental Policy

The Group recognizes that its operations are tied in to the natural environment. The Group endeavors to reduce negative environmental impacts by adopting on-going environmental initiatives.

The Group's board of directors are responsible for leading and overseeing its environmental protection measures which are discussed and communicated across all departments and operations in a systematic manner.

As part of its commitment, the Group incorporates the following principles into its management approach:

- Comply with all relevant and applicable environmental legislation and regulations and other requirements in Hong Kong and Mainland China, and develop and procure standard operating procedures accordingly;
- Optimize production processes by efficiently consuming energy, water and raw materials;
- Supervise suppliers, vendors and contractors to perform in an environmentally conscious and safe conditions to produce high quality product;
- Request building contractors to quantify and monitor emissions from properties under management, such as air emissions, wastewater, noise, construction waste and dust, and ensure that all works comply with emissions requirements;
- Effective use of resources to reduce unnecessary waste generation and encourage the habit of reuse and recycle where applicable; and
- Improve staff awareness regarding environmental protection by strengthening education and training and encourage staff to meet their environmental obligations.

4.2 Pollution Prevention and Control Management

The reduction of emissions are considered one of the Group's environmental management priorities. The Group is devoted to minimizing its impact through a series of practical control measures.

During construction, dust emission, solid waste, wastewater and noise are identified as the major emissions of the Group. The Group requires all project contractors to abide by applicable laws and regulations and provides necessary mitigation measures to reduce environmental pollution.

The Group pursues the waste management objective through minimizing waste generation at source, and encouraging reuse and recycling waste before disposal. The Group also embraces the concept of "3Rs" (Reduce, Reuse and Recycle) in its operational processes. The Group strives to enhance environmental awareness to suppliers, tenants and relevant stakeholders by encouraging them to act accordingly.

4.3 Effective Use of Resources

To do its part to reduce the impact of climate change, the Group has incorporated significant efforts into environmental protection. The Group is fully aware that the consumption of electricity and water resources and waste generated during its business operation contributes to degrading natural resources and poses risks to the environment. Confronting this challenging task, the Group treats electricity and water saving as matters important. Details of the management approach and measures are discussed below.

4.3.1 Property Development and Management

Enhancing Energy Efficiency

The Group is committed to being a responsible property developer. In terms of property development, the Group continues to employ different measures from the planning to construction phases.

During the design and planning phase, the Group encourages its contractors to execute energy saving measures. For example, the Group actively employs energy saving building materials to reduce electricity consumption. Also, the Group maximizes the application of natural lighting to reduce the energy usage from artificial lighting systems.

During construction, the Group works closely with its contractors to carry out regular site inspections to ensure energy measures are effectually realized.

Electricity is also being conserved in properties that under management by the Group. The Group has installed environmentally friendly lighting fixtures such as LED lighting in various operating properties where applicable to reduce energy consumption.

Reducing the Use of Water

The Group views that water is one of the most precious natural resources in the world. Awareness of water conservation has been promoted amongst its employees, contractors and tenants. Labels and notices are displayed to remind all responsible parties to avoid unnecessary resource consumption.

4.3.2 Hong Kong Headquarters

In the daily operation of Hong Kong Headquarters, the Group has encouraged staff to conserve energy and water resources through notices and reminders. Measures taken by the Group included:

Electricity

- LED lighting installed in office areas to reduce energy usage;
- Unnecessary lighting switched off during non-office hours;
- Air conditioners are maintained at room temperature of 25.5°C;
- Appliances are turned off when not in use; and
- Appliances are procured with energy efficiency labels.

Water

- Control water flow from tap and avoid turning it to full capacity;
- Save water use by turning off tap when applying soap; and
- Avoid flushing unnecessarily.

Non-hazardous waste

- Utilize electronic communication channels for information sharing;
- Adopt double-sided printing and photocopying;
- Reuse envelopes when applicable; and
- Avoid the consumption of paper cups and other disposable utensils.

During the reporting period, the Group’s operations have complied with relevant environmental laws and regulations on air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

5 COMMUNITY PARTICIPATION

The Group is aware of its social responsibility towards its stakeholders, community and the environment. The Group has embraced corporate social responsibility (CSR) as an important direction for business development.

In the employment process, the Group promotes employing of people with disabilities and care for surrounding elderly and children.

In coming years, the Group is considering conducting support initiatives that include but are not limited to sponsoring community services, arts and cultural events, and volunteering opportunities.



Figure 3. Employees showed their genuine support to the needy by volunteering to donate blood.



Figure 4. The Group continued to organize the annual “Hon Kwok Cup” to provide an educational platform for the local community to learn about their civil rights and family law.

6 THE STOCK EXCHANGE'S ESG REPORTING GUIDE INDEX

This report has been prepared in accordance with the ESG Guide of the Stock Exchange. General disclosures are indicated in the table below that directs readers to the relevant sections.

Aspect	HKEs ESG Guide	Section	Page
A. Environmental			
Emissions	A1	Pollution Prevention and Control Management	9
Use of Resources	A2	Effective Use of Resources	9-11
The Environment and Natural Resources	A3	Pollution Prevention and Control Management	9
B. Social			
Employment and Labour Practices			
Employment	B1	Employment Policy	3-4
Health and Safety	B2	Occupational Health and Safety	5
Development and Training	B3	Education, Training and Career Development	5
Labour Standards	B4	Employment Policy	3-4
Operating Practices			
Supply Chain Management	B5	Supply Chain Management	6
Product Responsibility	B6	Services Quality and Product Management	6-7
Anti-corruption	B7	Moral Integrity and Anti-corruption	7
Community			
Community Investment	B8	Community Participation	11