



**FSE ENGINEERING HOLDINGS LIMITED**

**豐盛機電控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 331**

# **Environmental, Social and Governance Report 2016-2017**



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## 1. About This Report

### 1.1 Reporting Standard and Scope

This is the second Environmental, Social and Governance (“ESG”) Report presented by FSE Engineering Holdings Limited (together with its subsidiaries, the “Group”) since its public listing in December 2015. The report provides a detailed account of the Group’s sustainability performance, policies and strategies between 1 July 2016 and 30 June 2017 (“the reporting period” or “FY2017”). By addressing and communicating our sustainability concerns, we aim to foster a strong and long-term relationship with our stakeholders.

The report covers the Group’s electrical and mechanical (“E&M”) engineering services (including ancillary building materials trading and retail businesses) and environmental management services in Hong Kong and Macau. Compared to the previous report, we have expanded the scope this year to include building materials trading and retail and environmental management services. The reporting scope of FY2017 covers our principal businesses, which provides the greatest potential for managing the environmental and social impacts of our operations in a holistic manner.

Hong Kong & Macau Operations of FSE Engineering Holdings Limited	
Included in this report	<ul style="list-style-type: none"><li>• Corporate Offices</li><li>• Warehouse and Workshop Operations</li><li>• E&amp;M Engineering Segment<ul style="list-style-type: none"><li>- Installation Division</li><li>- Maintenance Division</li><li>- Trading and Retail Sales of Building Materials</li></ul></li><li>• Environmental Management Services Segment</li></ul>

This report has been prepared in accordance with the ESG Reporting Guide (“ESG Guide”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An ESG Content Index is included on pages 27-28 for easy reference.

## 1.2 Stakeholder Engagement

We actively engage with our internal and external stakeholders to strengthen initiatives and strategies which are essential for the Group's sustainable growth. While the employee survey conducted by an independent third-party consultant during the previous reporting period has provided us with valuable insights, this year we have expanded the scope of our stakeholder engagement exercise to include our customers, main contractors, suppliers, consultants, government and non-profit organisations. They were invited to participate in an online survey to rank ESG issues according to their relevance and importance to the Group, and to provide suggestion sustainability initiatives for our long-term growth.

Combining the outcomes of the two surveys enables us to gain a deeper understanding of our stakeholders' concerns and their expectations of our ESG performance.

## 1.3 Materiality Assessment

As Materiality is one of the reporting principles listed in the ESG Guide, a structured, three-stage materiality assessment was undertaken to identify important ESG issues to be included in the report.

### ***Identification***

To determine the current level of disclosure in the industry, the independent consultant conducted a peer benchmarking exercise reviewing the ESG disclosure performance of local and international peer companies. The peer benchmarking analysis was collated with the outcomes of the employee and external stakeholder surveys to identify material ESG Aspects and key performance indicators ("KPIs") for disclosure.

### ***Prioritisation***

Based on the results obtained at the Identification stage, our consultant consolidated a list of possible material Aspects and KPIs.

### ***Validation***

The consolidated list was considered by the senior management of the Group to finalise a list of material ESG issues and the relevant ESG Aspects and KPIs for disclosure in this report.

## 2. Awards in FY2017

Issuer	Award
The Hong Kong Institute of Financial Analysts and Professional Commentators Limited	IFAPC Outstanding Listed Company Award 2016 <sup>a</sup>
The International Exhibition of Inventions of Geneva	Gold Medal at the 45th International Exhibition of Inventions of Geneva 2017 (collaboration with Nano and Advanced Materials Institute Limited) <sup>b</sup>
The Labour Department, the Occupational Safety and Health Council and various organisations from the Government and the construction industry	Silver Award for Construction Industry Safety Award Scheme 2016/2017 - Building Sites Sub-Contractors Category (Construction of Public Rental Housing Development at Lin Shing Road, Chai Wan) <sup>c</sup>
Hong Kong Professional Building Inspection Academy Limited	2016 Building Inspectors Academy Awards - Quality contractors (Sanitary appliances / For drains and water supply) (The Pavilia Hill & Double Cove Grandview) <sup>c</sup>
Employees Retraining Board	ERB Manpower Developer Award Scheme - Manpower Developer 1st <sup>e</sup>
The Hong Kong General Chamber of Small and Medium Business	Partner Employer Award <sup>b,f,g</sup>
	Partner Employer Excellence Award <sup>c,e,h,i</sup>
The Mandatory Provident Fund Schemes Authority	Good MPF Employer <sup>b,c,e,f,g,h,i,j</sup>
Home Affairs Bureau & Family Council	Family-Friendly Employers Award <sup>a,f,k</sup>
	Family-Friendly Employers Award & Special Mention <sup>b,c,e,g,h,i</sup>
Hong Kong Productivity Council and Committee on the Promotion of Civic Education	The 7th Hong Kong Outstanding Corporate Citizenship Awards - Enterprise Category & Volunteer Category <sup>a,e</sup>
Promoting Happiness Index Foundation	Happy Company Award <sup>a,e,k,l</sup>
Tung Wah Group of Hospitals	Tung Wah Group of Hospitals Corporate Partnership Recognition Award <sup>e</sup>
Social Welfare Department	Bronze Award for Volunteer Service <sup>e</sup>
	Gold Award for Volunteer Service <sup>a</sup>
The Hong Kong Council of Social Service	10 Years PLUS Caring Company Logo Award <sup>e</sup>
	Caring Company Logo Award <sup>a</sup>
The Youth Committee of Macau Chamber of Commerce and Associação de Jovens Empresários Chineses de Macau	Caridade Social 2015-16 Award <sup>m</sup>

### 3. Membership

Association	Membership Type	Effective Period
Business Environment Council Limited	General Membership <sup>g</sup>	Since 2014
Commissioning Specialists Association	Associate Membership <sup>h</sup>	Since 2003
Hong Kong Association for Testing, Inspection and Certification Limited	Ordinary Membership <sup>b</sup>	Since 1995
Hong Kong Electrical Contractors' Association Limited	Life Membership <sup>c</sup>	Since 1984
Hong Kong Institute of Human Resource Management	Corporate Membership <sup>e</sup>	Since 2014
Hong Kong Plumbing and Sanitary Ware Trade Association Limited	Membership <sup>d</sup>	Since 2006
Hong Kong-Shanghai Economic Development Association	Membership <sup>e</sup>	Since 2015
Macau Chamber of Commerce	Life Membership <sup>m</sup>	Since 1996
	Life Membership <sup>n,o</sup>	Since 2007
Macau Construction Association	Membership <sup>m</sup>	Since 2000
Macau Management Association	Membership <sup>m</sup>	Since 2013
The Association of Registered Fire Service Installation Contractors of Hong Kong Limited	Ordinary Membership <sup>h</sup>	Since 2000
	Life Membership <sup>c</sup>	Since 2005
The Hong Kong Air Conditioning & Refrigeration Association Limited	Associate Membership <sup>h</sup>	Since 2010
	Fellow Membership <sup>i</sup>	Since 1983
The Hong Kong E&M Contractors' Association Limited	Membership <sup>c</sup>	Since 1993
	Council Membership <sup>i</sup>	Since 1982
The Hong Kong Federation of Electrical and Mechanical Contractors Limited	Ordinary Membership <sup>c,d,h,i</sup>	Since 2001
The Hong Kong General Chamber of Commerce	Membership <sup>h</sup>	Since 2012
	Membership <sup>c,i</sup>	Since 2011
The Hong Kong Green Building Council	Institutional Membership <sup>c,i</sup>	Since 2011
	Institutional Membership <sup>g</sup>	Since 2013
Water Quality Association	Membership <sup>b</sup>	Since 2002

*Notes:*

- <sup>a</sup> FSE Engineering Holdings Limited
- <sup>b</sup> Joneson Environmental Technologies Limited
- <sup>c</sup> Majestic Engineering Company Limited
- <sup>d</sup> Majestic Plumbing Engineers Limited
- <sup>e</sup> FSE Engineering Group Limited
- <sup>f</sup> FSE Environmental Laboratory Services Limited
- <sup>g</sup> Environmental Pioneers & Solutions Limited
- <sup>h</sup> Far East Engineering Services Company Limited
- <sup>i</sup> Young's Engineering Company Limited
- <sup>j</sup> Tridant Engineering Company Limited
- <sup>k</sup> Extensive Trading Company Limited
- <sup>l</sup> FSE Environmental Technologies Group Limited
- <sup>m</sup> Young's Engineering (Macao) Company Limited
- <sup>n</sup> Majestic Engineering (Macao) Company Limited
- <sup>o</sup> Far East Technical Services (Macao) Limited

#### 4. Governance Structure for Sustainability

Led by our Executive Director, the Group's management committee oversees the implementation of the Group's Integrated Management System ("IMS") and sustainability policies. The IMS combines three international management system standards - ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System. This integrated system enables us to efficiently and effectively monitor and manage ESG-related risks. To ensure that our IMS is well established across operations, all departments are required to develop their own set of guidelines and are held responsible for compliance. The system is regularly audited by both internal and external parties and the results are reviewed by the Group's senior management to monitor performance and compliance.

To strengthen enterprise-wide operational management and support our long-term development, the Group has established the following six committees:

Committee	Purpose
CSR Committee	<ul style="list-style-type: none"> <li>➤ To encourage employee participation in social services</li> <li>➤ To practice corporate citizenship and strengthen teamwork among employees</li> </ul>
Green & Safety Committee	<ul style="list-style-type: none"> <li>➤ To establish a green enterprise culture and policy</li> <li>➤ To promote corporate social responsibility and strengthen environmental awareness</li> <li>➤ To conduct regular safety workshops for employees and develop appropriate safety policies</li> </ul>
IT, Technical & Training Committee	<ul style="list-style-type: none"> <li>➤ To introduce innovative technologies in the industry and continuously improve business quality</li> <li>➤ To provide training to retain and nurture talent</li> </ul>
Publication Committee	<ul style="list-style-type: none"> <li>➤ To promote company brand development and enhance corporate communications</li> </ul>
Sports & Recreation Committee	<ul style="list-style-type: none"> <li>➤ To promote a healthy and balanced lifestyle for employees and strengthen the sense of belonging</li> </ul>
Youth Committee	<ul style="list-style-type: none"> <li>➤ To gather innovative ideas from early-career employees within the Group</li> </ul>

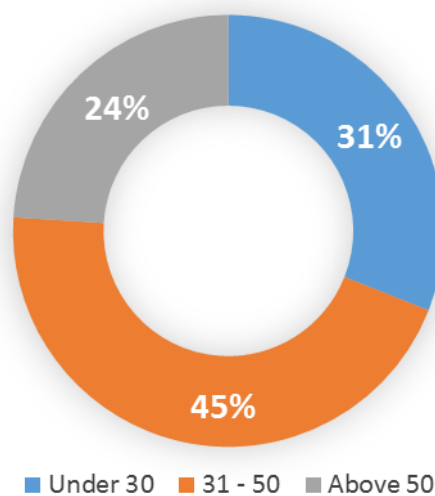


## 5. Our Human Capital

### 5.1 Introduction

Our Group's success hinges on the contributions of our valued employees. We are committed to providing a positive, respectful and supportive work environment free from any forms of discrimination or harassment, and strictly prohibit child and forced labour for any position.

Percentage of Employees by Age Group<sup>1</sup>



<sup>1</sup> Includes both full-time and part-time employees in Hong Kong and Macau

### 5.2 Working Conditions

We believe employees are essential to drive the Group's success and growth. To attract, retain and motivate our employees, the Group provides competitive remuneration packages, as well as other fringe benefits, corresponding to employees' performance, experience and job duties. Staff members are also informed of the requirements on expected professional conduct, and directed to the relevant guidelines in our *Employee Handbook*. We strive to provide a diverse and non-discriminative workplace for all employees irrespective of their gender, disability, family status, pregnancy, race, age or sexual orientation.

### ***Performance Review and Promotion***

A fair and open performance appraisal system is in place to monitor and evaluate employee performance on an annual basis. Guidelines for performance appraisals steer managers in making evidence-based objective decisions on employee performance. In addition to identifying areas of competent performance and improvement for employees, the appraisals also provide further communication opportunities between the employees and the managers to gather feedback, and discuss career development potential and aspirations.

### ***Employee Requisition and Dismissal***

Having clear and transparent procedures on talent requisition and employee dismissal also contributes to the Group's efficiency in managing its human resources. Upholding the principle of equal opportunity, we make recruitment decisions based on the candidate knowledge, skills, qualifications, and experience. An exit interview is also conducted to collect feedback from those leaving the Group.

### ***Well-being of Employees***

The Group emphasises the importance of work-life balance and encourages employees to explore their personal interests. We follow the requirements under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) to ensure a fair arrangement of working hours and rest days for our employees. To accommodate the diverse interests of our employees, we have arranged a variety of staff engagement activities and classes such as photography, pottery crafting, pastry baking, sports and outdoor activities. We have also extended care to the families of our employees through the FSE Employee Children Academic Star Award Scheme, which rewards the children of our employees for academic excellence. Our Employee Engagement Programme recognises staff for their contributions by offering Hong Kong Disneyland Halloween Time Preview free tickets as rewards.

### Case Study 1: Discovery Trip to Tin Shui Wai Greenfield Garden 2017



In March 2017, the Group organised a one-day exploratory tour to “Tin Shui Wai Greenfield Garden”, which is recognised as a place for leisure and family entertainment. Over 100 employees and their family members enjoyed the exciting recreational facilities, a delicious barbecue lunch and self-picked organic strawberries at the farm. A dinner was also arranged at Lau Fau Shan for the employees and their family members to enjoy delicious seafood, followed by a firefly watching activity at Tai Po Kau Nature Reserve. The memorable tour strengthened family ties and relationships amongst colleagues.

## Case Study 2: Dragon Boat Fun Day 2016



Our Youth Committee regularly organises various outdoor activities to promote healthy living. On 15 October 2016, our Youth Committee organised Dragon Boat Fun Day 2016. A total of 18 employees participated in this team building event. Dragon Boating is a group paddling sport which requires team communication, cooperation and mutual understanding. This event provided an opportunity for participants to challenge themselves, while appreciating the benefits of a balanced and healthy lifestyle.

### **Compliance**

During the reporting period, there were no cases of non-compliance with the relevant legislation, including the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

### 5.3 Training and Development

To keep our employees abreast of job-related skills and knowledge, and to maintain the Group's resilience in the face of challenges, we encourage staff to actively participate in various training workshops and courses.

#### *Cultivating a Continuous Learning Culture*

To seize opportunities in a constantly changing business and social environment, it is important that we keep our skills and knowledge up-to-date. The Group has invested significant resources in organising staff training and development programmes. We have also established the Training and Education Subsidy Scheme to cultivate a continuous learning culture. The Scheme not only helps unleash the potential of our employees, but also improves employee satisfaction and fosters their loyalty.

#### *Nurturing the Young Talent*

Taking into consideration our unique and diversified businesses, we are keen to nurture the young talent to become part of our team of professionals and motivate our Group's growth and success. Fresh graduates are offered the opportunity to move upward in their career path as qualified professionals. Since 2013, we have been organising the Project Management Procedures Training Programme for engineers, in addition to the Graduate Scheme 'A' Training conducted by the Hong Kong Institute of Engineers. Other training sessions, seminars, workshops and technical visits are tailored to the needs of individuals covering professional development, management and technical skills.

Total Training Hours<sup>1</sup>

48,490

Hours

Average Training Hours<sup>2</sup>

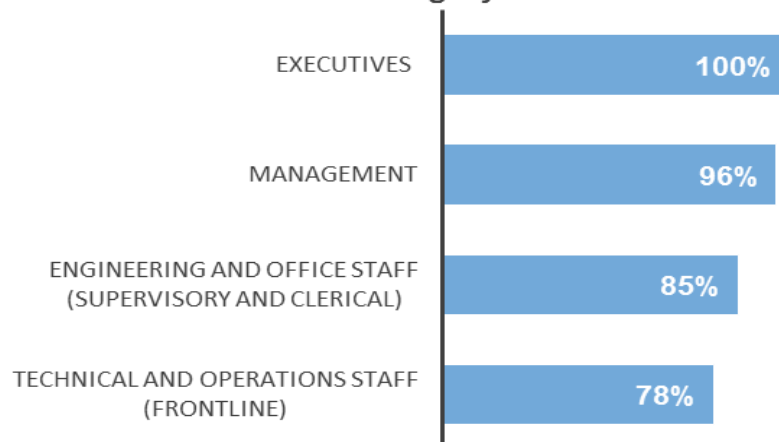
42.09

Hours/Employee

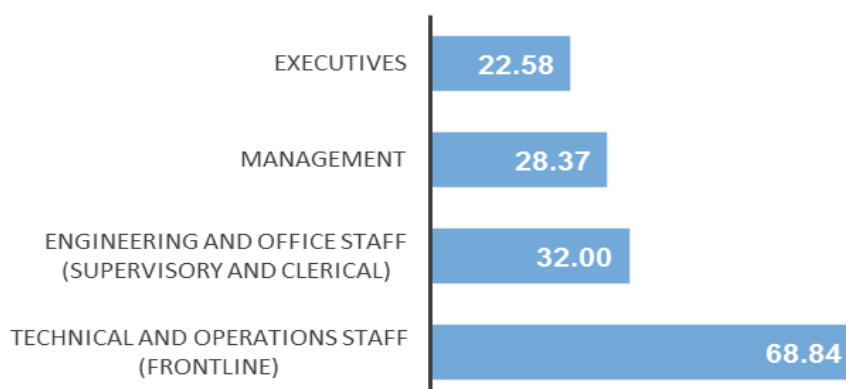
<sup>1</sup> Received by all employees in Hong Kong and Macau.

<sup>2</sup> Equals to total training hours divided by total number of employees in Hong Kong and Macau.

### Percentage of employees trained by employee category



### The average training hours completed per employee by employee category



## 5.4 Occupational Health and Safety

Providing a healthy and safe working environment for our employees is one of our top priorities. To demonstrate our commitment, we have implemented the OHSAS 18001 Occupational Health and Safety Management System to mitigate and control occupational health and safety hazards in our operations.

### *Safety Measures and Training*

Numerous safety-related initiatives and measures are put in place to safeguard the health and safety of our employees. For example, we have redesigned ancillary equipment to improve convenience and mitigate risks to our employees. By replacing

the heavy-duty welding gas cylinder cart with the light-duty detachable cart, employees are no longer required to use prolonged extensive rubber tubes to connect the gas cylinder for gas supply. The new cart also reduces the physical effort required in gas cylinder transport and minimises exposure to safety risks.



Traditional cart carrying welding gas cylinder



Light duty detachable cart carrying welding gas cylinders

Our work covers a wide range of tasks and environments and in some situations, employees may be exposed to relatively higher health and safety risks. We conduct risk assessments to identify and mitigate health and safety risks at the beginning of each project. Safety training sessions are also organised on a regular basis to ensure that the established safety instructions for different operations are well-communicated to our employees.

To ensure practical implementation of on-site safety measures, safety officers with appropriate qualifications are appointed to perform inspections and convey safety-related messages. We also use a mobile instant messaging application to deliver safety-related information to on-site workers. To further enhance the safety awareness of frontline supervisors, we arrange “lunch-box meetings” corresponding to their progress of works in order to raise their awareness of safety risks that may arise.

Subcontractors' health and safety is also our priority as they work closely with our on-site employees. We continue to collaborate with them to enhance their safety knowledge and awareness. Regular safety trainings are conducted with our employees and subcontractors' staff to review their safety measures. During the reporting period, we provided 22,011 hours of safety training to 28,109 workers employed by our subcontractors. A safety award scheme has also been established to recognise subcontractors with sound performance in health and safety management.

### ***Continuous Improvement***

The Group understands that the aging labour force poses a new challenge to the construction industry. While the E&M industry is expected to expand with an increasing number of construction projects, the labour force will continue to shrink due to the aging population. As such, workloads are expected to rise, resulting in an increased risk of work injuries. In order to mitigate this complex challenge, we adopt innovative approaches and explore new technologies applicable to our operations to reduce the number of on-site workers, thereby minimising the potential risks of injury.

With the increased safety awareness of our employees and the safety initiatives that we have implemented, we are happy to announce that we have had no work-related fatalities during the reporting period. Meanwhile, the Group's average accident rate is 8.09 per 1,000 workers during the reporting period, much lower than the published industrial average accident rate of 39.1 per 1,000 workers<sup>1</sup>. In addition, 107 lost days due to work-related injuries of our employees were recorded in our Hong Kong and Macau operations.

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<sup>1</sup> The figure is extracted from "Occupational Health and Safety Statistics 2015" published by the Labour Department, HKSAR in August 2016.



### **Compliance**

In FY2017, there were two reported minor safety compliance cases in August and October 2016 respectively, due to improper use and application of tools and equipment. As a follow-up action, we have implemented a registration system to ensure all on-site equipment and tools are in good condition and can be safely used by on-site workers. Tools and equipment brought by subcontractors for use on-site are categorised and assigned a registration code in the registration system which also includes the registration date and the subcontractor's company name. Aside from the two minor cases, the Group has complied with laws and regulations relevant to health and safety of our employees.



Registration label for equipment brought by subcontractors

## **5.5 Caring Workplace**

We strive to create a fair, respectful and harmonious workplace. The Group has a zero tolerance policy on discrimination or harassment. During the reporting period, there were no confirmed non-compliance incidents or grievances in relation to human rights and labour practices.

### **FSEE Caring Programme**

The Group is committed to corporate social responsibility and seeks to create a harmonious workplace for employees. In January 2017, the Group announced the official launch of the FSEE Caring Programme for full-time employees in Hong Kong and Macau operations. Through the programme, the Group can care for and provide assistance to employees in need due to work injury, serious illness, or a family member suffering from serious illness. In addition, we provide emergency relief funds for employees and subcontractors' workers suffering from serious work injury. The programme also aims to:

- 1) promote and achieve a harmonious corporate culture;
- 2) enhance work safety awareness; and
- 3) strengthen employees' sense of belonging and cohesion.

## 5.6 Anti-Corruption

We are committed to upholding high ethical standards and integrity in our business operations. Our *Employee Handbook* has specified the requirements of professional conduct that all employees are required to abide by at all times. We have adopted stringent rules on receiving gifts from business partners. An internal notice is also circulated to remind our employees of the rules during festive seasons. In addition, our Anti-Fraud Policy and Whistleblowing Policy provide a dedicated confidential reporting channel for employees and external stakeholders such as customers and suppliers to raise their concerns regarding unethical behaviour, and report malpractice and misconduct. Whistle-blowers are also assured of fair treatment and non-retaliation under our Whistleblowing Policy. During the reporting period, the Group complied fully with laws and regulations relevant to bribery, extortion, fraud and money laundering.

## 5.7 Future Plans

The Group will continue to provide a safe, harmonious and inclusive workplace for employees with positive and supportive working conditions. We will also inspire our employees to unleash their potential through continuous learning, and acquiring updated skills and knowledge to tackle the challenges that the Group may face in the future.

# 6. Our Environment

## 6.1 Introduction

With the Group's comprehensive range of E&M engineering operations, we are well aware of the indirect environmental impact that may arise from installation, commissioning and maintenance works. Although there are no major environmental impacts associated with the nature of our business, we recognise our responsibility to contribute to a greener future. We are committed to optimising energy efficiency, conserving natural resources and reducing pollution in our office, workshop and warehouse operations.

To monitor and manage our environmental performance, we have established an ISO 14001 Environmental Management System. This systematic approach allows us to identify and manage the environmental issues associated with our operations through a

continuous improvement cycle. The identified environmental issues are recorded in the Environmental Aspect Register so that we can take appropriate actions in a timely manner and keep track of improvements over time.

## 6.2 Energy Consumption and Emissions

The Group constantly seeks opportunities to reduce energy consumption and greenhouse gas emissions throughout all stages of engineering operations – from design and installation to operation and maintenance. As buildings consume 90% of the city's electricity usage, we intend to enhance building energy efficiency and reduce the carbon footprint of our projects through the meticulous selection of materials and installation methods.

### *Green Building*

To align with green building principles, the Group offers our clients energy efficient electrical and mechanical solutions. Not only do we deploy modularisation and pre-fabrication techniques to respond to the growing demand for green buildings, we also incorporate green features in different E&M engineering projects. For example, we have installed the greywater and rainwater recovery systems for cooling towers and irrigation for The Research Complex of Hong Kong Shue Yan University which opened in January 2017.



The Research Complex of Hong Kong Shue Yan University

### Case Study 3: Green Features at the Group's New Office at Chevalier Commercial Centre

Following the Group's Environmental Protection Management Policy based on ISO 14001 Environmental Management System, our new office at Chevalier Commercial Centre has adopted a number of mechanical and electrical energy saving features.

The primary air handling units ("PAUs") are equipped with Variable Speed Drives which work with the CO<sub>2</sub> sensors installed at strategic locations in the office to adjust the motor speed of the PAUs according to real-time environmental conditions, thereby preventing excessive power output.

To ensure efficient lighting and air conditioning operations, the Lighting Control System and the Occupancy Sensors are installed, allowing air conditioning and lighting systems to be automatically switched off after a prescheduled time or during unoccupied periods.

Besides utilising smart energy monitoring and management systems, energy efficient equipment including T5 fluorescent tubes, LED lights and DC motor fan coil units are widely deployed in our new office.



Lighting Control System Control Panel



Stepless Control FCU



Variable Speed Drives for PAUs

### Carbon Reduction Initiatives

In November 2016, we became a signatory of the “Carbon Reduction Charter” launched by the Environmental Protection Department (“EPD”) of the Hong Kong government. This voluntary agreement demonstrates the Group’s commitment to combat climate change and reduce greenhouse gas emissions. As one of the “Carbon Audit • Green Partners”, we promise to support the building management to conduct carbon audits and initiate carbon reduction programmes.

GHG INTENSITY<sup>1</sup>

0.82

tonnes CO<sub>2</sub>e/Full-time Employee

ENERGY INTENSITY<sup>2</sup>

1.034

‘000 kWh/Full-time Employee

<sup>1</sup> Equals to total greenhouse gas (“GHG”) emissions generated by fuel consumption in fleet and electricity consumption divided by total number of full-time employees in Hong Kong and Macau.

<sup>2</sup> Equals to total energy consumption divided by total number of full-time employees in Hong Kong and Macau.

Raising consciousness among employees is essential to reducing our overall carbon footprint. To encourage energy conservation within our head office and other site offices, we often share energy saving tips and encourage behavioural change through our quarterly newsletter and email communication. For example, we remind employees to switch off idling monitors and computers, and maintain room temperature between 24°C and 26°C. We have also participated in external initiatives such as “No Air Con Night” and “Earth Hour” to nurture energy conservation awareness among staff members. For more details on the programmes that we have initiated and participated in, please refer to section 6.4 *Cultivating Environmental Awareness* on page 21.

## 6.3 Waste and Resource Management

### Chemical Waste

In our daily environmental management service operations, chemical waste such as lube oil may be generated, which requires special treatment prior to disposal. To fully comply with the Waste Disposal Ordinance (Chapter 54 of the Laws of Hong Kong) and safeguard our environment, we follow strict procedures to ensure proper and safe handling of chemical waste. As required by the EPD, we are registered as a Chemical

Waste Producer, and only engage waste collectors licensed by the EPD to arrange for the collection and removal of chemical waste.

### ***Steel Scrap***

To manage our overall solid waste disposal, we have recently launched a pilot solid waste reduction programme at our Fanling workshop. We aim to reduce the disposal of scrap pipe sections generated during steel pipe pre-fabrication processes, currently amounting to approximately 12% of the total material quantity. To achieve a lower disposal quantity, we are building an identification process to classify scrap pipe sections into “Natural Waste”<sup>2</sup> and “Real Waste”<sup>3</sup>, in order to concentrate our efforts on managing and reusing “Real Waste”. We will analyse the results of our waste reduction efforts by year end and implement a full-scale reduction programme next year.

### ***Paper Waste***

In addition to reducing steel scrap at the Fanling workshop, we place great effort in promoting recycling at our offices. We continue with our well-established policies to reduce paper disposal. Scrap paper boxes are placed next to printers to encourage the reuse of paper which has only been printed on one side. Paper recycling bins are also placed at convenient locations. To further prevent reusable paper materials from being disposed of in landfills, we are now extending the waste reduction policy to our site offices and workshops. We also purchase printing paper with green labels, and are coordinating with our main contractors to arrange monthly collection of waste paper by qualified collectors for recycling.

### ***Compliance***

In FY2017, there was one reported minor case of environmental non-compliance in relation to chemical storage. To ensure strict compliance in the future, a detailed assessment has been carried out on all stored chemicals. We have tightened our controls and regularly review chemical handling procedures to ensure a consistent and proper management of chemicals. Aside from the one reported minor case, the Group has complied with laws and regulations relevant to air and greenhouse gas emissions, discharge into water and land, and waste disposal.

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<sup>2</sup> “Natural Waste” is defined as the unavoidable waste generated during the process of fabrication.

<sup>3</sup> “Real Waste” is defined as the total waste generated during the process of fabrication minus “Natural Waste”.

## 6.4 Cultivating Environmental Awareness

To drive sustainable growth, we aim to foster behavioural change within the Group. Starting from 1 November 2016, we have implemented Green Office Guidelines (“the Guidelines”) for our head offices, sites, workshops and plant rooms. The Guidelines provide practical guidance for employees on waste reduction, recycling of resources and energy conservation. Recommendations include purchasing office equipment certified with energy efficient labels, cleaning light fittings regularly, and reducing the use of disposable cups and cutlery. We believe the Guidelines will serve as the cornerstone to foster a green culture within the Group.

We are dedicated to raising environmental awareness among our staff through internal green activities. Over 50 employees joined the technical visit to T-Park arranged by our Green and Safety Committee in January 2017. Through a guided tour to the first waste-to-energy sludge treatment facility, our employees gained a deeper understanding of total waste management and resource recovery and recycling through the use of advanced technologies.



Our staff received healthy fruit on “Biz-Green Dress Day”

We also continue to take part in the “Biz-Green Dress Day” for Hong Kong Green Building Week 2016, “Earth Hour” organised by World Wide Fund (“WWF”) Hong Kong, The Community Chest GREEN DAY, and “No Air Con Night” organised by Green Sense. At the 24th Green Power Hike, an annual fundraising marathon for environmental education and conservation programmes, our team received the 1st Runner Up award in the 25km Corporation Cup through their hard work and dedication.



Our Green Power Hike team received the 1st Runner Up prize in the 25km Corporation Cup

## 6.5 Future Plans

We aspire to continue to provide engineering services of high quality coupled with environmental excellence. Going forward, the Group will identify opportunities to enhance energy efficiency, reduce emissions, promote waste recycling and mitigate other environmental impacts throughout our operations.

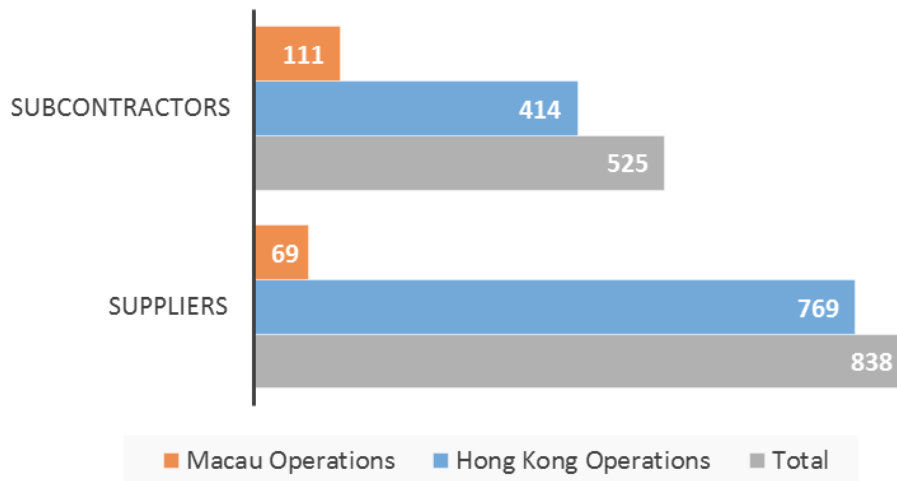
## 7. Our Value Chain

### 7.1 Supply Chain Management

As one of the leading E&M engineering companies in Hong Kong, the Group recognises the positive influence we have on our suppliers and subcontractors, and the communities in which they operate. We continuously improve our performance by incorporating good corporate social responsibility practices into supply chain management processes and, as a result, mitigating and managing risks which might affect our operations.



**Number of suppliers and subcontractors by geographical region**



We select suppliers and subcontractors who share our commitment to sustainable practices. Under our vendor approval and admission procedure, potential suppliers and subcontractors are required to submit an application form and attend an interview, where project experience, safety and financial performance will be assessed accordingly. If the criteria are met, the suppliers and subcontractors will be admitted to our approved vendor list. Newly admitted suppliers and subcontractors will be closely monitored for 12 to 24 months until their first project with the Group is completed.

We have also established a comprehensive system to assess the suitability and performance of our existing suppliers and subcontractors. Considerations include product and service quality, safety, track record and financial performance. This is reviewed on a semi-annual basis to ensure the quality and consistency of service. Substandard suppliers and subcontractors will be suspended or removed from our approved vendor list.

## 7.2 Responsible Services

It is of paramount importance for the Group to provide efficient, professional and quality E&M engineering services to our clients. This is made possible by our IMS system, along with guidelines established by each department to ensure compliance and accountability. Regular audits are conducted to identify potential risks and defects in the installation work. In cases where any quality and safety concerns arise, we will then carry out extensive investigations to discover the causes and develop measures to mitigate and prevent the recurrence of defects and incidents.

### 7.3 Future Plans

The Group is committed to innovation and professionalism. We will continue to engage our suppliers and subcontractors to prevent and resolve environmental, social and governance issues as they arise and further optimise the IMS system.

## 8. Our Community

### 8.1 Introduction

The Group has a strong spirit in serving the community, especially children, the elderly and the disadvantaged. Throughout the year, we organised various charitable activities with 334 volunteers contributing a total of 1,783 volunteer hours to help the needy and promote meaningful initiatives and campaigns. The enthusiasm of our colleagues served over 500 beneficiaries and injected positive energy into our community.

### 8.2 Community Programmes and Contributions

#### *Caring for the Elderly*

To show our gratitude and care towards senior citizens, we have been actively engaged with various elderly service organisations. Since 2010, the Group has collaborated annually with the Tung Wah Group of Hospitals to celebrate the Dragon Boat Festival with singleton elders, bringing warmth and joy to them. Our repeated visits have allowed our volunteers to become friends with the elderly. This year, we were happy to share our sincere blessings and 112 gift packs with singleton elders.



Over 100 volunteers visited the singleton elderly on the Dragon Boat Festival

Our volunteers organised a shopping trip with the elderly from the Fong Shiu Yee Neighbourhood Elderly Centre to a local supermarket to help them purchase their daily necessities. In Macau, our volunteers also collaborated with a singleton elderly services organisation under the Macao Federation of Trade Unions to provide home support services to these senior citizens.



Shopping trip with the elderly

### ***Caring for Underprivileged Children***

As children are our future, we have organised activities for those from underprivileged families. In partnership with the Hans Andersen Club, we have planned summer activities for children from grassroots and migrant families. During Easter, we also collaborated with the Evangelical Lutheran Church Social Service (“ELCSS”) and organised interactive games for the children. In Macau, our volunteers arranged a visit to the Macau Science Centre and explored the history of dinosaurs. Through these activities, we aim to promote the holistic and intellectual development of children.



Summer activities for underprivileged children in 2016

For the fifth year, the Group has supported the Used Book Recycling Campaign organised by World Vision Hong Kong. Our colleagues donated four boxes of books and volunteered to sort and categorise collected books. The income from book sales was donated to the Tianjin Wuqing Children Rehabilitation Centre, to help provide suitable equipment, rehabilitative training and education for children with special needs.

### ***Caring for the Disadvantaged***

To promote social participation and inclusion, we collaborated with the Hong Kong Down Syndrome Association during the Mid-Autumn Festival to provide interactive games and creative art sessions for individuals with Down syndrome and autism. Our volunteers also paid a visit to the Kwai Shing hostel of ELCSS in December, passing on seasonal cheer and goodwill to more than 40 individuals with special needs.



38 volunteers visited ELCSS in December 2016

### **Case Study 4: Caritas Computer Refurbishment Project**

To reduce the environmental impact of electronic waste and meet the needs of disadvantaged individuals, the Group has supported the Computer Refurbishment Project organised by Caritas Hong Kong since 2011. Not only can the programme reduce electronic waste disposal, it also benefits families and young people who cannot afford computers for studies and other educational purposes. The Group has donated more than 1,000 old computers, monitors, notebooks, printers and other accessories to Caritas Hong Kong. The old parts are repaired, upgraded and transferred to the needy in our society.

### 8.3 Future Plans

The Group will continue to invest in our community in the upcoming year. Aside from maintaining our active participation in charitable events, we have also recently launched the FSE Evergreen Programme to provide a platform for the elderly to engage in gardening and greening activities for the community. With the aim of enriching the lives of the elderly, our CSR Committee is currently planning a series of activities under the programme.

## 9. ESG Reporting Guide Content Index

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Note: We abide by the relevant employment ordinances and statutory requirements of Hong Kong. No relevant cases of non-compliance were recorded.