

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 2020

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SCOPE AND REPORTING PERIOD

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

The Group is an interior decorator based in Hong Kong, focusing on providing interior designs and coordinating interior decoration projects primarily for commercial premises including offices, medical centres, retail shops, warehouse, restaurants and shopping malls mainly located in Hong Kong. The Group provides interior design proposals developed by its designers and engages subcontractors to carry out fitting-out works which are coordinated, managed and supervised by the Group’s project managers. The Group also undertakes decoration projects in which it is only responsible for project management and fitting-out works. This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of its key operations stated below in Hong Kong from 1 January 2020 to 31 December 2020 (the “Reporting Period”), unless otherwise stated.

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

THE GROUP’S SUSTAINABILITY MISSION AND VISION

The Group incorporates ESG approaches into its daily management to achieve the optimum balance on its economic performance, environmental protection, social responsibility, and stakeholder satisfaction.

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

The board is fully committed to formulating and implementing ESG strategies. Its ESG performance is supervised by the board members. Relevant risks and opportunities have been embedded into the Group’s strategic goals, which are also closely aligned with the overall mission and vision on sustainability. The Group considers employees as its most valuable asset and sustains its capability in interior design by investing in design and technical talents. These will enhance the service quality provided to its customers, and help the Group keep a keen market sensitivity toward the latest practices in the industry. The Group believes that by continuously investing in people and the environment, the financial outcome will be enhanced, and synergies will be formed, ultimately achieving sustainable development for the Group and all stakeholders.

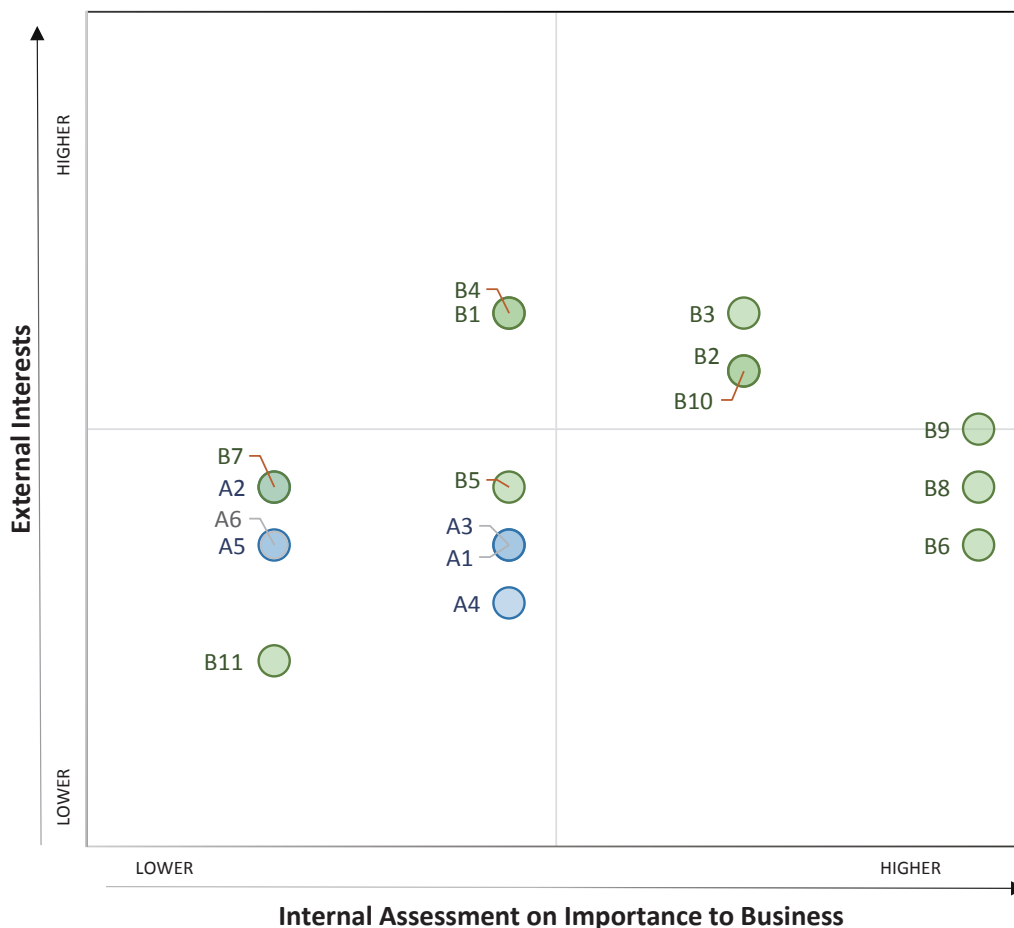
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STAKEHOLDER ENGAGEMENT AND MATERIALITY

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

In order to identify the most significant ESG aspects, the Group conducted quantitative surveys to understand the concerns and interests of its internal and external stakeholders. The issues identified have been plotted in the materiality matrix below, showing the importance of issues to its stakeholders against the impact to the business.

Materiality of Different Topics from Stakeholder Engagement



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Environmental		Social	
A1	Energy	B1	Employment
A2	Water	B2	Occupational Health and Safety
A3	Air Emission	B3	Development and Training
A4	Waste and Effluent	B4	Labour Standards
A5	Other Raw Materials Consumption	B5	Supplier Management
A6	Environmental Protection Measures	B6	Intellectual Property
		B7	Data Protection
		B8	Customer Service
		B9	Product/Service Quality
		B10	Anti-corruption
		B11	Community Investment

Among the environmental and social aspects, the following topics are identified as the most material issues to the stakeholders:

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

The Group will continue to identify areas of improvement and deploy resources to manage the concerned areas.

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STAKEHOLDERS' FEEDBACK

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

A. ENVIRONMENTAL

The Group is committed to complying with laws and regulations regarding environmental protection. It adopts effective measures to achieve resource efficiency, energy saving, and waste reduction. To reduce its impacts on the environment, the Group implements green office practices such as re-deploying office furniture as far as possible, encouraging the use of recycled paper for printing and copying, double-sided printing and copying, and reducing energy consumption by switching off idling lights, air conditioners, and other electrical appliances.

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

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

A1. Emissions

A1.1 Air Emissions

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

Passenger cars consuming gasoline were used for daily business operations. Their combustion generated several air emissions including nitrogen oxides (NO_x), sulphur oxides (SO_x), and respiratory suspended particles (PM). Due to the lack of data, only the emission of SO_x could be calculated. The Group has a total amount of 0.03 kg SO_x during the Reporting Period.

A1.2 Greenhouse Gas (GHG) Emissions

Emissions from the Group were generated directly from the consumption of mobile fuel (i.e. gasoline for the Group-owned vehicles), and indirectly from the consumption of purchased electricity, processing of fresh water and sewage, land filling of waste papers, and business air travel.

There were 27.27 tonnes, with an intensity of 0.33 kg per HK\$1,000 revenue, of carbon dioxide equivalent (tCO_{2e}) GHG emitted from the Group's operation during the Reporting Period. The emission level remained similar to the previous reporting period, which was 0.35 kg per HK\$1,000 revenue.

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The reported GHG emissions were attributed to the following activities:

- Direct emission (scope 1): combustion of gasoline for the Group-owned vehicles;
- Indirect emission (scope 2): purchased electricity;
- Other indirect emission (scope 3): processing of freshwater and sewage, business air travel and waste disposal.

Scope of GHG emissions	Emission sources	GHG Emission (in tCO _{2e})	Sub-total (in tCO _{2e})	Total GHG emission (in percentage)
Scope 1 Direct emission ¹	Combustion of gasoline in mobile sources	5.9	7.6	22%
Scope 2 Energy indirect emission ²	Purchased electricity	19.16	17.1	70%
Scope 3 Other indirect emission	Paper waste disposed at landfills	1.52	12.2	8%
	Electricity used for processing fresh water	0.03		
	Electricity used for processing sewage	0.01		
	Business air travel by employees ³	0.65		
Total (in tCO _{2e})		27.27		100%
Intensity (kg CO _{2e} /HK\$1,000 revenue)		0.33		

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

Note 2: Emission factor of 0.8 tCO_{2e}/kWh was used for purchased electricity from Hong Kong Electric (HKE).

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

A1.3 Hazardous Waste

The Group did not generate a significant amount of hazardous waste due to its business nature. Thus, no data was recorded, and no policy has been formulated.

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A1.4 Non-hazardous Waste

During the Reporting Period, the Group complied with the Waste Disposal Ordinance. It generated a total of 1,259 tonnes of non-hazardous waste during the Reporting Period, with an intensity of 15.3kg per HK\$1,000 revenue.

Two major categories of non-hazardous waste — office waste, and construction and demolition (C&D) waste from fitting-out works — were generated. Office waste mainly included waste papers. During the Reporting Period, the Group purchased 317 kg of paper for design and office work. It was assumed that all purchased paper was consumed and eventually disposed at landfills. It was estimated that 1,259 tonnes of C&D waste from fitting out works was generated. Due to the lack of data, the amount of waste produced was computed based on the cost of the demolition project. For every HK\$1,000, it was assumed that 1 tonnes of waste were produced. C&D waste from fitting-out works, such as gypsum board, wooden board, ceiling grid, carpet and other decoration debris, was treated by sub-contractors. Sub-contractors are responsible for sending the C&D waste to the designated landfills for construction waste. The Group’s project managers monitor the process to ensure that the sub-contractors do not engage in illicit waste disposal.

Non-hazardous waste	Waste treatment method	Annual waste amount (in tonnes)
C&D waste from fitting-out works	Treated by sub-contractors	1,259
General office waste (i.e. wastepaper)	Collected by the building custodian for further municipal waste treatment	0.32
Total		1,259.32
Intensity (kg waste/HK\$1,000 revenue)		15.3

A1.5 Measures to Mitigate Emissions

To reduce emissions from vehicles, employees are encouraged to take public transports. The Group plans schedule and arranges the route of its vehicles to avoid unnecessary travel and/or congestion. To reduce its emissions relating to business travel, the Group avoids non-essential business travel and encourages employees to take low-carbon travelling methods.

A1.6 Wastes Reduction and Initiatives

The Group has developed Green Office Practice to encourage wise use of resources while promoting waste reduction at source. The Group promotes paperless office — documents and information are transmitted electronically to avoid paper consumption. When printing is inevitable, paper should be printed on both sides whenever possible. The Group also encourages employees to recycle paper, plastic bottle and tin can, and has recycled equipment such as computers and communication devices according to the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment.

No formal policy on waste reduction has been established to regulate its sub-contractors. Nevertheless, they are encouraged to reduce waste and reuse resources to minimise the environmental impacts.

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A2. Use of Resources

A2.1 Energy Consumption

The Group consumed electricity and gasoline as energy sources. The total consumption was 43,306 Kilowatt-hour (kWh). The overall intensity of energy consumption for the Group was 0.53 kWh per HK\$1,000 revenue. The energy consumption had reduced by 7.8% when compared to the previous reporting period.

Energy source	Direct consumption	Consumption in kWh unit
Electricity	23,651 kWh	23,651
Gasoline	2,218 litres	19,655
Total		43,306
Intensity (kWh/HK\$1,000 revenue)		0.53

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

A2.2 Water Consumption

The total water consumption of the Group was 73m³, with an intensity of 0.0008 m³ per HK\$1,000 revenue. No issues on sourcing water were reported during the Reporting Period. The Group's business operation did not generate a significant amount of industrial wastewater.

A2.3 Energy Use Efficiency Initiatives

The Group believes that reducing energy use could be mutually beneficial to the environment and the Group by reducing the operating costs and creating long-term value to its stakeholders. The Group encourages employees to switch off electrical appliances whenever not in use and all unnecessary lighting, air conditioners, and electrical appliances before they leave the office.

A2.4 Water Use Efficiency Initiatives

The Group consumed insignificant amount of water resources. No policies nor initiatives have been formulated. Yet, employees are reminded to save water and reduce wastage.

No formal policy on energy or water use efficiency has been established for its sub-contractors. Nevertheless, they are reminded to save water and energy.

A2.5 Packaging Material

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

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A3. The Environment and Natural Resources

To reduce the impact of renovation activities, designers and marketing managers of the Group provide eco-friendly materials options for its customers to choose from.

A3.1 Significant Impacts of Activities on the Environment

Indirect environmental impacts of the Group are mitigated by promoting pro-environmental behaviours among its employees. The Group will continuously monitor its air emissions and solid waste generation to minimise its impacts on the environment.

B. SOCIAL

1. Employment and labour practices

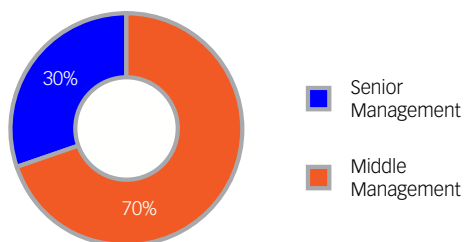
The Group stringently complies with national and local laws and regulations concerning employment and labour practices, including but not limited the Employment Ordinance, the General Holiday Ordinance, the Disability Discrimination Ordinance, and the Race Discrimination Ordinance.

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

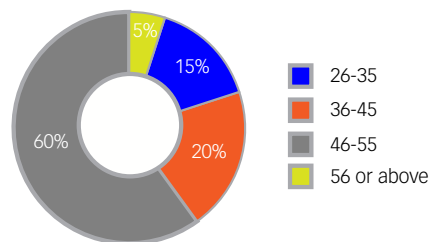
B1. Employment

During the Reporting Period, the Group had an average number of 20 employees and a total number of 2 employees left the Group. The turnover rate was 10%. The total workforce sorted by employee category, age group, gender, and geographical region are shown below.

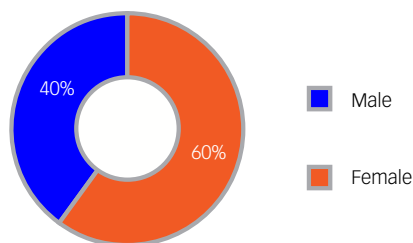
EMPLOYEE CATEGORY



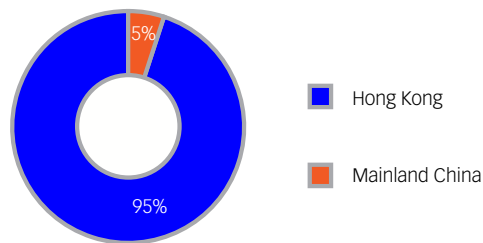
AGE GROUP



Gender



Geographical Region



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Remuneration and welfare

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

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

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

Dismissal

The termination of a labour contract includes different types and categories, such as resignation, dismissal, and termination under various situations. Either party may terminate the employment upon giving the other side one month's notice in writing or the payment of one month's salary.

Equal Opportunity

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

The Group is committed to providing equal opportunities throughout employment, including the remuneration, recruitment, training and promotion of staff. It is committed to ensuring that no employee receives less favourable treatment or is unlawfully discriminated against on the grounds of ethnic background, nationality, religion, colour, age, gender, sexual orientation, marital status, family status, disability, or pregnancy.

Employee Relations

The Group believes that strong communication is a prerequisite for effective management. To enhance communication among employees, activities such as team lunch, birthday parties were held. Employees are also encouraged to give feedbacks and suggestions to the Group for improvements.

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B2. Employee Health and Safety

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

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

The Group understands that preventive measures are way more important than reactive measures. Therefore, sufficient first-aid boxes have been equipped in the office area in case any emergencies happen. During the Reporting Period, there was no case of work injury or fatalities reported in the Group. Looking ahead, the Group would continue to promote occupational health and safety to its employees and avoid any work injury or accident by all means.

To prevent ergonomic hazards due to prolonged use of computers, the Group has provided employees with the desks of suitable height and height adjustable chairs, and encourages them to pay attention to their usual sitting posture, take breaks and do stretching exercises regularly to reduce occupational strain. Employees are also reminded to take safety precautions and use suitable tools for assistance when lifting heavy goods or reaching items at height.

During the Reporting Period, no fatalities, work-related injury cases or lost days due to work injury was recorded in the Group. The Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group during the Reporting Period.

COVID-19

During the epidemic period, employees are required to wear masks for long-term prevention. The Group has purchased sufficient cleaners and disinfectants for maintaining good personal and workplace hygiene. Employees who have symptoms or live in a residential building with confirmed cases of COVID-19 are required to conduct COVID-19 nucleic acid test and work from home until they have received a negative test result.

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B3. Development and Training

The Group values employee training and considers it as an important means to improve the Group's overall operational efficiency. The Group focuses on the ability requirements of each level of employees to ensure that employees are growing with the Group at the same time. It regularly identifies and assesses the training needs of its employees by collecting and analysing the feedbacks from employees through systematic evaluation. During the Reporting Period, employees from the finance department attended at least 20 hours training per person in relation to accounting standard or regular update.

B4. Labour Standards

The Group strictly complies with relevant laws and regulations such as Employment Ordinance and the Disability Discrimination Ordinance of the Laws of Hong Kong. Background checks were conducted for new employees to ensure that no teenagers under the statutory minimum working age would be employed. Any violence, with the purpose of deliberately causing difficulties, threats and/or corporal punishment, forcing employees to work is prohibited. Should any child or forced labour be discovered, the Group will conduct an investigation and the concerned person will never be employed. All employees must provide their personal identity documents to prove their ages and identities. During the Reporting Period, no material case of non-compliance with local child and forced labour related laws and regulations were noted.

2. Operating Practices

B5. Supply Chain Management

Supplier management is an important element of the Group's quality control. The Group implements strict supplier and contractor selection process to ensure that they deliver high quality product and service. The Group requests suppliers, contractors, and other business partners to implement adequate management policies regarding their social and environmental impacts. Regular meetings and discussions were held with sub-contractors to assure their compliance with relevant laws and regulations in Hong Kong, such as those identified under the Environmental and Social section.

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

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B6. Product Responsibility

Product Labelling, Health and Safety, and Advertising

Product labelling, health and safety, and advertising were not applicable due to the business nature of the Group. The purchased building materials, such as gypsum board, wood board, and ceiling grid, were environmentally friendly materials that meet the European Union standards. The Group's project managers supervise on-site fitting-out work to ensure work procedures follow the Occupational Safety and Health Ordinance and generate minimum health and safety impacts on the fitting-out workers and the surrounding community.

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

Quality Assurance

The Group's project managers supervise on-site projects to guarantee that the fitting-out works are of identical quality to what was agreed. When the project managers find any work not conforming to the operating procedures, they will follow up immediately.

Data Protection

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

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

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Intellectual Property

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

B7. Anti-corruption

The Group requires employees and business partners to behave ethically. All parties shall conform to the Prevention of Bribery Ordinance, and relevant laws, regulations and regulatory documents relating to commercial bribery.

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

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

During the Reporting Period, the Group arranged a training program regarding anti-bribery, anti-corruption, and prevention of insider trading to its employees. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified.

B8. Community Investment

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

K W Nelson

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ESG Report 2020

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

Email: info@kwnelson.com.hk