

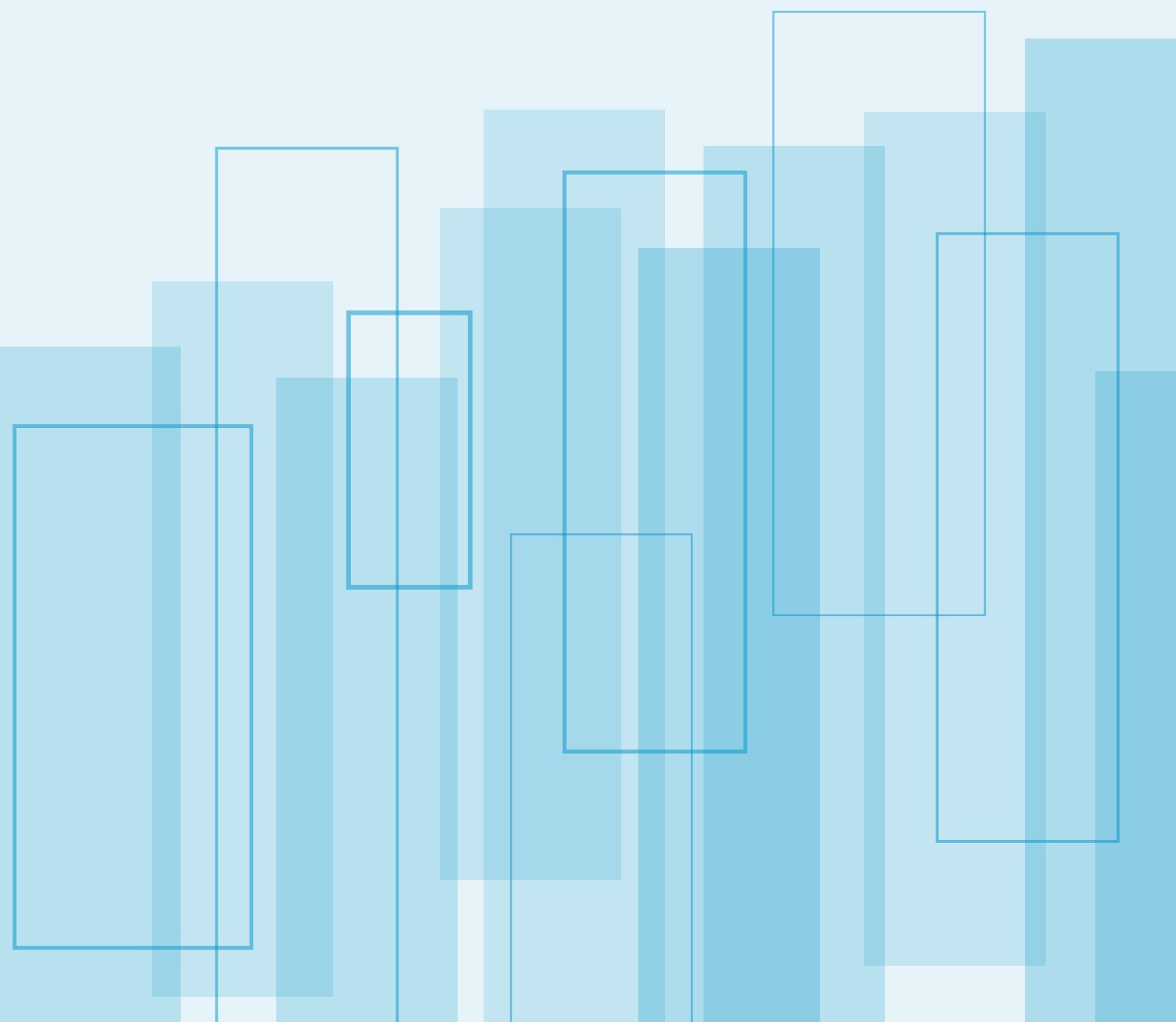
智城發展控股有限公司

SMART CITY DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8268

Environmental, Social and Governance Report 2022





Content

ABOUT THE REPORT	2
SCOPE OF THE REPORT	2
REPORTING FRAMEWORK	2
REPORTING PRINCIPLES	2
INFORMATION AND FEEDBACK	3
ESG RESPONSIBILITY MANAGEMENT	4
ESG GOVERNANCE	4
STAKEHOLDER ENGAGEMENT	4
MATERIALITY ASSESSMENT	6
PROTECTING OUR ENVIRONMENT	7
ENVIRONMENTAL PRINCIPLE	7
EMISSION TREATMENT	8
RESOURCES CONSERVATION	9
RESPONDING TO CLIMATE CHANGE	10
CARING ABOUT OUR EMPLOYEES	11
EMPLOYMENT AND WELFARE	11
HEALTH AND SAFETY	12
TRAINING AND DEVELOPMENT	13
OPERATING PRACTICES	14
SUPPLY CHAIN MANAGEMENT	14
QUALITY ASSURANCE	15
CUSTOMERS' INFORMATION PROTECTION AND INTELLECTUAL PROPERTY RIGHTS	15
ANTI-CORRUPTION	16
CONTRIBUTING TO OUR COMMUNITY	17
KEY PERFORMANCE INDICATORS	18
APPENDIX 1: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE	22



About The Report

Smart City Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**” or “**We**”) are pleased to present the Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”), which summarises the efforts and achievements made by the Group in corporate social responsibility and sustainable development. For the details of corporate governance, please refer to the Corporate Governance Report of the Group’s Annual Report 2022.

SCOPE OF THE REPORT

The ESG Report focuses on the environmental and social performance of the businesses of the Group mainly in Hong Kong and Macau during the period from 1 April 2021 to 31 March 2022 (the “**Year**”); while environmental Key Performance Indicators (“**KPIs**”) cover the Group’s business as a contractor in the building industry providing building construction works, electrical and mechanical engineering works, and alterations, addition, renovation, refurbishment and fitting out works which contributes a substantial portion of net assets of the Group. Compare with the ESG Report of the financial year ended 31 March 2021, this ESG Report does not cover the business in the People’s Republic of China (the “**PRC**”) due to the disposal of Beijing Chang-de Architectural & Decoration Co., Limited (“**Beijing Chang-de**”) by the Group during the Year. The Group will continue to develop strategies to enhance its performance in the environmental realm and to disclose relevant information in sustainable development.

REPORTING FRAMEWORK

The ESG Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (“**ESG Guide**”) under Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**HKEX**”).

REPORTING PRINCIPLES

The ESG Report adheres to the ESG Reporting Principles set out in the ESG Guide, including materiality, quantitative and consistency. Details are illustrated as follows:

Materiality

The content of the ESG Report is determined through stakeholder engagement and materiality assessment processes, which include identifying ESG-related issues, collecting and reviewing the management and stakeholders’ opinions, assessing the relevance of the issues and preparing and validating the information reported. The ESG Report covers the key issues concerned by different stakeholders.

Quantitative

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Group’s ESG performance. Information on the standards, methodologies, references and sources of key emission and conversion factors used on these KPIs are stated wherever appropriate.



About The Report

Consistency

In order to enhance and maintain comparability of ESG performances between years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. Any changes in methodologies and specific standards have been presented and explained in detail in corresponding sections. The Group will continue to adopt consistent methodologies as far as reasonably practicable in the future, in case of any changes that could affect a meaningful comparison of the KPIs between years.

INFORMATION AND FEEDBACK

Your opinions on the Group's ESG performance are highly valued. Should you have any advice or suggestions, please feel free to contact the Company through info@smartcity-d.com.

ESG Responsibility Management

ESG GOVERNANCE

The Group believes that excellent ESG governance is critical to mobilising the Group toward sustainable development and bringing long-term returns to its stakeholders. The board of directors (the “**Board**”) of the Company thereby takes full accountability to identify and evaluate the ESG and climate-related issues and risks, oversee and review the Group’s short-term and long-term ESG strategies and targets, and ensure ESG risk management is put in place effectively. The Board has delegated authority to implement sustainable operation practices and ensure compliance with relevant laws and regulations. The Board has understood the Group’s annual ESG highlights and risks and monitored the formulation of the ESG Report in order to ensure its quality meets the requirements of the Board.

The Board is responsible for prioritising ESG issues by executing the stakeholder engagement process. In order to facilitate the prioritisation of ESG issues, the Board has appointed third-party ESG consultants to conduct a materiality assessment through internal stakeholder surveys. The issues that are likely to influence our stakeholders and businesses are regarded as material issues. The Board is well-informed about the results and concludes the material ESG issues. The Board shall continually review the engagement channels and keep abreast of stakeholders’ expectations.

The Board shall continue to seek opportunities to improve its ESG performance and set and review goals with reference to the Group’s material issues identified. The Board shall share the annual ESG achievements and target meeting progress with stakeholders through the ESG Report.

STAKEHOLDER ENGAGEMENT

The Group deeply understands the importance of close communication with stakeholders. The preparation of the ESG Report, which includes the participation of different stakeholders, has helped us to review our current management on the environmental and social performance and has also served as a basis for the formulation of our sustainability strategies. In order to understand the stakeholders’ expectations and requirements, the Group has established various channels to collect opinions regarding our ESG performance and to address their reasonable expectations.

Stakeholders	Expectations and Requirements	Means of Communication and Response
Government and Regulators	<ul style="list-style-type: none"> • Compliance with national policies, laws and regulations • Support for local economic growth • Drive local employment • Tax payment in full and on time • Construction safety 	<ul style="list-style-type: none"> • Regular information reporting • Regular meetings with regulators • Dedicated reports • Examination and inspection
Shareholders	<ul style="list-style-type: none"> • Returns • Compliant operation • Growth in corporate value • Information transparency and effective communication 	<ul style="list-style-type: none"> • General meetings • Announcements • Email, telephone communication and company website • Dedicated report • Site visits

ESG Responsibility Management

Stakeholders	Expectations and Requirements	Means of Communication and Response
Business Partners	<ul style="list-style-type: none"> • Operation with integrity • Equal Rivalry • Performance of contracts • Mutual benefit and win-win result 	<ul style="list-style-type: none"> • Review and appraisal meetings • Business communication • Exchange and discussion • Engagement and cooperation
Customers	<ul style="list-style-type: none"> • High-quality construction projects and services • Health and safety • Performance of contracts • Operation with integrity 	<ul style="list-style-type: none"> • Customer service centre and hotlines • Customer feedback surveys • Customer communication meetings • Social Media Platforms • Calling for feedback
Environment	<ul style="list-style-type: none"> • Compliant emissions • Energy conservation and emission reduction • Ecosystem protection 	<ul style="list-style-type: none"> • Communication with local environmental departments • Communication with the locals • Reporting • Investigations and inspections
Industry	<ul style="list-style-type: none"> • Establishment of industry standards • Driving industry development 	<ul style="list-style-type: none"> • Participation in industry forums • Visits and inspections
Employees	<ul style="list-style-type: none"> • Protection of rights • Occupational health and safety • Remunerations and benefits • Career development • Humanity care 	<ul style="list-style-type: none"> • Employee communication meetings • House journal and intranet • Employee mailbox • Training and workshops • Employee activities
Communities and the Public	<ul style="list-style-type: none"> • Improvement in community environment • Participation in charity • Information transparency 	<ul style="list-style-type: none"> • Company website • Announcements • Interview with media • Social media platforms



ESG Responsibility Management

MATERIALITY ASSESSMENT

With the opinions and information collected from stakeholders through various channels, the Group has a better understanding of the ESG-related issues concerned by the stakeholders. The Group has also gathered the management's view on ESG-related issues through questionnaires. The information gathered, after being analysed along with materiality maps provided by well-known external institutions¹ and professional opinions from third-party professionals, helped the Group identify and prioritise ESG issues which are concerned by stakeholders and are highly related to the Group's business.

Aspects	Material Issues
Environment	Ecological Impacts Opportunities in Green Building
Labour Practices	Employee Health & Safety Human Capital Development
Operating Practices	Product Quality & Safety Privacy & Data Security Anti-corruption

¹ The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by MSCI and the Sustainability Accounting Standards Board (SASB).



Protecting Our Environment

ENVIRONMENTAL PRINCIPLE

The Group recognises the importance of environmental protection and is committed to embedding corporate responsibility into its business operation. A Safety and Environmental Department, which is responsible for ensuring environmental compliance and proper implementation of environmental protection measures in the projects, has been established by the Group. As a contractor in the building industry, we have been operating in strict compliance with the environment-related laws and regulations applicable to the building industry, so as to minimise the environmental impacts. Looking forward, the Group looks to maintain its compliance with relevant environmental laws and regulations, as well as make sure there are no occurrences of major environmental incidents.

The Group has always put a high priority on environmental protection. With that in mind, regular on-site environmental management meetings are held by the Group's Environmental Committee, which includes representatives from sub-contractors. Environmental and site hygiene issues regarding the management system as well as on-site performance will be discussed and reviewed in order to effectively control the environmental impacts caused by construction work during the meetings. In one of such meetings for one of the Group's construction sites, the Group has confirmed that the site and construction should comply with BEAM Plus certification, an assessment-based certification system which aims to reduce the environmental impacts of buildings.

During the Year, the Group was not aware of any non-compliance with environmental-related laws and regulations.

Environmental Objectives and Progress

During the Year, the Group has set goals and objectives regarding different environmental aspects and implemented corresponding measures. The Group shall ensure its environmental initiatives are aligned with the targets and closely monitor the progress against the targets for improvement in environmental performance. The environmental objectives regarding waste, greenhouse gas ("GHG") emission, energy and water resources of the Year are summarised as the following:

Aspects	Objectives
Waste	To ensure proper handling of recyclable materials and raise the awareness of the employees towards waste reduction at source
GHG Emission	To minimise GHG emissions by enhancing the efficiency of resource use and promoting a low-carbon lifestyle in the workplace
Energy	To enhance energy efficiency and promote a low-carbon lifestyle in the workplace
Water	To enhance the water usage efficiency and increase the awareness of employees on water conservation



Protecting Our Environment

EMISSION TREATMENT

Waste

The Group understands the burdens of local landfills and endeavours to relieve the pressure of landfills by minimising the waste generated from its daily operation. During the Year, the Group has aimed to ensure proper handling of recyclable materials and raise the awareness of the employees towards waste reduction at source. To achieve these goals, the Group has identified the source of hazardous and non-hazardous waste and recognised the recyclable materials. The non-hazardous waste from the office operation of the Group is mainly general refuse, while the hazardous waste is mainly used toner cartridges and used light tubes.

In general, recyclable materials are sorted and transferred to recycling companies regularly, while hazardous waste is gathered centrally and collected by authorised parties or property management companies. To reduce paper waste, the Group sets the printers and computers to default duplex and reminds employees to reduce the number of photocopies whenever possible. In addition, we encourage our employees to use reusable dishware and cutlery instead of disposable ones by displaying notices and posters in offices, so as to raise awareness of waste reduction among employees.

In respect of site operation, as a way to identify and properly handle waste generation, a Waste Management Plan will be compiled before the commencement of designated projects, which sets out the approach and procedures for the management of waste generated from the various construction works, as well as the arrangements for storage and reduction of waste in accordance with the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong). A monthly waste audit will also be carried out to monitor the amount of various waste produced and supervise the compliance of sub-contractors.

In the construction phase, sub-contractors are required to handle hazardous waste and non-hazardous waste separately to avoid land contamination. The hazardous waste, such as chemical waste, shall be properly packaged, labelled and stored at designated areas and transferred to qualified parties for handling pursuant to the requirements of relevant laws and regulations. Apart from hazardous waste, construction and demolition (“**C&D**”) waste is the major non-hazardous waste arising from construction works, which is sorted and segregated into different containers. The sub-contractors are advised to recycle and reuse the C&D waste to the greatest extent possible before the transportation to designated disposal sites by authorised companies.

GHG Emission

The Group recognises the alarming situation of global warming and climate change and therefore aims to minimise GHG emissions. The direct source of the Group’s GHG emissions is fuel combustion from vehicles while the indirect emission sources of the Group’s GHG emissions include purchased electricity, disposal of paper waste, sewage treatment and business travel. Due to the Coronavirus Disease 2019 (“**COVID-19**”) pandemic, business travel has been restricted throughout the Year without contributing to GHG emissions. On the other hand, the Group’s GHG emissions in the Year were mainly from energy usage including electricity consumption in the workplace and fuel consumption of vehicles. Therefore, the Group has set targets for minimising GHG emissions from energy consumption by enhancing energy efficiency of resource use and promoting a low-carbon lifestyle in the workplace. Details of the measures taken to reduce electricity consumption in the workplace and vehicle use will be discussed in the “Resources Conservation” and “Pollutant Emission” sections respectively.



Protecting Our Environment

Pollutant Emission

The major air emissions caused by the Group's operation stem from vehicle exhausts. To reduce emissions from our vehicle fleet, we have purchased vehicles with small engine displacements, and performed regular checks and maintenance on our vehicles. In office operations, we encourage our staff to take public transport instead of driving during transit to reduce the carbon footprint and subsequently reduce air pollutant emissions. For site operation, construction dust is the main air pollutant that may affect the air quality of the surrounding environment. Thus, we require sub-contractors to comply with relevant laws and regulations such as the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), so as to alleviate the air quality impact. For example, the Group requires dusty materials to be covered or sheltered, while water is sprayed on dusty materials before loading and unloading to avoid the emission of fugitive dust.

Wastewater

The water consumption of the Group is mainly attributed to the daily operation of the general office and construction sites. Domestic sewage is the major type of wastewater in the office and is discharged directly to the municipal drainage system. For site operation, sub-contractors are required to comply with the requirements stipulated in the relevant laws and regulations, such as the Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong). The daily effluent shall comply with the requirements in the water discharge license granted to the Group. Wastewater at construction sites is well-treated before discharge. For example, sand trap filters are installed to avoid the discharge of sand and large particles to the drain when a significant water pollution issue is anticipated.

Looking ahead, the Group will continue to put efforts into controlling the emissions in order to reduce the environmental impact caused by its operation.

RESOURCES CONSERVATION

Energy

The Group aims to enhance energy efficiency and promote a low-carbon lifestyle in the workplace. To achieve the energy-saving target, the Group takes actions to improve the efficiency of the lighting system, such as de-lamping for higher-than-required lighting level areas and separating light switches for different light zones to avoid unnecessary lighting when rooms are not in use. To reduce electricity consumption, we also implement measures to optimise the efficiency of the heating, ventilation and air conditioning (“**HVAC**”) system. For instance, the Group shall replace the air-cooled air conditioning system with the water-cooled air conditioning system and perform regular leakage checks for refrigerants.



Protecting Our Environment

Water

The Group has set targets to enhance water usage efficiency and increase the awareness of employees on water conservation. The Group endeavours to conserve water and implements various water-saving measures, including lowering the water pressure to the minimum practical level, performing regular leakage checks on piping and overflowing tanks, as well as identifying other hidden leakages by monitoring the water meter reading. Our employees are reminded of the importance of water conservation and encouraged to adopt water-saving measures, such as turning off faucets tightly after use to avoid water wastage.

Due to the nature of the construction industry, no packaging materials are used during our operation.

RESPONDING TO CLIMATE CHANGE

Climate change has become one of the most concerning topics to society and is indispensable to the Group. The Group has taken the initiative to identify the potential risks and impacts that may be brought to the Group.

In terms of the acute physical risks, more frequent extreme weather events, such as tropical cyclones and heat waves, may decrease the Group's production capacity ruining its reputation due to the delayed completion of construction projects. The strong wind that may cause a collapse of scaffolding and other temporary structures may incur maintenance and repair costs, and threaten the safety of site construction and office workers. In response to acute risks, a set of typhoons and rainstorms operational guidelines have been developed to protect the safety of workers. Emergency Response Plan of Typhoon Disaster is implemented to prevent life and property loss on the construction site after the issuing of typhoon signals. Code of Practice for Bamboo Scaffolding Safety also ensures the proper maintenance of scaffolds to prevent the collapse of temporary structures.

In terms of chronic physical risks, alternation in precipitation patterns and extreme variability in weather patterns increase the difficulty of the construction works and operation costs as more intense and frequent rainfall might lead to flooding on construction sites. The health of site workers is threatened due to the increased frequency of heat waves and the favourable conditions for mosquito-borne disease. To cope with the chronic climatic risk, the Group has enhanced the efficiency of the HVAC system and properly maintained channels and manholes to prevent flooding.

In terms of the transition risks, the Group faces stringent regulations on existing services such as tightening regulations in the aspect of energy efficiency and GHG emission intensity of the construction material used, which decrease production capacity of the Group and increase operating costs due to implementation of new practices. To better manage the transition risks, the Group will regularly review the existing and emerging climate-related trends, policies and regulations to avoid causing additional expenditure.



Caring About Our Employees

EMPLOYMENT AND WELFARE

The Group believes that employees are the most valuable assets and indispensable to its success. To protect employees' rights and interests, we strictly abide by relevant laws and regulations, such as the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong).

We have established a sound recruitment system, under which all recruitment processes are carried out according to the work requirements set by each department. Regardless of their nationality, gender, age, race, religious belief or disability, candidates with relevant professional qualifications and working experience would receive equal consideration for employment. We strictly comply with the Employment of Children Regulations (Cap. 57B of the Laws of Hong Kong) by closely examining the identification documents of candidates to ensure no child labour is employed. Once such labour incidents are discovered, the Group shall investigate the cases and dismiss the related employees promptly. In order to prevent forced labour, duties and responsibilities of the positions are clearly stated on the employment contract to protect the rights of employees. To ensure that our employees have sufficient time to rest, the policies of working hours and rest periods are in line with relevant employment laws and regulations, and clearly stated on the employment contract and staff manual. During the Year, no child or forced labour was employed by the Group.

On the other hand, the Group offers employees a competitive remuneration package, which is reviewed and determined with reference to the performances of employees and market practice. Also, promotion opportunities will be given to employees with outstanding performance in their appraisal, which enable the long-term development of employees together with the Group.

For employees who are required to go on business trips, the Group provides accommodation for employees who travel to locations where company accommodation is set up. Otherwise, the Group provides travel allowances, including the expense of accommodation, travel and meals, to employees who are required to go on business trips.

In terms of employee benefits, in addition to the statutory requirements of monthly contributions to the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) and occupational retirement schemes under the Occupational Retirement Schemes Ordinance (Cap. 426 of the Laws of Hong Kong) for employees working in Hong Kong, we also provide employees with discretionary bonuses, allowances and insurances, including medical insurance, employee's compensation insurance and personal accident insurance. Employees who participate in external training would receive reimbursement of tuition fees as well. Besides, employees are entitled to annual leave, wedding leave, compassionate leave, maternity leave, paternity leave as well as statutory holidays. As for resigned employees, outstanding wages are paid pursuant to the requirements of the relevant laws and regulations.



Caring About Our Employees

We value opinions from our employees. We have provided a suggestion box for them to voice out their opinions or complaints anonymously. We have also engaged in communication with them through surveys, staff forums and newsletters. In addition, our human resource team would engage in discussion with employees who offer to resign, so as to identify the reasons for their resignation and the opportunities of retaining talents.

Great importance is attached to the work-life balance of our employees. During the Year, due to the COVID-19 pandemic, we only organised limited leisure activities, including the Christmas party and lucky draw activity for our employees so as to maintain their physical and mental well-being, and foster a sense of belonging to the Group.

HEALTH AND SAFETY

In face of the widespread outbreak of COVID-19 around the globe, the Group has been devoted to cooperating with the anti-epidemic efforts of the local authority by implementing various COVID-19 controlling measures in workplaces. Face masks and antiseptic products are provided to employees whenever necessary. Anti-pandemic posters are put up in the workplace to foster hygiene awareness among employees. Unless permissions are granted, entering the Group's office is not allowed for non-employees during high-risk epidemic outbreaking period. In addition, the Group has invited third-party cleaning companies to regularly disinfect office premises by applying Medical Grade Natural Disinfection. In order to prevent the spread of COVID-19 within the site area, the Group has also abided by the recommendation of the Construction Industry Council to inspect whether measures are well-implemented and adopted with the assistance of sub-contractors. Site workers are required to wear medical masks and shall present a valid negative COVID-19 test result within the past 14 days and measure their body temperature by using the infrared thermometer at the entrance of the construction sites.

In addition to COVID-19, the Group also places high importance on dengue fever and Japanese encephalitis on sites. The Group has taken precautions against mosquito-borne tropical diseases at different levels with reference to the Dengue Fever Gravidtrap Index from the Food and Environmental Hygiene Department of the Hong Kong Government.

Furthermore, the Group adheres to the people-oriented approach and has actively pushed forward safety measures in the workplace. In order to raise the awareness of our employees on occupational health and safety in the office, posters issued by the Occupational Safety & Health Council of Hong Kong, regarding tips for stress management at work, proper use of computers and stretching exercises, are put up at prominent locations within the office area.

Although site workers do not work under our employment, considerable attention is paid to their health and safety. Our sub-contractors are required to strictly comply with the laws and regulations associated with health and safety, such as the Construction Workers Registration Ordinance (Cap. 583 of the Laws of Hong Kong), the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), the Factories and Industrial Undertakings Ordinance (Cap. 59 of the Laws of Hong Kong), relating to providing a safe working environment and protecting employees from occupational hazards.



Caring About Our Employees

Due to the high-risk nature of work at construction sites, the Group has established systemic management of the Occupational Safety and Health Programme, which will be reviewed by an independent accredited safety auditor every six months for continuous improvement. A clear health and safety policy and statement, safety manual, safety plan and in-house safety rules have been set out to ensure that all aspects of health and safety are covered. All new employees are required to receive the Site Safety Induction Training to familiarise themselves with the Group's safety policy.

The Group aims at zero fatal accidents and endeavours to control the accident frequency at a rate that is no more than 0.49. In order to achieve the goals and improve continuously, the Group works closely with the sub-contractors. To ensure the compliance of sub-contractors, the Safety Committee of the Group holds regular safety meetings with the Site Safety Committee to discuss safety issues, such as non-conformity identified at the site inspection, work-related injuries, and updates of safety measures. It is compulsory for sub-contractors to attend the safety meetings and make remediations and improvements as required by the Group.

In order to promptly and effectively deal with dangerous incidents, injuries and other emergencies, the Group has set detailed emergency incident management procedures to ensure that each incident is dealt with and recorded accordingly. The records can also act as future examples for precaution measures. During the Year, emergency drills have been conducted on several construction sites to test the workers' response and make them well-acquainted with the roles and responsibilities during the emergency. Whenever there is a work-related incident on construction sites, sub-contractors are required to inform the Group within 24 hours. The emergency response team of each construction site is set up and is responsible for providing leadership and executing the procedures. The contact information of the respective members of the teams has been posted on the safety notice boards of each site.

During the Year, the Group was not aware of any violations of safety laws and regulations and did not record any cases of work injuries or lost days due to work injury. Meanwhile, no work-related fatalities were reported to the Group in the past three years including the Year.

TRAINING AND DEVELOPMENT

Driven by our firm belief in the profound importance of continuing education to enhance service quality, we provide education subsidies to motivate our employees to pursue further education. We also encourage our employees to attend training courses to keep up to date with the latest practices and the development of the industry, or to develop their management and decision-making abilities to enhance their work performance.

Safety is always the highest priority on site. Therefore, we provide safety training such as induction training and toolbox talks regarding various safety topics to site workers on a regular basis, ensuring that site workers are aware of the health and safety risks at sites, as well as the appropriate ways to use different equipment and machinery. In the course of training, site workers will be acquainted with relevant legal requirements as well as health and safety practices on construction sites, so as to maintain a high standard of safety awareness at all times. The safety training mainly covers the use of personal protective equipment, fire safety, proper manual handling procedure, safe operation of machinery and correct posture for lifting and other tasks. The Group also encourages employees to attend different external training workshops that enhance different aspects of our employees, for example, our employee has attended a mental health first aid course, in order to provide support to other employees' mental health.

Operating Practices

SUPPLY CHAIN MANAGEMENT

In our construction projects, sub-contractors are our major suppliers. To maintain the quality of services, the Group is careful about choosing experienced and qualified sub-contractors by examining their employment performance through interviews with workers, inspections of relevant records and site visits. Selection criteria for sub-contractors include safety performance, quality of workmanship, product availability, and on-time delivery. A list of approved sub-contractors is maintained and reviewed at least once a year, where the review includes a scoring system which bases on different aspects of the sub-contractors' performance, including product and service quality, work completion timeliness, product material control, on-site monitoring ability and progress maintenance. Sub-contractors with poor quality of work or unsatisfactory job performance will be removed from the list. We shall continue to seek opportunities for lowering the risks from the supply chain and minimising the impacts on the quality of our services.

Besides, the Group takes into consideration the potential environmental and social risks brought by suppliers, such as the health and safety-related performances of sub-contractors. Environmental and social risks associated with the suppliers that might cause financial impacts would be identified, evaluated and monitored by the Group through reviewing the updates of the supply chain-related global and local policies. In addition, we regularly discuss with internal and external stakeholders to pinpoint the supply-chain-related environmental and social risks. To better manage the supply-chain-related environmental risks, we offer priority to sub-contractors with relevant ISO certifications, such as ISO 14001 Environmental Management System and ISO 50001 Energy management certification, or other recognised environmental certifications. The requirements on environmental protection and energy conversation are set out for selecting suppliers during the bidding and acceptance processes. The Group shall review their environmental performance in various aspects to reduce the potential environmental risks in their businesses. To better manage the associated social risk, we give priority to the suppliers that have followed internationally recognised standards of social risk management or signed international agreements regarding social risks.

Green procurement

We adopt green procurement practices. To promote eco-friendly services, we deliver the message of sustainable procurement, energy conservation, and environmental protection to our suppliers through different means, such as sharing sessions, interviews and site visits. Meanwhile, the Group preferentially selects and requires our suppliers to provide eco-friendly products, including but not limited to highly recyclable products, products that emitted fewer harmful substances during installation, products with energy or water efficiency labels that are certified by Hong Kong Electrical and Mechanical Services Department or Hong Kong Water Supplies Department respectively. Furthermore, suppliers with geographical proximity to the Group are favourably selected to decrease the carbon footprint produced due to long-distance transportation.

QUALITY ASSURANCE

The Group understands the importance of quality control. Therefore, the Group has established and implemented a quality management system in our operations, which conforms to the internationally recognised ISO 9001:2015 Quality Management System Standard. A set of Quality Manual is in place as guidance and standard operation procedure to ensure compliance with the requirement of ISO 9001 and relevant laws and regulations related to quality management, such as the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong). During the stage of project implementation, we perform regular inspections to monitor the progress of the project and ensure compliance with our guidelines. Regular meetings with our sub-contractors are held to address material quality issues in a prompt manner and to ensure that sufficient resources are allocated for the timely completion of the project. With regard to the procurement of materials required by the contract, a list of materials will be submitted to project architects for approval to ensure the quality of materials. The Group has also a clear record of the origins of material and where the materials are used specifically. In cases where the supplied material or the finished product is not satisfactory, the Group can investigate the material origin and use records to identify the unsatisfactory material and its origin. As a way to enhance the satisfaction of customers towards our services, we maintain close contact with customers on an ongoing basis to keep them informed of the status of the project and to collect their feedback. Follow-up actions such as remedial and preventive actions will be taken accordingly after receiving customers' comments, which also act as a reference for our future improvement.

During the Year, the Group did not receive any complaints pertaining to our products and service quality or any requests for product recall for health and safety reasons.

CUSTOMERS' INFORMATION PROTECTION AND INTELLECTUAL PROPERTY RIGHTS

With integrity being our intrinsic business value, we comply strictly with relevant laws and regulations, such as the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) to protect the personal information of our customers. We ensure our computer database security to safeguard the client's information. The personal information of our customers is collected and used in a responsible and non-discriminatory manner, where the use of information is restricted to the purposes stated in the contract. The confidential information of our customers is stored properly in the office and not allowed to be taken away from the office without the permission of the senior management as stated in the Code of Conduct. Meanwhile, employees are allowed to collect clients' information only when necessary. Monitoring and testing of the privacy risks are ongoing to prevent information from accidental loss and unauthorised access.

The Group endeavours to protect intellectual property rights. We strictly comply with the relevant laws and regulations in Hong Kong. Employees are required to apply for software installation and only legitimate software is approved to avoid infringement of others' intellectual property rights. All software has to be used in compliance with the license agreement. Employees are not allowed to download any software that requires or might require licences or proper authorisation unless before requesting permission. We conduct periodic checks to prevent any infringing copies of the software on the staff's computers. Besides, personal portable computers are not allowed to connect to the browser server without prior permission.



Operating Practices

ANTI-CORRUPTION

The Group recognises that unethical behaviour could tarnish its image and weaken its stability. Therefore, the Group acts in strict compliance with relevant laws and regulations regarding anti-corruption and anti-bribery, including the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong). In order to enhance the employees' awareness of anti-corruption, the Group has set out the anti-corruption requirements in the Code of Conduct which is available on the server and would be updated if necessary. During the Year, the Group has provided all new recruits with anti-corruption training organised by the human resource department. Meanwhile, all employees are reminded of the requirements regarding anti-corruption every year.

The Group forbids employees to solicit or accept any advantage, including money, gifts, loans, commissions, offices, contracts, services or favours, in connection with their duties, without the Group's permission. In order to deter corruption, employees are highly encouraged to report to us if they have received any gifts from our customers, suppliers or any parties conducting business with us. Employees who suspect a violation of the Code of Conduct or any bribery and corruption could report to the Group through confidential reporting systems and channels.

During the Year, there was no case of corruption that occurred within the Group.



Contributing to Our Community

Apart from the pursuit of business development, the Group also spares no effort in making charitable commitments which can be reflected by its active participation in various charitable activities.

During the Year, the Group encouraged employees to participate in several local charitable activities. The total amount of donation was around HKD3,000. Details of the charitable activities we participated in are as follows:

Name of Charitable Activities	Purpose of Charitable Activities
The Hong Kong Federation of Youth Groups (HKFYG) Run For Wellness 2021	To raise funds for the “Youth Wellness Psychiatric Service Scheme” and raise public awareness of the emotional health of young people.
ON-YASAI X FOODSPORT HUNGER RUN 2021	To support the food assistance program of “Feeding Hong Kong” for low-income group, as well as the community calorie drive program of FOODSPORT that promote the well-being of citizen.
St. James’ Settlement GOrun Together 2021 (Virtual Run)	To raise funds in the support of food assistance for alleviating financial pressure on people who are affected by COVID-19.
Lifeline Express Charity Run 2021	To raise funds for supporting the operation of Lifeline Express hospital Eye-train and its sight-saving mission.
Run for Food Virtual Charity Run 2021	To raise funds in the support of food assistance provided to the underprivileged.

Key Performance Indicators

During the Year, the details of environmental and social KPIs are as follows:

Environmental KPIs	2022	2021
Emission from Vehicles¹		
Nitrogen Oxides (kg)	3.39	4.46
Sulphur Oxides (kg)	0.07	0.08
Particulate Matter (kg)	0.25	0.33
Greenhouse Gases²		
Total GHG Emissions (tonnes CO ₂ e)	278	205
Direct Emissions (Scope 1) (tonnes CO ₂ e) ³	14	15
Energy Indirect Emissions (Scope 2) (tonnes CO ₂ e) ⁴	249	180
Other Indirect Emissions (Scope 3) (tonnes CO ₂ e) ⁵	15	10
GHG Emissions Intensity (tonnes CO ₂ e/employee)	3.02	2.09
Waste⁶		
Total Non-hazardous Waste (tonnes) ⁷	804	831
Non-hazardous Waste Intensity (tonnes/million HKD revenue)	2.48	1.35
Total Hazardous Waste (kg)	63	36
Hazardous Waste Intensity (kg/employee)	0.69	0.51
Use of Resources⁸		
Total Energy Consumption (MWh)	459	320
Energy Consumption from Purchased Electricity (MWh) ⁹	408	265
Energy Consumption from Fossil Fuel (MWh)	51	55
Energy Consumption Intensity (MWh/employee)	4.99	3.27
Total Water Consumption (m ³) ¹⁰	6,618	4,703
Water Consumption Intensity (m ³ /million HKD revenue) ^{10,11}	20.37	7.61

Notes:

1. The calculation of air pollutants takes reference from emission factors in "Reporting Guidance on Environmental KPIs" issued by HKEX. The Group has reviewed the calculation of emission from vehicles in 2021 and restated the relevant data accordingly.
2. The Group's GHG inventory includes carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. The calculation of GHG emissions is based on "Reporting Guidance on Environmental KPIs" issued by HKEX and the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" published by the Environmental Protection Department and the Electrical and Mechanical Services Department. For ease of reading and understanding, the GHG emissions data is presented in carbon dioxide equivalent ("CO₂e").
3. The data includes GHG emissions from the combustion of fuels in vehicles and is calculated based on the emission factors in the "Reporting Guidance on Environmental KPIs" issued by HKEX.
4. The data includes GHG emissions from the use of purchased electricity and is calculated based on the emission factors of local utility companies in Hong Kong. During the Year, energy consumption from purchased electricity increases due to various construction factors, such as the number of construction sites and the construction duration.



Key Performance Indicators

5. The data includes GHG emissions from the electricity used for water and sewage treatment, business trips by employees and disposal of waste paper in landfills. The calculation of GHG emissions from business trips is based on the International Civil Aviation Organization Carbon Emissions Calculator. Besides, the emission factors used for calculating GHG emissions of paper waste are sourced from "Reporting Guidance on Environmental KPIs" issued by HKEX, while those for calculating GHG emissions of water consumption are provided by the Hong Kong Water Suppliers Department and the Hong Kong Drainage Services Department. During the Year, business travel has been restricted throughout the Year due to the outbreak of COVID-19 without contributing to GHG emissions.
6. The calculation of waste generation covered only the data from the operation in Hong Kong, including the amount of waste generated, as well as the number of employees used for intensity calculation.
7. Non-hazardous waste data is based on the daily estimated volume of general waste in offices and the volume-to-weight conversion factors provided by the U.S. Environmental Protection Agency.
8. Energy consumption from fossil fuels in the use of vehicles is calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by HKEX.
9. During the Year, the Group's energy consumption from purchased electricity increases due to various construction factors, such as the number of construction sites and the construction duration.
10. The total water consumption and water consumption intensity of the Group in 2021 are recalculated and restated. During the Year, the Group's water consumption increases due to various construction factors, such as the number of construction sites and the construction duration.
11. The total water consumption in 2021 only covered the Hong Kong operation due to the inclusion of the water bill in the rent payment for the Beijing Chang-de operation. With the disposal of Beijing Chang-de, the water consumption intensity of the Year increases due to the reduction of the Group's revenue.

Key Performance Indicators

Social KPIs	2022
Employment¹	
Total Number of Employees	92
By Gender	
Male	70
Female	22
By Age Group	
Below 30 Years Old	2
30–50 Years Old	45
Above 50 Years Old	45
By Employment Type	
Full-time	92
Part-time	0
By Geographical Region	
Mainland China	0
Hong Kong	92
Employee Turnover Rate²	
Total Employee Turnover Rate (%)	8
By Gender	
Male	4
Female	18
By Age Group	
Below 30 Years Old	50
30–50 Years Old	9
Above 50 Years Old	4
By Geographical Region	
Mainland China	N/A
Hong Kong	8
Percentage of Employees Trained³	
Total Percentage of Employees Trained (%)	30
By Gender	
Male	33
Female	23
By Employee Category	
Senior	67
Middle	24
Junior	28

Key Performance Indicators

Social KPIs

2022

Average Training Hours Completed⁴

Total Average Training Hours Completed

2

By Gender

Male

3

Female

1

By Employee Category

Senior

8

Middle

2

Junior

1

Number of Suppliers⁵

Total Number of Suppliers

74

By Geographical Region

Hong Kong

74

Note

1. The Group starts to disclose the total number of employees by gender, employment types, age group and geographical region in the Year.
2. The Group starts to disclose the employee turnover rate by gender, age group and geographical region in the Year.
3. The Group starts to disclose the percentage of employees trained by gender and employee category in the Year.
4. The Group starts to disclose the average training hours completed by gender and employee category in the Year.
5. The Group starts to disclose the number of suppliers by geographical region in the Year.

Appendix 1: Content Index of Environmental, Social and Governance Reporting Guide

Aspects	Summaries	Reporting Chapters	Page No.
A. Environment			
A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting Our Environment — Environmental Principle; Emission Treatment; Resources Conservation	7; 8-9; 9-10
KPI A1.1	The types of emissions and respective emissions data.	Key Performance Indicators	18-21
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Key Performance Indicators	18-21
KPI A1.3	Total hazardous waste produced and intensity.	Key Performance Indicators	18-21
KPI A1.4	Total non-hazardous waste produced and intensity.	Key Performance Indicators	18-21
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Protecting Our Environment — Environmental Principle; Emission Treatment; Resources Conservation	7; 8-9; 9-10
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Protecting Our Environment — Environmental Principle; Emission Treatment	7; 8-9
A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Protecting Our Environment — Environmental Principle; Resources Conservation	7; 9-10
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Key Performance Indicators	18-21

Appendix 1: Content Index of Environmental, Social and Governance Reporting Guide

Aspects	Summaries	Reporting Chapters	Page No.
KPI A2.2	Water consumption in total and intensity.	Key Performance Indicators	18-21
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Protecting Our Environment – Environmental Principle; Resources Conservation	7; 9-10
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Protecting Our Environment – Environmental Principle; Resources Conservation	7; 9-10
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	The Group's business does not involve the use of packaging material.	N/A
A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Protecting Our Environment – Environmental Principle; Emission Treatment; Resources Conservation	7; 8-9; 9-10
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protecting Our Environment – Environmental Principle; Emission Treatment; Resources Conservation	7; 8-9; 9-10
A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Protecting Our Environment – Responding to Climate Change	10
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Protecting Our Environment – Responding to Climate Change	10

Appendix 1: Content Index of Environmental, Social and Governance Reporting Guide

Aspects	Summaries	Reporting Chapters	Page No.
B. Social			
<i>Employment and Labour Practices</i>			
B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Caring About Our Employees – Employment and Welfare	11-12
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Key Performance Indicators	18-21
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Indicators	18-21
B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Caring About Our Employees – Health and Safety	12-13
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Caring About Our Employees – Health and Safety	12-13
KPI B2.2	Lost days due to work injury.	Caring About Our Employees – Health and Safety	12-13
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Caring About Our Employees – Health and Safety	12-13

Appendix 1: Content Index of Environmental, Social and Governance Reporting Guide

Aspects	Summaries	Reporting Chapters	Page No.
B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Caring About Our Employees – Training and Development	13
KPI B3.1	The percentage of employees trained by gender and employee category.	Key Performance Indicators	18-21
KPI B3.2	The average training hours completed per employee by gender and employee category.	Key Performance Indicators	18-21
B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Caring About Our Employees – Employment and Welfare	11-12
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Caring About Our Employees – Employment and Welfare	11-12
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Caring About Our Employees – Employment and Welfare	11-12
Operating Practices			
B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practice – Supply Chain Management	14
KPI B5.1	Number of suppliers by geographical region.	Key Performance Indicators	18-21
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operating Practice – Supply Chain Management	14

Appendix 1: Content Index of Environmental, Social and Governance Reporting Guide

Aspects	Summaries	Reporting Chapters	Page No.
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practice – Supply Chain Management	14
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practice – Supply Chain Management	14
B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Operating Practice – Quality Assurance; Customers’ Information Protection and Intellectual Property Rights	15; 15
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating Practice – Quality Assurance	15
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Operating Practice – Quality Assurance	15
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practice – Customers’ Information Protection and Intellectual Property Rights	15
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practice – Quality Assurance	15
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating Practice – Customers’ Information Protection and Intellectual Property Rights	15

Appendix 1: Content Index of Environmental, Social and Governance Reporting Guide

Aspects	Summaries	Reporting Chapters	Page No.
B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practice – Anti-corruption	16
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operating Practice – Anti-corruption	16
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operating Practice – Anti-corruption	16
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operating Practice – Anti-corruption	16
Community			
B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contributing to Our Community	17
KPI B8.1	Focus areas of contribution.	Contributing to Our Community	17
KPI B8.2	Resources contributed to the focus area.	Contributing to Our Community	17

智城發展控股有限公司
SMART CITY DEVELOPMENT HOLDINGS LIMITED