

# SUSTAINABILITY REPORT 2015

CONVEYING  
**SUSTAINABILITY**  
TO STAKEHOLDERS

## COVER STORY

# Conveying Sustainability to Stakeholders

In 2014/15, we continued to raise awareness among our stakeholders of the eco-friendly products and services we supply to customers and the community value creation initiatives undertaken for the community. This is represented in the dynamic image of a stone carrying conveyor belt reaching up towards the top of a bamboo forest, a symbol of our Chinese heritage as well as one of the most sustainable and sturdy construction materials species in nature, so as to represent our solid commitment to establish a greener environment in every stage of K. Wah Construction Materials unique value chain.

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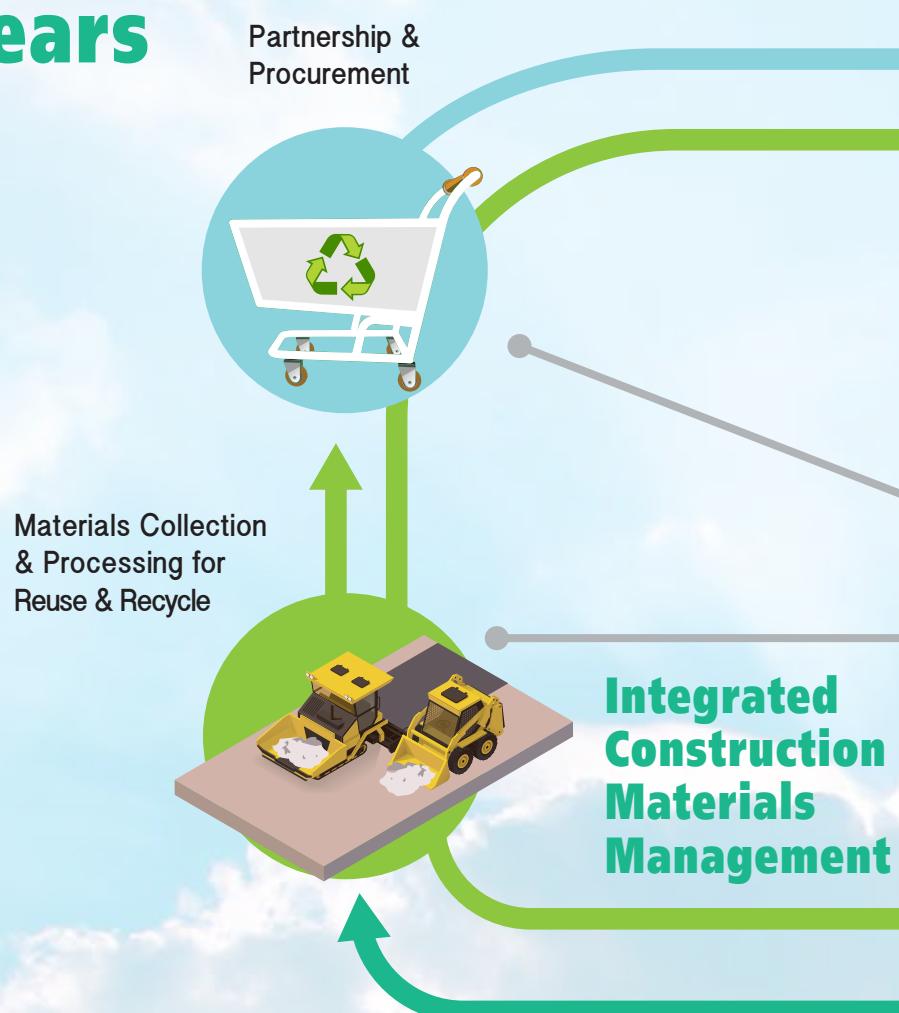
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# Milestones in Last 60 Years



Anderson Road Quarry



Introducing mechanization in quarrying

50s & 60s



K. Wah Concrete Co. Ltd. was established in 1983



Blasting process in the 1980s



K. Wah Stones (Holdings) Limited (currently known as K. Wah International Holdings Limited, stock code: 0173) went public in 1987

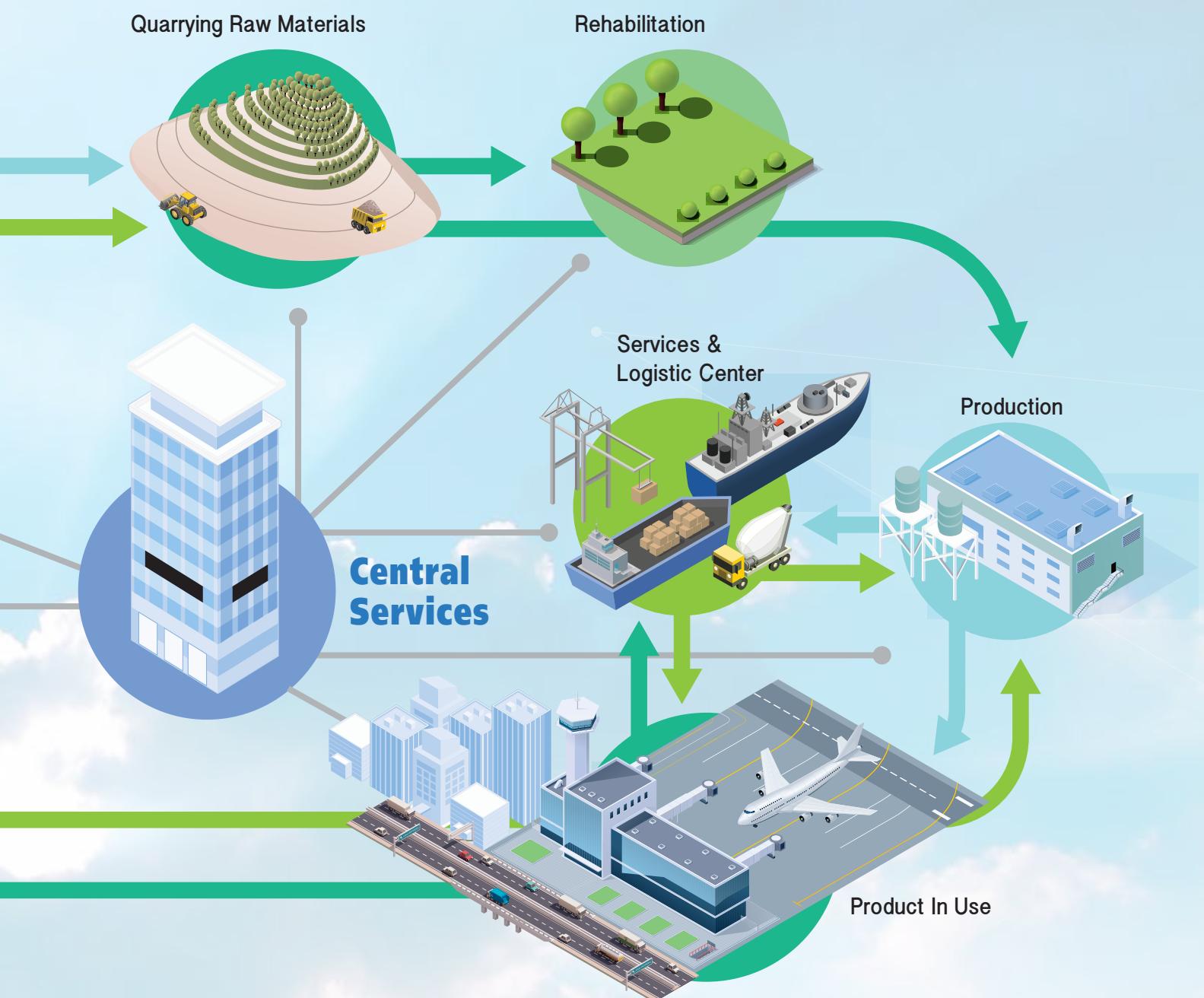
The 80s



Supplying quality aggregate with the latest technologies and modernized facilities



Exploring overseas technology of producing precast concrete products



KWCM established strategic partnership with renowned iron and steel enterprises in Mainland China

The  
90s



The 17-year span  
Anderson Road Quarry  
Rehabilitation Programme  
commenced since 1997

2000s

2010s



Guangdong Huidong Quarry



This second sustainability report of K. Wah Construction Materials (“KWCM”) covers our Corporate Social Responsibility (CSR), or Environmental, Social & Governance (ESG) performance for the period from 1 January 2014 to 31 December 2015. It also coincides with the 60<sup>th</sup> anniversary in 2015 of KWCM, the cornerstone on which the K. Wah Group has built its business.

During the review period, KWCM delivered satisfactory performance across our markets despite a challenging macro environment in Mainland China. In our home market of Hong Kong, we saw stable demand for construction materials even with the delays in major infrastructure projects.

We have been investing wisely for long term business success, in which a new flagship concrete production facility opened at Tai Po in the New Territories, which began full operation with other supportive value added function, such as customer services centre at end of 2015. This new facility will further strengthen our market position in the construction materials industry as well as offering significant cost savings for us.

In Mainland China, however, moderating economic growth during the two years under review reduced overall demand for cement and ground granulated blast-furnace slag. As a result, both products were under some downward pricing pressure. Nevertheless, the Central Government’s “One Belt One Road” policy helped to underpin demand for cement in related areas such as Yunnan Province, where we have strategically located cement production facilities.

## KWCM and Sustainability

KWCM’s approach to sustainability is guided by our parent company, Galaxy Entertainment Group (“GEG”), which has a clear vision for CSR and complies with ESG reporting requirements that are in accordance with local and international standards. With our comprehensive portfolio of eco-friendly construction materials, KWCM is one of the main contributors to GEG’s sustainability journey. Our approach to sustainability is further reflected in our theme line for this year’s report, Conveying Sustainability to Stakeholders. Through an image of a bamboo forest, we associate our Chinese heritage with the strength of our 4 core sustainability drivers, our flexibility in meeting the rising demand for eco-friendly products, services and our growing commitment to sustainability.

By publishing a third-party verified sustainability report, we have a credible communication tool for sharing on our qualitative and quantitative sustainability performance and gaining valuable feedback from stakeholders. It also serves as a reference for benchmarking ourselves against our industry peers and international best practices and measuring our achievements.

Since the publication of our first report just two years ago, we have already seen substantial changes in the way sustainability is practised in our industry. Internally, our employees have become more aware of the importance of sustainability and



# MESSAGE FROM THE MANAGING DIRECTOR

*Since the publication of our Sustainability Report, we have already seen substantial changes in the way sustainability is practised.*

have started to embed it in our daily operations. Externally, we have seen the rapid adoption of sustainability in the market, particularly in China where the government has initiated a national carbon trading system under its new, aggressive low-carbon policy. This policy, which covers energy-intensive industries such as ours, will take effect in 2017.

We are responding to this growing trend by improving the energy and carbon efficiency in our operations and production and encouraging our employees to participate in more CSR activities that maximise our social impacts with consideration and application of KWCM unique professionalism and experience.

## 2016 and Beyond

Although the outlook for 2016 remains challenging in light of the Mainland's continuing adjustments under the 'new normal' economy, we believe there are bright prospects for our business in the years ahead. In particular, we see tremendous opportunities for our business arising out of a combination of lower energy costs and the recent cuts in interest and deposit reserve ratios as well as the commencement of new infrastructure projects related to the "One Belt One Road" initiatives. All of these factors are expected to drive the medium- to long-term demand for construction materials.

As a Caring Company for more than a decade, we take our responsibilities to our employees, customers and the community seriously and are fully committed to serving our stakeholders better while creating greater value for our shareholders. We hope you enjoy reading our Sustainability Report 2015, and look forward to your valuable feedback, which is important for us to prepare for next 60 years of success.

## Joseph Chee

Managing Director  
K. Wah Construction Materials



# ABOUT THIS REPORT

KWCM publishes a sustainability report every two years as a means of reporting on our sustainability performance and measuring progress; identifying, analysing and managing potential operational risks; safeguarding our reputation; and enhancing our competitive advantage.

This is the second sustainability report published by KWCM. It covers the period from January 2014 to December 2015 and the operations of our Head Office and wholly-owned subsidiaries, and Joint Venture (JV) plants under our management control. In this report, we have expanded the scope of our coverage from Hong Kong and Southern Region to cover as many of our operations as possible, including the Northern, Eastern and Yunnan Region of Mainland China.\*

In the years ahead, we will continue to publish sustainability reports every two years. In the meantime, we welcome your feedback and suggestions at [sustainability@kwcm.com](mailto:sustainability@kwcm.com).

\* Please note we have not been able to include the performance data of some offices owing to different (and therefore non-comparable) data collection systems.



## Reporting Principles

All qualitative and quantitative information contained within this Report makes reference to the following:

- Global Reporting Initiative (GRI) Linking G4 and the Stock Exchange of Hong Kong Limited (SEHK) ESG Reporting Guide;
- GRI Sustainability Reporting Guidelines version G4, Core Level;
- ISO26000:2010 Guidance on Social Responsibility; and
- The Business Environment Council (BEC) Handbook of Understanding Materiality for Environmental, Social and Governance Reporting.

This Report is also based on the findings of our materiality analysis, which takes into account stakeholder concerns and issues of material interest by our industry peers.

## External Assurance

In accordance with the GRI G4 Guidelines 'Core' option, this Report has been independently verified by The Hong Kong Quality Assurance Agency (HKQAA), and makes reference to the Institute of Social and Ethical Accountability standard AA1000, the Global Reporting Initiative (GRI) G4 Guidelines with corresponding linkage document with SEHK ESG and ISO 26000:2010 Guidance on Social Responsibility.

The assurance statement provided by HKQAA can be found in P.46 of this Report.



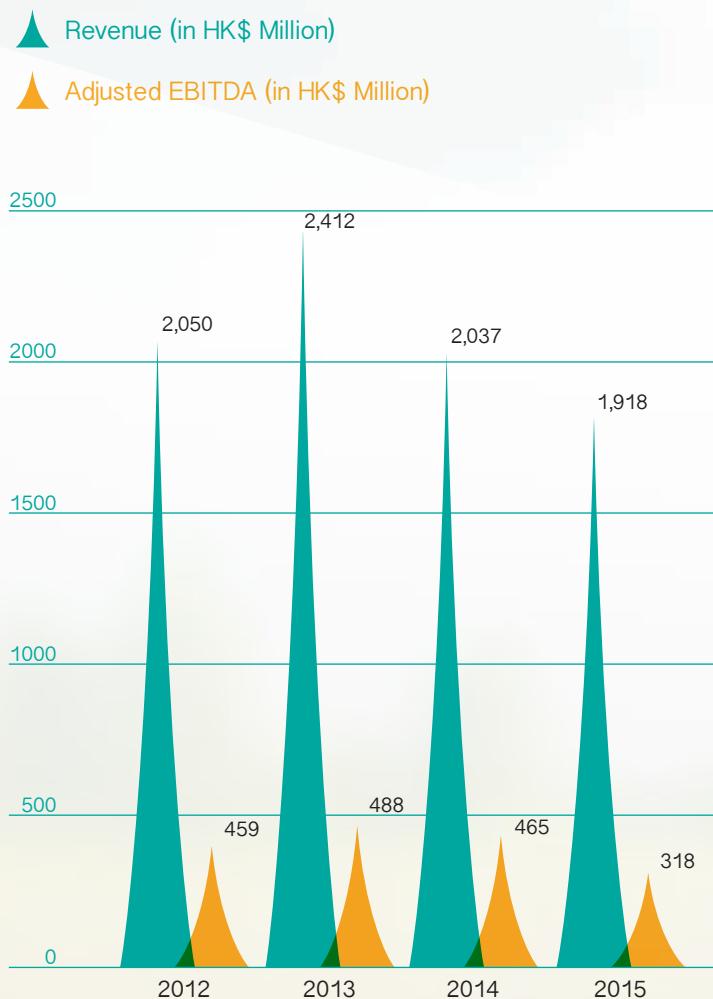
# ABOUT K.WAH CONSTRUCTION MATERIALS

*We recognise the need to continue investing in order to ensure our sustainable growth.*

## Corporate Profile

K. Wah Construction Materials (“KWCM”), a wholly owned subsidiary of Galaxy Entertainment Group (“GEG”), is a vertically integrated resources based company supplying aggregates, ground granulated blast furnace slag (“GGBS”), cement, and other downstream building materials, with a strong focus on creating value in a sustainable manner. KWCM is the cornerstone on which the K. Wah Group has built its business for over half a century. As a pioneer in the quarrying industry, KWCM was granted the first contract quarry rights at Anderson Road in Hong Kong in 1964.

From our business base in Hong Kong, KWCM has branched out into Macau and Mainland China in over a dozen major cities and industrial strongholds. These include Beijing, Qianan, Qinghuangdao, Sanhe, Shanghai, Nanjing, Maanshan, Tongling, Ezhou, Liupanshui, Anning, Baoshan, Shizong, Daguan, Zhenyuan, Shaoguan, Huidong, Guangzhou and Shenzhen. Products manufactured by the company are sold in Hong Kong, Macau, and Mainland China. In 2014 to 2015, we continued to supply a diverse range of construction materials to major infrastructure projects in Hong Kong, Macau and Mainland China. As at 31 December 2015, KWCM (including JV companies) employed around 3,000 professionals across four business regions and over a dozen major cities and industrial hubs in Mainland China.



For further details on our financial performance, please refer to the GEG annual report at [www.galaxyentertainment.com](http://www.galaxyentertainment.com).

-  **Cementitious Products**
-  **Conventional Products**

 [Qinhuangdao](#)  
 [Sanhe](#)  [Qianan](#)

HEBEI

JIANGSU

ANHUI

HUBEI

 [Nanjing](#)

[Maanshan](#) 

[Ezhou](#) 

 [Tongling](#)

[Daguan](#) 

YUNNAN

[Anning](#) 

 [Baoshan](#)



[Shizong](#)   
[Zhenyuan](#)

GUIZHOU

 [Liupanshui](#)

GUANGDONG

[Shenzhen](#) 

[Macau](#) 

 [Shaoguan](#)

 [Huidong](#)

 [Hong Kong](#)

Business economics, one of our four core sustainability drivers, is especially critical in a challenging market environment. When unfavourable economic conditions prevail, we must utilise our resources carefully, exercise tight cost controls and seek more profitable revenue growth.

At the same time, we recognise the need to continue investing in order to ensure our sustainable growth. During the review period, we expended the capacity of low-carbon construction materials production such as cement/GGBS facilities in China. At our Tai Po Cement Depot in Hong Kong, we started a new concrete production line supported by a centralised customer services centre with a greener point-to-point materials delivery system.

These initiatives, together with the continuous demand for eco-friendly, low-carbon construction materials, will benefit our business over the long term, creating greater shareholder value and greener communities in the markets we serve.

**Alan Tso**

Chief Financial Officer



## Production Capacity

### Annual production capacity of construction materials

Product	Quantity
Cement (Including plants under construction)	over 12 Million Tonnes
GGBS	over 11 Million Tonnes
Aggregates	over 6 Million Tonnes
Ready Mixed Concrete	3.7 Million M <sup>3</sup>
Concrete Pipes	over 60,000 Tonnes
PHC Piles	1 Million Metres
Blocks & Pavers	50 Million Pieces
Asphalt	400,000 Tonnes

### Charters and Memberships

- Concrete Pipe Producers Association
- Concrete Products Association
- Contract Quarry Association
- Green Cross Member – Occupational Safety & Health Council
- Hong Kong Asphalt Pavement Association
- Hong Kong Construction Materials Association Limited
- Occupational Safety Charter – Labour Department, HKSAR
- The Hong Kong Green Building Council
- Workplace Hygiene Charter – Occupational Safety & Health Council, HKSAR

### Facilities Completed in 2014/2015

Product	Facilities	Location
Ready Mixed Concrete	Plant	Tai Po Depot, Hong Kong
Blocks & Pavers	Plant	Eco Park, Hong Kong
GGBS Phase II	Plant	Nanjing, Jiangsu
	Plant	Anning, Yunnan
Cement Phase II	Plant	Baoshan, Yunnan
	Plant	Zhenyuan, Yunnan

## Selected Major Awards

**2014**

Award	Presenter
10 Consecutive Years Plus Caring Company Logo	The Hong Kong Council of Social Service
Hang Seng Pan Pearl River Delta Environmental Awards - 5 years + Entrant, Green Participant	Federation of Hong Kong Industries/Hang Seng Bank
CEDD Construction Site Safety Award – Silver Award	Civil Engineering and Development Department
20 <sup>th</sup> Considerate Contractors Site Award Scheme - Outstanding Environmental Management & Performance Award - Bronze Award	Development Bureau/Construction Industry Council
13 <sup>th</sup> Hong Kong Occupational Safety and Health Award - Safety Performance Award (Construction)	Occupational Safety and Health Council
HSBC Living Business Award 2014 – Green Achievement Award - Certificate of Excellence - Long Term Achievement Award	Business Environment Council/HSBC
Hong Kong Awards for Environmental Excellence - Energywise Label & Wastewise Label — Class of Excellence	Environmental Campaign Committee

**2015**

Award	Presenter
Hang Seng Pan Pearl River Delta Environmental Awards - Silver Award - Green Participant - 5 years + Entrant	Federation of Hong Kong Industries/Hang Seng Bank
Caring Company — 10 Years Plus Caring Company Logo	The Hong Kong Council of Social Service
21 <sup>st</sup> Considerate Contractor Site Award Scheme - Outstanding Environmental Management & Performance Award - Bronze Award - Public Work — New Works — Bronze Award	Development Bureau/Construction Industry Council
HSBC Living Business Awards 2015 - Long Term Participation Award - Caring for People Award — Certificate of Merit - Community Engagement Award — Certificate of Merit - Green Achievement Award — Certificate of Merit	HSBC, Commercial Banking
14 <sup>th</sup> Hong Kong Occupational Safety & Health Award - Safety Performance Award — Construction - Safety Management System Award — Construction - Certificate of Participation	Labour Department/Occupational Safety and Health Council



## Corporate Governance

As a wholly-owned subsidiary of Galaxy Entertainment Group, KWCM is committed to the highest standards of corporate governance by adopting and complying fully with established policies, systems, and guidelines. This enables us to create sustainable shareholder value while meeting our obligations towards shareholders and other stakeholders.

As an essential part of this commitment, we operate within a well-defined governance structure and subscribe to the corporate culture and core values of the K.Wah Group, which are based on the three cornerstones of accountability, integrity, and loyalty. These values shape our corporate culture, guide us in making decisions and conducting our business, provide a foundation for sound corporate governance, and support our endeavours in CSR and other sustainability initiatives.

## CSR Committee

In 2006, we formulated a CSR policy and management structure for overseeing our approach to CSR, ensuring protection of the environment, caring about the community and reaching out to those in need. Our management structure guides us in fulfilling our commitment to CSR and in contributing to the sustainable development of the economy, society and the environment. KWCM has set up a CSR Committee which has as its advisor the Managing Director, and is chaired by a senior manager nominated by the Committee, which comprises other senior management and volunteer representatives as members. The Committee is responsible for making decisions on KWCM's CSR strategies and policies and overseeing their execution. It also directs and governs the activities organised by the KWCM Social Club.

## Sustainability Department

The Sustainability Department at our head office is responsible for the overall development and management of KWCM's sustainability efforts according to our Four Core Drivers from P.21.

The Department also establishes company-wide strategies for identifying, monitoring, reviewing and controlling our sustainability strategies in our business and products. Each of the Four Core Drivers has its own set of clear and quantifiable sustainability objectives and performance, with defined deliverables incorporated into KWCM's future strategy. The Department also works closely with cross-regional and functional teams to set corporate sustainability goals and enhance the brand reputation of the company.

## **United Efforts for Sustainability**

### **David Chen Haibo**

**Associate Director – Regional Head (Southern Region)**

During the review period, we were delighted to have reached many exciting milestones, such as the establishment of a new concrete production depot and customer services centre in Hong Kong, which supports KWCM both locally and across Mainland China. Moreover, our teams spent more time serving society by teaching the next generation about sustainability in our industry, conducting tours of our operations, and reaching out to the community in order to increase awareness of green construction.



### **Liu Yuan Zheng**

**General Manager – Deputy Regional Head (Eastern Region)**

Over the past two years, we have been focusing on the development of environmentally-friendly GGBS products. For example, the recent completion of an additional 1.2 million tonnes per annum production line at Nangang, Nanjing, further proved our commitment to developing innovative green products in support of the construction industry and the community. What's more, our IT teams worked closely with head office to continually improve our online Energy and Carbon Management System, which allows us to closely monitor our impacts on the environment.

### **Yi Jian You**

**General Manager – Regional Head (Yunnan Region)**

Cement production is an energy-intensive operation that reminds us about the importance of a low carbon workplace. During the past two years, we have deployed more initiatives for enhancing energy and carbon management and reallocated our resources to make our operations greener in support of China's new sustainability initiatives such as the national carbon trading system that will be enacted in 2017.



### **Rudi Xiao Yang**

**General Manager – Regional Head (Northern Region)**

Since Safety & Environment is of such fundamental importance to the construction materials industry and our own operations, we are committed to safe and healthy workplaces for our employers and other stakeholders associated with us at every stage of the value chain. In addition, we have been proactive in preparing for the business opportunities that will be created by the government's new economic development policies.



# STAKEHOLDER ENGAGEMENT

*Ongoing stakeholder conversations are an integral part of our sustainability commitment.*

Through our ongoing conversations with stakeholders, we are able to obtain feedback as part of our sustainability commitment and drive innovation. Since our first formal stakeholder engagement exercise in 2013, we have been regularly reviewing our communications with different stakeholder groups and making adjustments to our sustainability commitment as required. Stakeholder groups include our people, customers, supply chain, JV partners and non-governmental organisations (NGOs). The information we collect from these exercises enables us not only to evaluate our sustainability performance but to benchmark ourselves against our industry peers.

In 2015, KWCM as the founding member of the K. Wah Group celebrated its 60<sup>th</sup> anniversary. This milestone in the Group's history caused us to reflect on what we have achieved and to focus on the challenges and risks we must contend with in order to sustain our leading role as an integrated construction materials supplier. This was a core consideration in how we defined the boundaries of our current sustainability report and the priorities we place on the sustainability issues that are material to us.

In line with GRI materiality principles, the way we defined material content for this report involved identification of the most significant and relevant issues by our senior management, as well as by external and other internal stakeholders. Disclosures of our management approach and identification of material aspects are consolidated as supplements in the Performance Highlights in P.43-44 of this Report.



## General Engagement Approach

**Internal Stakeholders:** We held regular dialogues with Our People through annual corporate forum, HSE promotion days, regular Integrated Management System (IMS) committee meetings, director safety site walks, semi-annual appraisals, surveys and interviews.

**External Stakeholders:** In order to identify and prioritise the main sustainability issues facing KWCM, we also invited external stakeholders to provide feedback and recommendations for future improvement. These included the following groups of stakeholders:

- Our customers - Input from customers was obtained in regular meetings, customer satisfaction survey and interviews throughout the reporting period.
- Supply Chain - during the year, we conducted a supplier survey and interviews.
- NGOs - We organised focus groups, co-organised community events, and collaborated with our NGO partners on special projects.
- JV Partners - Regular meetings and interviews were held with our key JV partners.



## Engagement Highlights

Stakeholders	Concerns	Engagements
Our People	HSE; fair working environment; employee benefits and development	Regular dialogues; annual Corporate Management Forum; IMS and Energy & Carbon Management (ECM) committee meetings; safety site walks; half yearly and annual performance reviews; surveys and interviews
Our Customers	Quality of products and Services	Regular meetings; satisfaction surveys and interviews
Supply Chain	Economic stability; tighter environmental and social requirements; business ethics; fair trade	Irregular meetings; surveys and interviews; business conduct
Government	Responsible project management; contributions to the local community	Regular meetings; legal compliance; rehabilitation initiatives
Environment/ Future Generations/ NGOs	Climate change leadership; sustainable product lifecycles; biodiversity conservation; developing future generations; social contribution	IMS and ECM management; engagements with students; focus groups; community events; collaboration on special projects
Shareholders (GEG)	Economic sustainability; workforce stability; corporate governance and risk management; legal compliance	Corporate governance, ESG performance

## Materiality Analysis

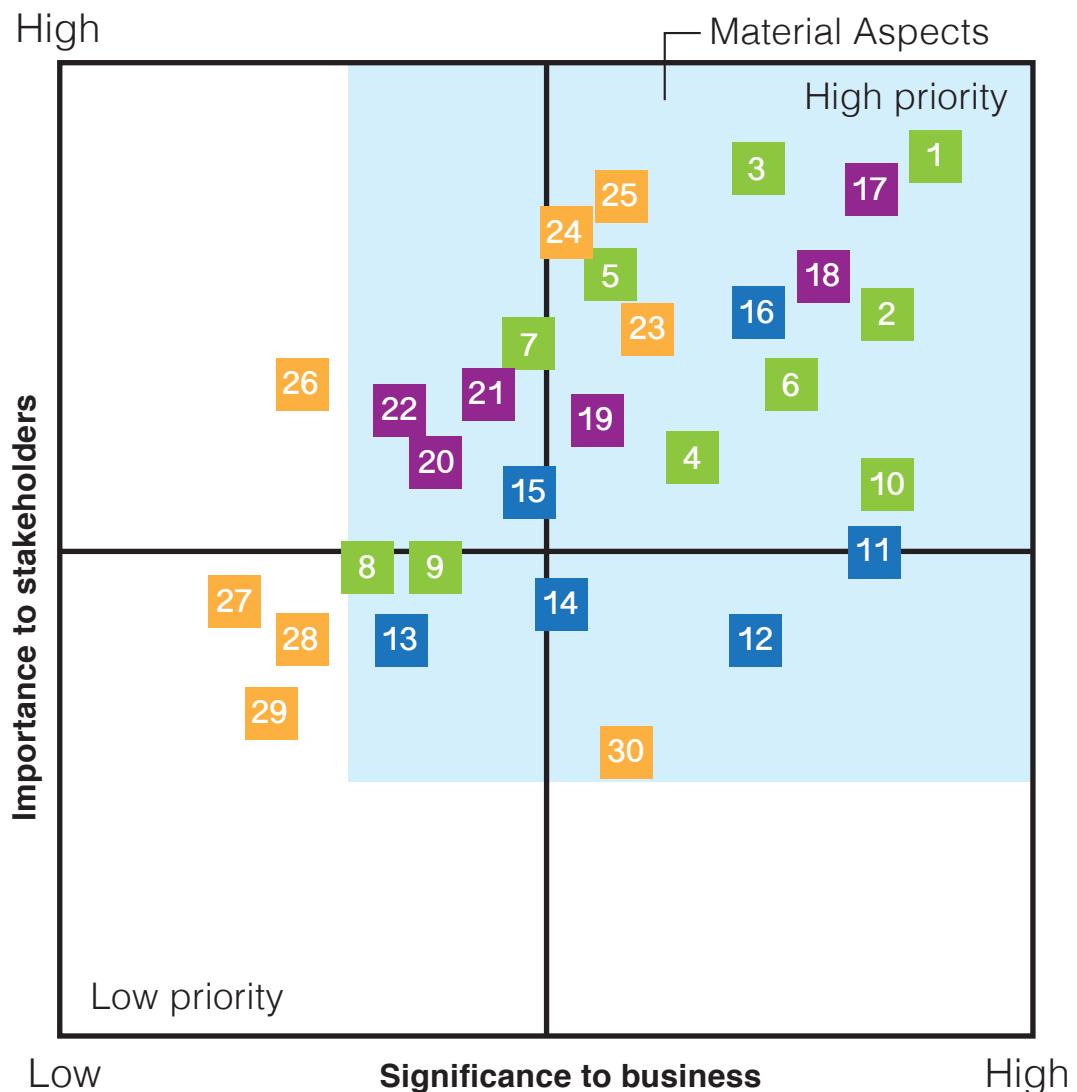
Material issues are categorised according to our well-defined Core Value Drivers.

The material aspects and issues identified for this Report are shown in the context of a materiality matrix. Operational themes defined were evaluated for;

- i) their importance to KWCM's stakeholders,
- ii) their reasonably estimable sustainability impacts and,
- iii) level of disclosure by our industry peers.

Material issues covered are further categorised according to our well-defined Core Value Drivers as described in KWCM's Value Creation Model (see P.20) and shown in the materiality matrix so that stakeholders can understand our best practices in a more structured way.

## Materiality Matrix



Safety & Environment
1. Occupational Health and Safety
2. Energy
3. Emissions
4. Materials
5. Effluents & Waste
6. Transport
7. Water
8. Biodiversity
9. Supplier Environmental Assessments
10. Environmental Products and Services

Business Economics
11. Economic Performance
12. Market Presence
13. Indirect Economic Impacts
14. Procurement Practices
15. Product and Service Labelling
16. Anti-competitive Behaviour

Our People
17. Training and Education
18. Employment
19. Labour Management Relations
20. Diversity and Equal Opportunity
21. Equal Remuneration
22. Non-discrimination

CSR
23. Local Communities
24. Compliance
25. Anti-corruption
26. Child Labour
27. Forced Labour
28. Supplier Human Rights
29. Supplier Assessment
30. Marketing Communications

# KWCM CORPORATE SUSTAINABILITY

*Sustainability has now become deeply ingrained in our operations.*

Corporate Sustainability is fundamental to our business approach for creating long-term value for our shareholders. We achieve this by integrating economic, environmental and social concerns. In our CSR activities, we not only fulfill corporate expectations but go beyond compliance with our legal obligations.

Our four core sustainability drivers form the basic framework of our sustainability approach, which is supported by the regular engagement activities we hold with stakeholders, some on a daily basis. The feedback we gain helps us to improve our performance and maintain high standards of sustainability.

Sustainability has now become deeply ingrained in our operations, internally through the employee engagements we provide, as well as externally through recent initiatives such as mentorships for the next generation of sustainability practitioners in local universities.

To enhance our sustainability performance, we focused on making further improvements in our core areas of sustainability. Safety and the environment will remain our top priority as our employees are our greatest business drivers that we need to take extra care in providing hazard-free and eco-friendly workplaces. In business economics, we will redouble

our efforts to develop new low carbon products and services. To attract and retain top talent, we will work on changing the image of the construction materials industry to show that a career in this field can indeed be a rewarding one. With regard to our focus on CSR, we will continue to make the best use of our human resources in order to benefit the community in ways that are both meaningful and long-lasting.

## Nick Lewis

Director,  
Business Development,  
Engineering, HSE & Sustainability



## Implementing our Sustainability Policy

To ensure the sustainable growth of our business, in 2012 we launched an Integrated Management System (IMS) as the first step towards bringing together health and safety, quality and environmental activities.

Using this systematic approach, we were able to integrate our external certifications (OHSAS 18001 and ISO 14001) for our concrete, asphalt, aggregate and concrete products businesses in Hong Kong. We will also continue to integrate complementary management system, such as the ISO 9001 Quality Management System, ISO 50001 Energy Management System and BES 6001 Responsible Sourcing. The Sustainability Policy communicates our commitment to improving environmental and social sustainability. Adopted throughout our business, it delivers a number of key messages and benefits.

## KWCM's Value Creation Model

Our competitive edge in the construction materials industry is based on our commitment to providing the highest quality products and services in the market. We are driven by our vision to be a leader in our industry and to provide shareholders with the greatest returns on their investment.

We meet the expectations of our stakeholders and create business value through our Four Core Drivers – Safety and Environment, Business Economics, Our People and CSR. These are incorporated into our strategic actions plan, which is summarised in the Four Year Business Plan.

## Development of our Core Drivers

The value of our Core Drivers varies according to the level of sustainability achieved in our different operational units. In all cases, compliance with legislation and risk minimisation are the basic requirements.

We reinforce our culture of sustainability and use our expertise to improve efficiency in our value chain, while exploring innovative new products and processes to improve on the practices of each Core Driver.



# Our Four Core Drivers

## 01 Safety and Environment

*Our goal is to turn all potential risks into opportunities for a unique and sustainable hazard-free, low carbon business model.*



KWCM considers Health, Safety and the Environment (HSE) to be a core value of our business. We are fully committed to safeguarding the health and safety of everyone who may be affected by our activities. As an organisation that aspires to be an industry leader in HSE management, we insist that our senior management demonstrates strong leadership and a visible commitment to safety and sound environmental practices. We also have a risk management system in place that ensures a safe and healthy working environment, prevents pollution and minimises our carbon footprint.

In order to develop a positive HSE culture, we encourage our employees and business partners to participate in HSE activities and provide the infrastructure, systems, learning and development opportunities, and recognition schemes required to support our objectives. All business units are required to submit an HSE Year Plan, covering the arrangements for budgeting, target setting, emergency procedures, training and promotional activities. The key planning objective here is to ensure each business unit establishes a comprehensive management plan to control and mitigate any HSE risks. The plan is also intended to create an internal benchmarking platform for meeting goals and sharing insights and success stories as part of our common goal to drive excellence throughout the company.



Promoting HSE culture is a crucial life-long exercise in KWCM. Our HSE Department works closely with regional teams and business units in daily communication to increase awareness of employees through deploying customised, user-friendly educational programmes, such as handbooks, videos, regular alert messages and best practices sharing in addition to traditional promotional materials like banners and posters. As part of our continual improvement programme moving into 2016, key tasks on-site will be to standardize the safety risk control measures on Energy Isolation and Safeguarding of Machinery.

### Turning Risk into Opportunity

In addition to our Plan-Do-Check-Act ("PDCA") approach and comprehensive Integrated Management System, our risk management approach enables us to transform HSE risks into opportunities for business and community sustainability. HSE risks arising from our activities and facilities are managed through a systematic process that allows us to ensure compliance with all legal



GE / 96 / 10  
The Rehabilitation of Anderson Road Quarry  
安達臣道石礦場重整及美化工程

**KWP Quarry Co. Ltd**  
嘉安石礦有限公司



KWP Quarry Co. Ltd is the operator of Anderson Road Quarry since 1997. Works under the quarry contract includes the formation of the new landform consisting of several benches of 20m high rock slopes and a 40 hectares platforms, together with landscaping works.

嘉安石礦有限公司自一九九七年起進行安達臣道石礦場重整及美化工程項目。工程包括建造多個台階的石斜坡。面積四十公頃的平台及綠化工程。



requirements and best industry practices. Through our HSE Risk Assessment Team comprising managers, frontline workers with relevant knowledge and HSE personnel, we are able to determine the full scope of HSE risks then analyse, evaluate and classify them in order to develop the appropriate risk control measures. For example, to address one of the risks arising from our operations – Energy and Carbon (EC) – we have a team of EC specialists who work closely with our management so that we can develop more environmentally-friendly workplaces and eco-friendly products and services.

### Making Safety and the Environment Part of Our DNA

Awareness of the importance of workplace safety and the environment begins with our intensive employee orientation programme. During their orientation, new employees learn about the key messages, roles and responsibilities of KWCM members with regard to sustainability, health, safety and the environment as well as energy and carbon.

In addition, we require all employees to sign a Personal Safety Charter, through which we instil a sense of individual accountability and encourage personal intervention and reporting of unsafe

behaviours. Another “bottom-up” approach to improving HSE performance is our HSE Recognition Scheme. Launched in 2012, this scheme invites all employees to submit HSE improvement ideas to the IMS Management Committee, from which a winning idea is selected and an annual award presented by top management. The winning case in 2015 recognised the environmental improvement and cost reduction from the vehicle washing design, which saved KWCM around HK\$62,000.



Our Managing Director Mr Joseph Chee (Left 1) receiving the Gold Award in CEDD Construction Site Safety Award 2015 ceremony in recognizing KWCM's HSE achievements in the rehabilitation of Anderson Road Quarry as one of key projects in sustainable development of local community.



Our supply chain is also part of our management approach to sustainability, which is applicable to the operations, workplaces, products and services of our suppliers. The Standard Management Procedure on green purchasing takes into consideration the safety, environmental characteristics and performance not only of the products we procure but the suppliers we work with. The objective of this approach is to ensure compliance with all safety, environmental, legal and other requirements in order to reduce any adverse impacts of the products and services we procure.

As of December 2015, near 80% of our key suppliers were sourced from local regions. Quality suppliers are always our priority to partner. During the selection process, we refer to our Supply Chain Assessment to identify the following:

- Suppliers' stated commitments to quality, safety and the environment, improvement programmes associated with certifiable management systems and achievements/recognitions in CSR.
- Compliance with applicable legal and other requirements of the jurisdictions in which the suppliers operate.

- Interest in and willingness to meet our stringent HSE requirements.

As an environmentally-responsible supplier and manufacturer of construction materials, KWCM takes special care when purchasing raw materials by making reference to socially and environmentally responsible criteria.

## Energy Efficiency

KWCM is committed to practising climate leadership in its operations by improving energy efficiency and reducing the carbon footprint of all of our operations, as this not only contributes to a greener, healthier environment but also greater shareholder value.

Our Energy and Carbon Management Policy, which was developed in 2013, follows all applicable standards such as ISO 50001 and highlights our intention to reduce Greenhouse Gas (GHG) emissions by investing in clean and sustainable technologies.

Using the same PDCA approach as our Integrated Management System, we hold regular committee meetings, conduct carbon audits and carry out



Raising the temperature set point of the air conditioning by 1°C could reduce energy consumption by around 6%.

將空調設備室溫設定調高1°C，可節省電耗約6%。

Source: CCA

Our new head office building is one of the key features in our drivers for a low carbon office. The design of the workplace allows for better utilisation of resources such as electricity, leading to a saving of around 26% in energy use, which was equivalent to a reduction in our carbon footprint of around 31 tons.

training in energy efficiency and carbon emission awareness to support all operational units in achieving their energy and carbon reduction targets.

We also have in place a dedicated team working across our regions to capture, monitor and analyse energy consumption and GHG emissions data from all KWCM managed operations to identify opportunities for improvement. At the end of 2015, this team had helped to reduce our headquarter footprint by over 24 tonnes, around 7% improvement over 2014 performance, a notable contribution that benefits not just our operations but the community as a whole.

As of December 2015, KWCM has invested near HK\$700 million in energy efficiency improvement projects and practices with a priority on lowering our carbon footprint in cement and GGBS operations. One example is our adoption of biomass as a replacement fuel for coal to generate power with steam. We have also been substituting fossil fuels with waste-derived fuels or other green sources of energy, such as the reuse of blast furnace gas. In addition to the application of variable motor speed devices for our production lines, all cement production lines are now equipped with a waste heat power generation system capable of generating electric power and saving coal. In order to reduce air pollution

in our cement operations, by year end 2015 KWCM had invested over HK\$50 million, nearly 4 times more compared with last reporting period, in a Selective Non-Catalytic Reduction (SNCR) systems, for reducing NOx emissions, which can have a wide variety of health and environmental benefits.

We have also been lowering the environmental impacts of our transport and logistics operations by upgrading old vehicles to more eco-friendly ones, such as those fitted with EURO V engines. Other green practices adopted by KWCM include the use of low sulphur diesel and the encouragement of good driving behaviours and better vehicle management practices, such as minimising pollution through predictive maintenance.



## Materials Management

The way we recycle waste materials plays a key role in our production and is incorporated into the product lifecycle right from the initial design phase. This strategy is part of the way KWCM is leading the community in minimising the burden to landfill, an issue of high concern that is being addressed by government.

A key milestone in our efforts to prevent, reduce, reuse and recycle waste was reached in 2011, when the Sustainable Recycling Programme (SRP) Charter was implemented for systematically integrating the collection and reuse of five targeted types of waste generated by our business units and stakeholders in

Hong Kong. These include the reuse and recycling of waste glass and construction waste, and processing rock and other selected construction and demolition waste from construction sites for the production of aggregates.

During 2014 to 2015, we proactively reused rocks for production, equivalent to nearly 0.8 million tonnes. Partnering with different organisations to create shared values, we have successfully enhanced public awareness and lessened the burden of local landfills.



Our colleagues showed their appreciation to the natural environment with the masterpiece snapshots in a “biodiversity conservation” themed photo-taking workshop in 2015 winter.



## Water Management

As quarrying operations and the production of building materials consume large quantities of water, we take special care to ensure this precious resource is used wisely and efficiently. KWCM operates on the no-discharge principle under which all recycled water is to be consumed. In addition to complying with statutory requirements governing waste water discharge and pollution, we conduct regular assessments of our water usage and produce action plans to reduce the volume of our water consumption.

Water used in our quarrying operations is mostly sourced on site, including abstracted ground or surface water at specific sites. We also treat, purify and reuse abstracted water. The recycled water collected is used for vehicle cleaning, housekeeping, dust suppression, and vegetation management.

## Biodiversity Conservation

KWCM takes great care to protect biodiversity around our sites by identifying best practices and new models for employees and partners.

For the Anderson Road quarry project, we undertook the largest rehabilitation project of its kind in Hong Kong with a massive rehabilitation initiative to restore the 44-hectare (440,000 square metres) site to its original or improved condition. The objectives of our management plan for this site are to rehabilitate the existing quarry faces in order to create a natural-looking hillside, protect significant habitats, reduce visual impact and ensure the Tai Sheung Tok ridgeline is maintained.

Incorporating the latest landscaping techniques and new plantings, the restoration will create an improved habitat capable of supporting a large variety of flora and fauna. It also takes into account future housing development in the area.

At the end of 2015, nearly 17,000 trees and shrubs of various species were planted. The total area of hydroseeding was 237,000 m<sup>2</sup>.



Our HSE Ambassador guides a group of students around the Anderson Road site as part of our unique teaching and engagement platform showcasing how KWCM has contributed to the development of Hong Kong over the past 60 years.

**Vice Principal Chan Mei Kuen  
Ju Ching Chu Secondary School (Kwai Chung)**

Our students and I enjoyed the tour. It was a valuable experience for understanding not just the construction materials operation but also the health and environmental management initiatives used in local development. The lecture and workshop will give the future generation great insights in how sustainability works.



One of key HSE improvement actions in our quarry site at Huidong is having a large umbrella shape shelter installed to perform as an encapsulation protecting the materials from potential contamination of the ambient environment. In addition, confined stockpiling with sprinkler system is in place to minimize the dust at aggregate dropping spots and the tube artificial trees are designed for greening the operation site.

This sea of beautiful rapeseed flowers surrounding our cement plant at Qujing, China demonstrates how we conserve the natural habitat around our operations.





# Our Four Core Drivers

## 02 Business Economics

*We create shared value for all of our stakeholders, including the community, our customers and investors.*



Senior management and functional representatives meeting in annual forum workshops for intensive themed discussion and team-building exercises on hammering out mid-range business operational plan and goals to drive continual business success.

As a responsible business organisation, KWCM adds value to the lives of its employees, customers and members of the community. As a financially strong company, we also place a high priority on the interests of our investors.

To achieve our business sustainability objectives, we have a medium- and long-term strategic framework, which includes our Four Year Business Plan. During our annual forum, we monitor our progress against the targets we have set while constantly revising and refining our strategies for growth. We also contribute our expertise and services in support of our parent company, Galaxy Entertainment Group, as well as K. Wah Group.

## Challenges and Opportunities

KWCM is meeting the challenges of sustainable development and the economic environment while uncovering new business opportunities. Over the past two years, these challenges have included the slowdown in economic growth in Mainland China, delays in major infrastructure projects, as well as uncertainties over the closure of quarries in Hong Kong.



To meet these challenges, we have been upgrading our management of raw materials, particularly aggregates, in anticipation of the high demand for new property and infrastructure developments. In addition to strengthening our supply chain in Mainland China, we have built a new flagship facility at Tai Po that will have a hugely beneficial impact on the way we manage raw materials, products and logistics. This facility will serve as an excellent platform for our future business growth as well as expanding the scope and scale of our operations.

By the end of 2015, our transformation into a sustainable company had enabled us to explore new business opportunities arising out of China's National Emissions Trading Scheme, which will be the largest scheme of its type when launched in 2017. To prepare for this eventuality, in 2014-2015 we invested millions of RMB on carbon reduction initiatives, including new and upgraded plant facilities for increasing energy efficiency. We also see business opportunities associated with China's 13<sup>th</sup> Five-Year-Plan and its focus on climate change and clean energy, as well as with the "One Belt, One Road" national development strategy. Cement remains a core product for driving business and setting new standards in environmental performance.

Our plant at Puer, Yunnan China, will be equipped with first class HSE and other sustainability features when it becomes fully operational in July 2016.

In Hong Kong, the Environment Bureau unveiled a new Energy Saving Plan for the Built Environment 2015–2025 that calls for a 40% reduction in Hong Kong's energy intensity over a 10-year period. The plan – the first such energy-saving blueprint in the territory – calls for an ongoing analysis of energy use in Hong Kong and also sets out the policy, strategy, targets and key actions for achieving this reduction.

With our growing emphasis on producing innovative green construction products throughout the value chain, we believe we have a major role to play towards a more energy-efficient, greener Hong Kong. We can also contribute our expertise in carbon reduction gained through our Shenzhen operation, which has been participating in the Shenzhen Carbon Trading Pilot Scheme since 2013. Through this scheme, we have gained substantial knowledge and experience in carbon trading, putting us at the forefront of carbon management in the local industry.



We encourage our people to share their expertise with the industry and our stakeholders, and in 2015 our Director of Business Development, Engineering, HSE & Sustainability assumed the chairmanship of the new Sustainability, Health, Safety & Environment Committee of the Hong Kong Construction Materials Associations Limited. During his tenure, he will promote the Committee's mission of supplying essential building materials for a sustainable future, in a manner that is economically viable and socially and environmentally responsible.



In our KWCM plants, our teams devise new initiatives to improve operational efficiency in keeping with our culture of innovation. Benefits include cost savings and revenue generation, as well as enhanced teamwork.

## Technology Innovation

Cement is one of the vital commodities for development with the versatile nature makes it suitable for construction of houses, roads, and large-scale infrastructure projects. China is the world's largest manufacturer of cement as well as a major consumer and exporter of cement. The sector is going through a period of deceleration in growth due to the oversupply of cement in the country and the defragmentation of the market. In order to be sustainable in the cement market, which is one of the most important manufacturing markets in the country, our professional teams are committed in pursuing technology innovation in the operation through optimising the production capacity and process. In 2015 to 2016, there are different projects pipelined for studying and testing improvements such as the application of phosphorous slag, which is an industrial waste with potential for polluting the environment. The aim of this work is to use it as a raw material in cement production providing reduction of energy and materials. Moreover, the re-engineering of current facilities such as the precalcinator to allow significant materials savings due to improved air flow for combustion, will provide further benefits. Our professionals regularly plan and review based on the unique features and set-ups at different plants to continually drive improvements in capacity and operating cost management with respect to international standards and benchmarking in the industry.

## Focus on Customer Satisfaction

At KWCM, we are strongly committed to providing our customers with the highest quality products and services. We maintain our quality and environmental standards according to the international ISO 9001 and ISO14001 certifications we have received, as well as the HKQAA's Quality Scheme for the Production and Supply of Concrete (QSPSC™) scheme for concrete products. To ensure on-time deliveries, our plants and depots have been built in strategic locations close to our customers' sites in Hong Kong. All ready-mix concrete trucks are installed with Global Positioning System devices to ensure the quickest, most efficient delivery of our products.

Since ensuring customer satisfaction is an ongoing process, we conduct face-to-face meetings with our customers during regular site and office visits. We also seek feedback on our performance to ensure that the quality of our products and services meets our customers' high standards.

Additional channels for communicating with our stakeholders include telephone conversations, email, and our company website and customer surveys.



The opening of our new flagship plant in Tai Po marked a new chapter in our 60-year history. This plant not only increases the production capacity of our new ready-mix concrete facilities but also shows how an industrial plant can exist in harmony with the nearby environment. With its true one-station capabilities and "direct fit" water transfer process, road transportation of materials and products is more efficient and greener. The new facilities also increase production and raw materials storage capacity. First-class supporting management and equipment are in place to minimize any environmental impacts, and reduce carbon footprint from the operations on-site.



In September 2015, our new Customer Services Centre began operating under the theme "We deliver what we promise". Targeting full implementation in the second quarter of 2016, the centre will function as our hub for logistics management and product deliveries between plants and customer sites.



# Our Four Core Drivers

## 03 Our People

*Our Code of Conduct is embedded in company policy, employee handbook and employment contracts.*



The success of our company depends on our ability to recruit and retain people of the highest calibre. At present, we employ around 3,000 professionals across more than 30 operations in Mainland China, Hong Kong and Macau. With such a diverse and wide-spread workforce, we have implemented systems and processes that enable our people across all of our businesses to develop and grow.

As sustainability requires that people are aligned with our objectives, we offer employee packages that not only comply with legal and other requirements but also provide comprehensive benefits and bonuses based on performance and financial results. During their employment with us, our employees are encouraged to pursue their personal and professional development through training, as part of our culture that respects the individual and rewards self-initiative and teamwork.

In order to groom our management high-flyers for more senior roles, we have a mentorship programme in place to ensure smooth succession among our leadership ranks. Through the application of the 8-Mindsets model, we create a harmonious culture within the workplace and encourage work-life balance by providing our employees with opportunities to develop their career potential and sense of wellbeing.

The caring culture we have instilled in our company links our people to the community through Corporate Social Responsibility (CSR) initiatives designed to create shared values.



## An Equal Opportunity Employer

As an equal opportunity employer with a diverse workforce, we do not allow discrimination in our hiring and promotion practices and follow all legal requirements, including the Code of Practice on Employment. We recruit people without regard to gender, disability, ethnic background or religion, as well as other considerations. All hiring and promotion decisions are based solely on individual competencies, experience and results.

Every employee, whether working with us on a full-time, temporary, or part-time basis, is entitled to statutory benefits such as social insurance, employee's compensation, and a mandatory provident fund.

## Business Ethics and Anti-corruption

At KWCM we maintain the highest standards of ethical behaviour in our business practices as this not only protects our reputation, but is the right thing to do.

We comply with the Prevention of Bribery Ordinance as well as other relevant anti-corruption laws and have published a Code of Business Conduct that all employees must follow.

This Code is embedded in our company policy, our employees handbook and employment contracts. It also sets out expected standards of behaviour and provides guidelines in areas such as soliciting advantages, accepting and offering advantages and conflicts of interest. We also communicate the importance of ethical behaviour through new employee orientation and regular employee briefings.

To ensure compliance with the recently-enacted Competition Ordinance, we published a competition policy and competition manual in July 2015 and communicated its key points to all relevant KWCM members through briefings and other communication channels.



## Training and Development

People development is one of the key essentials for a competent workforce and sustainable business growth. In 2015, we delivered or coordinated a wide variety of skills training workshops to support our employees training needs across all levels of the company and to help them meet their current job requirements and career development goals.

During the review period, we conducted new employee orientation workshops, training in leadership and supervisory skills, and other soft and hard skills enhancement programmes such computer and language skills. We also offered subsidies to help employees acquire training from outside sources in areas such as workplace safety, technical skills and professional knowledge.

To ensure a steady supply of future leaders from outside the organisation, we offer a 24-month Management Associate Programme that includes job rotations, training workshops and project assignments so that Management Associates can gain a greater understanding of the functional competencies required to work at KWCM.

Our Management Development Programme launched in 2013 continues to develop a pool of leaders within our own organisation for our succession planning and business expansion requirements. Managerial teams are able to explore and develop their leadership potential through training workshops that deepen their understanding of senior management roles at KWCM. The programme also provides a structured, individualised development plan enabling managers to advance their career development goals. This and other programmes offered by KWCM provides employees at all levels both vertical and horizontal career development opportunities.

In 2015, KWCM delivered around 32 training hours per employee in skills workshops tailored to their individual training needs.

# Our Four Core Drivers

## 04 CSR

*One of our goals is to create upward social mobility through community and stakeholder engagement.*



In addition to investing in our employees personal development, we also encourage their involvement in the community so that they understand the value we create for the company and society.

We provide direction and decide on the appropriateness of our community activities through the KWCM Social Club. Every month, Club members meet to review and evaluate the progress of these activities and provide feedback to our CSR Committee. The Club also reviews our CSR programmes according to our long-term strategy of community engagement and investment. Since one of our goals is to create upward social mobility through community and stakeholder engagement, KWCM has established long-term partnerships with various non-government organisations such as Evangelical Lutheran Church Social Service Hong Kong (ELCSSHK).

Our overall objective is to ensure our community engagement and strategic investment in workforce development adds value to KWCM and the communities in which we operate.

## Employee Care

For the wellbeing of our employees, we create a work environment that is not only safe and healthy but helps them achieve their full potential and enjoy a rewarding career. To that end, in June 2015 we relocated our head office to a less congested area of Hong Kong, with environmentally-friendly office interiors designed to be healthier, more conducive to productivity and better arranged for interaction and idea exchange among employees.

Since 2014, work-life balance has remained a key highlight of our operations. At KWCM, employees are able to enjoy social, recreational and sports activities, movie premiers, and special interest classes. We also provide recreational opportunities, such as our Summer Fun Day in which employees and their family members can interact with other KWCM colleagues.

At a Friday night wine tasting event, all participants had the opportunity to sample and learn about wines and food from various countries.



The KWCM Social Club organised the Being Happy wellness talk in which participants learned about the concept of positive thinking for a happier workplace.



KWCM Social Club organised the Eat Healthy! - Cancer Prevention talk at our Anderson Road site. Participants learned how to safeguard their health with cancer-fighting foods.





The KWCM Summer Fun Day 2015 attracted more than 400 employees and family members, who took part in various sports activities.



At KWCM, a majority of the activities we organise and participate in simultaneously benefit our employee and the community. Mr Alan Tso, CFO (front left) and 58 other KWCM sports lovers took part in the UNICEF Charity Run 2015. K. Wah Group was the principal sponsor of this event, which was held for the prevention and treatment of HIV infection in children.



## CSR in the Community

With our multi-pronged approach to CSR, we look for various opportunities to play a meaningful role in the community where our actions can have an impact. Volunteering in the community allows our employees to make use of their skills and to appreciate the real meaning of “giving”, which in turn further develops the caring culture within our organisation.

We also look for opportunities to promote environmental awareness and conservation through our participation in charitable and educational programmes. For example, over the past decade we have been partnering with ELCSSHK and, in 2015, began supporting its initiative to preserve Hong Kong's industrial, religious and natural heritage. One of these initiatives involved examining the unique ecology of Ma On Shan and this area's 60-year history of local mining — an important “living bible” for how the construction industry can co-exist with a sensitive environment.

Another CSR activity in which KWCM became involved is the Environmental Management and Technology Program of the Hong Kong University of Science and Technology. In this mentorship scheme, we have been exploring opportunities to work with students since 2014 on environmental-related projects as a means of skill-coaching for future leaders.

To contribute to a sustainable society, we participated

in a variety of charitable events during 2014 and 2015. Through employee recreational activities, we are able to maximise the value and effectiveness of our CSR efforts while meeting the needs of both our employees and the community.



KWCM has been one of sustainability advocates in driving local community development through supporting various programs such as the Caring Company of Hong Kong Council of Social Service for more than a decade.

## Performance Highlights<sup>1</sup>

Indicator	GRI Reference	2014	2015
Adjusted EBITDA (HK\$ million) <sup>2</sup>	EC1	465	318
Ratios of standard entry level wage - Overall	EC5	2.92	2.77
Ratios of standard entry level wage - Female	EC5	2.84	2.57
Ratios of standard entry level wage - Male	EC5	2.90	2.69
Senior management hired from local community (%)	EC6	100	100
Virgin raw materials for production (million tonnes)	EN1	6.32	6.51
Consumption of recycled materials (million tonnes)	EN2	6.58	5.04
Environmental paper consumption (kg) <sup>3</sup>	EN2	4,364	3,906
Carbon intensity - Aggregate (kg CO <sub>2</sub> / tonne of product)	EN7	2.78	2.62
Carbon intensity - Asphalt (kg CO <sub>2</sub> / tonne of product)	EN7	28.58	26.59
Carbon intensity - Blocks & Pavers (kg CO <sub>2</sub> / tonne of product)	EN7	0.72	0.57
Carbon intensity - Ready Mixed Concrete (kg CO <sub>2</sub> / M <sup>3</sup> of product)	EN7	0.94	1.00
Carbon intensity - GGBS (kg CO <sub>2</sub> / tonne of product)	EN7	74.25	72.06
Carbon intensity - Pipes (kg CO <sub>2</sub> / M <sup>3</sup> of product)	EN7	21.11	20.99
Carbon intensity - Piles (kg CO <sub>2</sub> / tonne of product)	EN7	13.40	8.57
Energy intensity - Cement (kgce/ tonne of product) <sup>4</sup>	EN7	104.75	102.15
Freshwater consumption (M <sup>3</sup> ) <sup>5</sup>	EN8	306,828	311,274
Biodiversity value (no of trees planted) <sup>6</sup>	EN11	3,536	4,447
Biodiversity value (M <sup>2</sup> area rehabilitated) <sup>6</sup>	EN12	13,473	7,139
Total direct and indirect carbon emissions (t CO <sub>2e</sub> ) <sup>7</sup>	EN15	5,695,572	5,778,780
Total direct and indirect carbon emissions (t CO <sub>2e</sub> ) - Head Office	EN15	199	175
Total direct and indirect carbon emissions (t CO <sub>2e</sub> ) - Southern Region	EN15	20,722	23,599
Total direct and indirect carbon emissions (t CO <sub>2e</sub> ) - Northern Region	EN15	245,974	181,936
Total direct and indirect carbon emissions (t CO <sub>2e</sub> ) - Eastern Region	EN15	146,804	123,869
Total direct and indirect carbon emissions (t CO <sub>2e</sub> ) - Yunnan Region <sup>8</sup>	EN15	5,281,873	5,449,200

### Remarks

1. In general, the performance statistics cover all operations under KWCM control, and separate remarks are made for areas with information not fully available per the different development stages of monitoring and measurement of different business units.
2. The financial performance data of KWCM refers to the annual financial report of Galaxy Entertainment Group (Stock Code: 27): <http://www.galaxyentertainment.com/en/investor/financial-reports>
3. The performance data covered the actual performance consumption of our Head Office, and all operations, except Yunnan Region, where control is under our Joint Venture partners.
4. The performance data of cement refers to the Yunnan Provincial Industry & Information Technology Commission which encourages cement companies to improve product unit integrated energy consumption for clinker with reference to GB 16780-2012.
5. The performance data covers the actual consumption of our operations excluded Northern and Yunnan Region.

Indicator	GRI Reference	2014	2015
Waste to landfill or incineration (tonnes)	EN23	20,796	15,588
No. of employee <sup>9</sup>	LA1	968	784
% of permanent employee	LA1	42	48
Employee by age, <30 (%)	LA1	19	15
Employee by age, 31 - 40 (%)	LA1	27	26
Employee by age, 41 - 50 (%)	LA1	28	29
Employee by age, 51 - 60 (%)	LA1	21	24
Employee by age, >61 (%)	LA1	4	5
Employee turnover (%)	LA1	12	13
Employee turnover by age, <30 (%)	LA1	21	27
Employee turnover by age, 31 - 40 (%)	LA1	12	9
Employee turnover by age, 41 - 50 (%)	LA1	11	13
Employee turnover by age, 51 - 60 (%)	LA1	6	9
Employee turnover by age, >61 (%)	LA1	9	7
Total number of employees taking parental leave	LA3	7	0
Total number of employees taking parental leave - Return-to-work rate (%)	LA3	100	N/A
Total number of employees taking parental leave - Retention rate (%)	LA3	86	N/A
Man-days lost (man-days)	LA6	1,434	1,201
Accident Frequency Rate (no. of accident per 100,000 Man-hours) <sup>10</sup>	LA6	0.18	0.16
Employee by gender, senior management - Female/Male	LA12	4/33	3/28
Employee by gender, middle management - Female/Male	LA12	29/91	32/83
Employee by gender, general employee- Female/Male	LA12	158/653	123/515
No. of training hour per employee	LA9	21.6	31.6
Volunteering hours <sup>11</sup>	SO1	700	2,874

6. The performance data was consolidated from corresponding operations as a project committed at Anderson Road site.
7. Carbon emissions covered Scope 1, 2 and partial 3.
8. The performance data covered the operations included two plants managed by our joint venture partners that completed carbon verification required by People's Government of Yunnan Province.
9. Performance data covering headcount fully managed by KWCM was used for calculating various indicators in the Report.
10. A fatal accident which occurred at Tai Po concrete plant involving a sub-contract employee is currently under internal investigation; the company is fully cooperating with relevant government departments to determine the cause of the accident, and to ensure all preventative measure are taken to ensure a safe workplace.
11. The performance data covered the actual performance of Head Office and Southern Region.

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## VERIFICATION STATEMENT

### Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) has been commissioned by K. Wah Construction Materials (“KWCM”) to conduct an independent verification of its 2015 Sustainability Report (“the Report”). The Report articulates the intense efforts and performance of KWCM towards sustainable development for the period from 1st January 2014 to 31st December 2015.

The aim of this verification is to provide reasonable assurance of the information presented in the Report in accordance with the principles for defining report contents and report quality. The Report is prepared in accordance with the Core Option of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the Environmental, Social and Governance (ESG) Reporting Guide of The Stock Exchange of Hong Kong Limited (SEHK) as well as referencing the ISO 26000 Guidance on Social Responsibility.

### Methodology

The verification methodology was referenced to practices such as:

- International Standard on Assurance Engagement 3000 (Revised) – “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board;
- GRI G4 Sustainability Reporting Guidelines;
- ISO 26000 – Guidance on Social Responsibility; and
- SEHK’s ESG Reporting Guide.

The verification process included reviewing of relevant documentation, interviewing responsible personnel with accountability for preparing the Report and verifying the selected representative sample of data and information presented in the Report. Raw data and supporting evidence of the selected samples were thoroughly examined.

### Independence

HKQAA was not involved in collecting and calculating data, or in the development of the Report. HKQAA's activities are independent from KWCM.

### Conclusion

The verification results revealed that the Report has been prepared in accordance with the Core Option of the GRI G4 Sustainability Reporting Guidelines with referencing to the ISO 26000 Guidance on Social Responsibility and SEHK’s ESG Reporting Guide.

This is KWCM's second sustainability report which discloses the commitments and efforts in sustainable development of the company. KWCM endeavors to allow stakeholders to view its sustainable development strategies, practices and performance over the past years in a transparent manner. A wide range of stakeholders has been engaged and a thorough mechanism is implemented for determination of the issues that are most material for its business from which the focus and alignment of the report is constructed. It is a truthful, consistent and complete revelation of KWCM accomplishment in environmental, social and governance aspects. The Report is a balanced and fair presentation of KWCM's priorities on sustainable development and eagerness in striving to have a positive impact on the communities.

Hong Kong Quality Assurance Agency



Bryan Peng

Assistant Director, Manufacturing & Service Business Agency  
July 2016



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