

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report follows the guidelines and principles laid down by the Environmental, Social and Governance (ESG) Reporting Guide of the Stock Exchange of Hong Kong. Further details about our corporate governance practices are set out in full in the Corporate Governance Report in this Annual Report.



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INTRODUCTION

Parallel to SOCAM's commitment to sustainable development and growth, we see it as our core value to contribute to the wellbeing and skills development of our employees, the protection and enhancement of the environment, and the welfare and progress of the wider community. To fulfill these intrinsic values, we seek to find engaging and practical ways to implement them through life-affirming initiatives.

Corporate Social Responsibility (CSR) Policy & Implementation

SOCAM has a long-established corporate culture based around integrity, innovation, quality and excellence in all we do. Our Corporate Social Responsibility model is built on team and cross-departmental collaboration, based on principles codified in a policy statement of 2008 that comprehensively defines our CSR goals. The Board has delegated the day-to-day responsibility for CSR related matters to the ESG Steering Committee and the CSR Steering Committee, with the former responsible for managing the ESG related impacts, and the latter responsible for coordination and implementation. Divisions and departments within the Group integrate CSR objectives into their operation and activities.

Structure



Shui On – We Care



Caring for the Environment

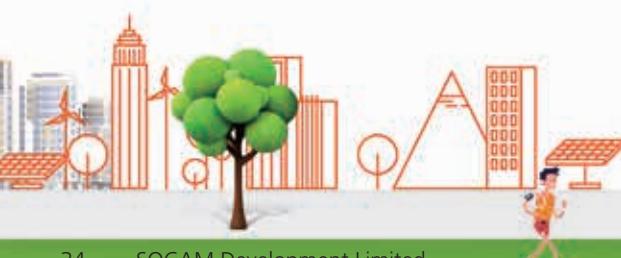
At an operational and individual level we take every opportunity to conserve energy and natural resources, and reduce waste and emissions. In the past years this has increasingly become a closely monitored, results-driven imperative.

Caring for the Community

We reach out to the disadvantaged on a personal level, particularly at holiday and festive times, with warm concern, small gifts, outings and activities. Allied with established charities, we give time and donations towards raising money for worthy causes.

Caring for our People

A significant part of our business operation is in construction. Safety is therefore a paramount concern. The interests of all staff are addressed in healthcare and wellbeing, skills and career development, as well as social and family activities.



STAKEHOLDER ENGAGEMENT

Throughout the year, SOCAM had regular dialogue with our stakeholders to further develop mutually beneficial relationships in an atmosphere of transparency and clarity. At all times it serves to ensure cross-party understanding, through our initiatives and stakeholder feedback.



Business partners

- We hold regular meetings with partners to monitor staggered targets from quality to completion and asset enhancement.



Shareholders

- The Annual General Meeting is the primary point of contact between the Board and shareholders.
- Interim and annual reports, corporate websites.
- Announcements, notices of meetings, circulars.

Clients

- We value regular meetings with government authorities and clients to share project management and building expectations.



Subcontractors

- Annual seminars to set protocol and targets in quality, health, safety and the environment.
- Regular subcontractor meetings to discuss project progress and on-site concerns.
- Training sessions to update latest construction methodologies and worker safety.

Suppliers

- We nurture long-standing relationships with suppliers. From risk management, site and factory visits, regular meetings to performance reviews.

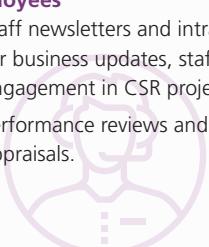


Property tenants and buyers

- Upgrading of shopping mall environment and facilities to deliver pleasant surroundings for tenants.
- Pre-purchase and after sales services are provided for buyers to enhance satisfaction and relationships.

Employees

- Staff newsletters and intranet for business updates, staff engagement in CSR projects.
- Performance reviews and appraisals.



Media

- Maintaining continuing and open dialogue with the media.
- Publishing corporate announcements and press releases online.



Community and general public

- We work closely with interested parties in the neighbourhood of SOCAM's construction projects to ensure minimum local disruption.
- Our volunteers serve social needs particularly for disadvantaged children and the elderly.

KEY FIGURES IN 2016

Greenhouse gas emissions (Tonnes CO₂e)

47,820

2015: 68,013

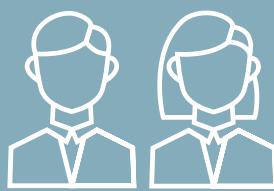


Number of full-time staff

(Contract staff and staff in Nanjing Cement Plant Joint Venture not included)

1,442

2015: 1,440



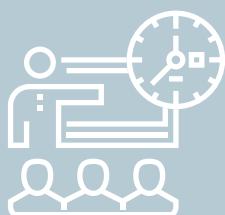
Accident rate per 1,000 workers



9.0

2015: 8.6 / Industry rate: 39.1

Number of staff training hours



13,594 hours

9.4 hours per staff

2015: 18,331 hours
12.7 hours per staff

Corporate donation and sponsorship

HK\$ 2 million

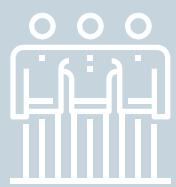
2015: HK\$2.33 million



Number of volunteers

611

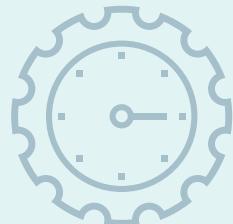
2015: 617



Number of volunteering hours

3,800 hours

2015: 4,368 hours





SOCAM has long been at the forefront of the adoption of sustainable construction methods and incorporation of energy saving protocols in our construction projects.

Minimising use of finite natural resources is a collective responsibility, particularly at the corporate level. We are committed to improving our performance and devoting systematic efforts to raising our conservation standards and creating wider environmental awareness. SOCAM is also sensitive to the need to reduce waste and emissions at both business operation and individual levels. Shui On Building Contractors and Shui On Construction have ISO 14001:2004 certifications for our Environmental Management System. These two divisions hold meetings every quarter regarding environment related matters, and policies are reviewed annually. Targets and delivery methods are established to ensure continuous performance improvement.

We strictly comply with all applicable environmental laws and regulations in Hong Kong, Macau and the Chinese Mainland, including but not limited to the Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance, Environmental Impact Assessment Ordinance and Building Regulations. To ensure full compliance at all times, internal audits are conducted for reviewing and inspecting documents, records, and measurement results on an ongoing basis. The Health, Safety and Environment (HSE) Steering Committee conducts legal compliance evaluations through internal audits, aiming to improve or revise the relevant environmental policies. In 2016, there were no significant fines nor non-monetary sanctions for non-compliance with environmental laws and regulations.

Sustainable Use of Resources

This section reports on the Group's consumption of energy and water for selected projects of the construction division including five building, interior design and maintenance projects in Hong Kong, as well as shopping mall of the property division in Tianjin, China, which constitute some major operations of the Group. It also covers data for the head office in Hong Kong.



• ISO 14001:2004 certification

In 2016, for the above seven locations of operations, the total direct resources consumption can be broken down as follows :





- Mobile batching plant in So Uk Estate Phase 2

Carbon Emissions

This year, we have drilled down deeper to get a more accurate understanding of the amount and sources of our carbon emissions. In our concern for such emissions on climate change, and to instigate focused efforts to reduce them, the scope of this analysis now extends to our other major business arms across Hong Kong and the Chinese Mainland. In addition to SOCAM head office, five construction sites in Hong Kong were included, in which three were public housing construction projects; while the other two were maintenance and interior design projects respectively. A property project in the Chinese Mainland was also included.

Our annual carbon emissions are much influenced by the project development cycles during the year. In 2016, the total carbon emission was 47,820 tonnes, a significant reduction compared to 2015. This is mainly due to a big reduction in the usage of concrete, resulting in a decrease in indirect emissions (Scope 3).

Carbon Emission
47,820
tonnes

Concrete Trucks Carbon Emissions Reduction

129
tonnes



An initiative in controlling carbon emissions called Mobile Batching Plant Equipment has also been introduced in our construction project So Uk Phase 2 site. The batching plant has reduced the carbon emission from concrete trucks by 129 tonnes in 2016.

Carbon Emissions (co ₂ e)	2016	2015	2014
Direct (Scope 1)	1,688.5	2,259.3	1,277.9
Indirect (Scope 2)	4,238.0	4,843.9	1,934.4
Indirect (Scope 3)	41,893.9	60,909.6	74,148.7
Total Emissions	47,820.4	68,012.8	77,361.0



The Company's greenhouse gas emissions include direct (Scope 1) emissions from fuels used in concrete pumps, power generators and vehicles; indirect emissions (Scope 2) due to purchased electricity consumed; and other indirect emissions (Scope 3) arising from water consumption, waste generation, transportation of waste and materials, and business air travel.

Conserving Energy

SOCAM is committed to appreciable reduction in the consumption of energy. During the building construction phase, efficient use of available energy sources is a prime responsibility. The Company has put in place a structured Energy Management System that complies with the requirements of ISO 50001. Both Shui On Building Contractors and Shui On Construction obtained ISO 50001:2011 certification.

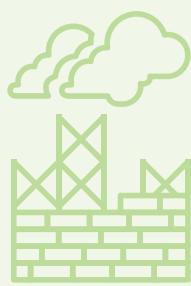
Our Energy Policy stringently advocates for the purchase of energy-efficient products and services, such as electrical equipment and machinery with energy saving features and automatic operational control. On-site, we encourage our staff and sub-contractors to avoid idle operation of equipment and machinery. We also make maximum use of solar-power technology to the point of installing solar panel charging facilities.



- Solar panels at Sports Centre, Community Hall and District Library Complex in Shatin

Dust Emission Control

- We implement a number of simple but effective measures to reduce dust emissions from our construction works. Dusty materials are hosed down with waste water and cleared from on-site surfaces and access roads. This occurs four times daily during dry windy weather.
- Stockpiles of sand, aggregate or any other dusty materials are enclosed and stored in sheltered areas. For renovation works, we ensure the materials used must be free of any toxic and harmful substances.



Waste Reduction and Control

- The HSE Steering Committee has established waste minimisation targets of recycling at least 30% of construction and demolition waste and recovering 100% plastic materials, metallic waste and non-contaminated paper and cardboard. We collect all chemical and oil-based waste for proper disposal by specialist contractors. Our increasing use of recyclable aluminum in slab form reduces reliance on an important natural resource, timber.
- We also operate an online platform for materials exchange between construction sites, as a means of optimising use of resources and recycling benefits between different projects.



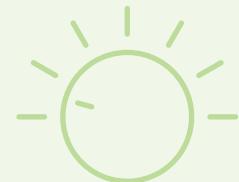
Effluent Control

- Waste water associated with building construction is not discharged into storm drains unless prior pH adjustment is received. All sewer and drainage connections are sealed to prevent blockage by debris, soil, sand, etc. If there are any soil works or large amount of plastering works being carried out, discharge licenses will be applied for. Waste water on-site is diverted to the waste water treatment plant for purification. Recycled water is then reused for vehicle washing and irrigation.



Noise Emission Control

- We strictly comply with the Noise Control Ordinance and only operate in permitted operation hours. We strive to minimise noise emissions, conducting regular noise level monitoring, regular maintenance of noise-reduction parts for on-site plant, installing noise barriers, scheduling of demolition of existing structures to a later stage so that they can act as a noise barrier until they are pulled down.



General Environmental Sensitivity

In our shopping mall in Tianjin, maintenance works on the property's electrical appliances such as freezer and air-conditioning systems are conducted regularly to enhance energy efficiency. Without interfering with interior comfort, we have reduced air-conditioning energy consumption by turning off the systems one hour before close of business.

SOCAM entrusts a local contractor to handle the disposal of commercial and construction waste arising from our property, strictly complying with local relevant laws and regulations.

Similar diligence applies to our offices. The Group helps foster a sense of social responsibility and to think green among our staff through continuing initiatives. We organised green office campaigns, recycling campaigns and tree planting activities.





Tangible Progress

SOCAM's commitment to environmental sustainability has been recognised by a number of awards and certifications. In Hong Kong, we target to subscribe to BEAM Plus Platinum Rating for our major building projects. Wherever applicable in our property projects in the Chinese Mainland, we have designed and built greening areas such as the communal garden, landscape stripe and landscape walkway in Tianjin Veneto to improve air quality and contribute to a green and pleasant environment.

SOCAM will continue to further embed the concept of environmental sustainability into our daily operations.

Internally, it is of vital importance that our employees share the same operational philosophy.

As such, the Company has been conducting environmental education and training activities throughout the year to raise employee awareness. In 2016, SOCAM organised eco-tours and organic farming activities to promote appreciation of nature. Recycling campaigns were organised for the collection of used red packets, mooncake boxes, books, computers and other household goods. We also set up various workshops on turning waste into a recyclable resource.

Enabling Sustainable Living

King Tai Court in San Po Kong, a green form subsidised home ownership pilot scheme project, received BEAM Plus Provisional Platinum Rating. We adopted a balanced use of green technologies and basic architectural passive design principles. First, we used sustainable forest products accredited by the Forest Stewardship Council or the American Forest and Paper Association for all wood components in construction. Second, micro-climate and air ventilation assessments were conducted to enhance daylight, sun shading and ventilation. Third, we applied green living features such as two-level lighting control, green roof with photovoltaic panels and twin roof water tanks to help conserve energy and water usage.



Love the Earth and Marine Life

The Group promotes green education to raise employee eco-awareness. A coastal clean-up activity in Ma Shi Chau was organised, where 39 of our volunteers spent a weekend morning removing 55.5kg of trash and debris from the high-tide mark. Employees were encouraged to join this meaningful activity with their families to spread the green message.



Suppliers and Product Responsibility



- Policy statements on suppliers and sub-contractors management

Suppliers

The Group's principal business focus is on property development, building construction, and related activities such as fit-out and maintenance. In all these business areas, we rely on a range of subcontractors, suppliers, property management firms and professional agencies to support the operation of our businesses. Building a socially responsible supply chain is an important process to recognise and adopt our culture and sustainability values. We have stringent standards for assessing suppliers and monitoring performance to ensure our clients get the product and service quality they expect.

Supply Chain Management

Our Tendering Committee is responsible for the full implementation of our policies regarding the supply chain by monitoring, assessing, and reviewing the outline of operating processes. These include our dispute resolution policy, subcontractor training policy, and green procurement guidelines. We perform annual reviews to ensure their products and services are up to standard. Suppliers and contractors who cannot meet our criteria or with unsatisfactory performances may not be invited to tender for new projects.

To open the lines of communication between us and our supply chain, annual safety workshops are also held where subcontractors and their site managements are invited to share the latest developments and legislations in health, safety, environment, as well as quality. We also conduct regular factory visits for performance reviews.



Product Responsibility

We strictly follow our quality policy and the HSE policy and our construction business have further met the international ISO 9001 requirements for our operating procedures. We also place high importance on our tenants, and any defect feedback is handled expeditiously.





Crucial to the Group's operations is the cultivation of a workplace environment where our staff can excel, develop and grow with the Company. Motivation is provided by open access to career development training and promotion prospects, and upholding the Company's core values. We strengthen employee engagement to promote a culture of harmony and caring. We are also committed to building up a family-friendly working culture by adopting a wide range of family support measures including marriage leave and counselling services.

Family-Friendly Employer 2015/16 - Special Mention (Gold) Award •



At 31 December 2016, the Group employed 1,094 full-time staff in Hong Kong and Macau and 348 staff working in our project offices in Beijing, Guangzhou, Shanghai, Nanjing, Tianjin, Chongqing, Shenyang and Chengdu in the Chinese Mainland. Our construction division employs around 1,025 people (2015: 1,068), while our property division employs around 332 people (2015: 388). These figures exclude 122 construction contract workers in Hong Kong and 134 staff in Nanjing Cement plant.

Attracting and retaining talent has always been at the core of our commitment. We provide our employees with competitive packages, appraising their performance semi-annually to recognise dedicated efforts. We aim to create a fair and harmonious working environment by protecting our employees from all types of discrimination and harassment. Complying with the law and the Group's employment policy, we recruit new employees based on their skills and aptitude, regardless of gender, marital status, pregnancy, physical disability, family role or race. During the year, the Group reported no cases of child or forced labour.

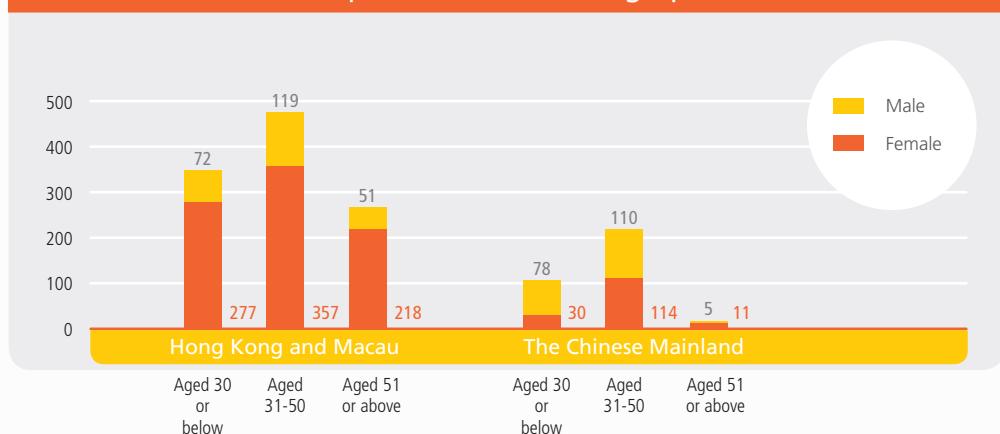
Construction
Division Staff

around
1,025
people

Property
Division Staff

around
332
people

A Snapshot of Staff Demographics



The Group aims to maintain a talented and motivated workforce and positions itself to be regarded as an employer of choice. In 2016, our attrition rate averaged 16.8%, compared to 17% in 2015.

Learning and Development

SOCAM fully supports and promotes a strong learning ethos for our employees. We are dedicated to upgrading our people through external and internal training programmes and the promotion of a life-long learning culture.

Career development

During the year, we have been running Career Development Programmes, mainly for the construction business, to build a high-calibre workforce. Intensive training has been provided to prepare them for obtaining the professional qualifications from the authority or professional institutions, bringing new talent to the construction industry.

Programmes and Number of Intake in 2016



We also provide internship opportunities to young talents to gain experience and insights in the construction industry and to equip them with the tools to build a successful career. A total of 42 interns from various disciplines were recruited in 2016, 14 of them becoming permanent staff after completion of their internship.

Number of Training Hours by Topics



In 2016, three graduate engineers graduated from our 4-year training programme and 12 graduate engineers were recruited. On-the-job training, secondment to external offices and job rotation are essential parts of the scheme to equip young engineers with all-round skills and exposure to SOCAM's multi-layered processes. The Graduate Engineer of the Year Award has been newly set-up this year to recognise the outstanding individuals and promote dedication among them. We have established clear-set career paths from trainee levels upwards.

Education Support Schemes

To further encourage personal development through workplace learning and obtaining professional qualifications, we offer study leave and tuition fee subsidies.

During the year, SOCAM conducted 91 in-house training classes and the number of hours of external and in-house training totaled 13,594. The average training hours per employee amounted to 9.4 hours. The average training hours per male and female employee were 10.4 hours and 7.3 hours respectively.



Training Hours By Gender and Employee Category



Employee Wellbeing and Engagement

SOCAM considers the wellbeing of our people as fundamental to achieving our and their goals and ambitions. We offer opportunities to achieve a work-life balance through participation in sponsored leisure and recreational activities. Professional counseling services are provided by an external party to assist the staff and their family members dealing with stress and emotional issues.

To foster closer ties and friendships, we hold an array of wellness initiatives including eco-tours, health and nutrition talks, sports activities, and reading club activities. These all help to create inter-personal relationships. Recreational groups were formed under the interest group development fund established by the Group, where staff are invited to participate in arts, calligraphy, yoga, and hiking.



Commitment to integrity

SOCAM's commitment to integrity and trust in all of its operations is fundamental. We also have policies and measures in place for the guidance of our employees to high ethical standards, including a Whistle Blowing Policy, Employee Code of Conducts, and Business Ethics Policy, which are consistently followed. We aim to develop the best practices, strengthen internal controls and minimise corruption risks. Internal training is held regularly to promote anti-corruption.

Nurturing Talent



"I was lucky enough to receive a place on the graduate engineer programme. I spent three years training with SOCAM, and it was a great experience. It gave me the type of knowledge and mindset I needed, and my mentor was really helpful and supportive. At first, I was a bit afraid of struggling with my career growth as the construction industry was dominated by men. But the Company gave me the chance to prove my worth regardless of gender. The opportunities and friendships were terrific and have paved my way to a good future."

Holiday Cheng
– Graduate Engineer 2016

Health and Safety

As a caring employer, SOCAM considers workplace safety and health to be of paramount importance. We strive to provide safe and healthy work environments as well as to ensure that employees and workers have the highest awareness of occupational safety and health, both for their own benefit and as a means to enhancing the efficiency of our operations.

We have long provided leadership in safety and health within Hong Kong's construction industry. Our Safety Committee was established before contractual or statutory obligations were introduced.

Since 2000, our two subsidiaries, SOBC and SOC became Hong Kong's first construction company to obtain the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification.



Health, Safety and Environment Target Seminar •

We hold annual seminars to share our knowledge of latest construction methodologies and worker safety; in 2016, over 280 participants from our employees, clients and subcontractors participated. We also held workshops and training sessions for our subcontractors in order to discuss project progress and on-site concerns. We involved family members to promote our culture of a safe working environment, and over 190 participants joined our Behaviour Base Safety Family Day. 121,967 attendees were recorded on safety related topics.

Promoting Safe Working Environment





Accident Rate

Our continued efforts to build a safety culture among our employees and subcontractors are seen in the Group's safety performance in terms of its accident rate among workers. This has consistently remained below the industry average.

In 2016, SOCAM recorded 6,444 lost days due to work injury. No significant non-compliances on occupational health and safety issues were identified in 2016.

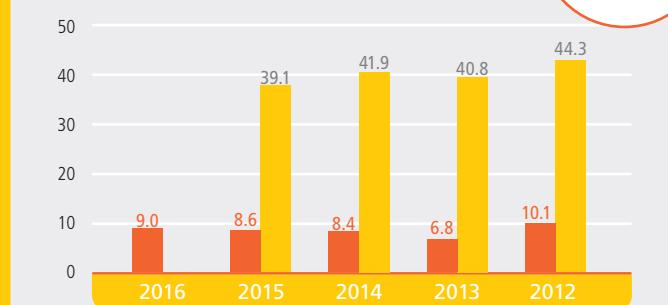
Cultivating safety culture •



- Safety workplace

Accident Rate

(per 1,000 workers)



Type and Number of Work Injury

	2016	2015
Fatal	0	0
Non-fatal	29	44
Injury rate (per 1,000 workers)	8.29	8.56

Measures Adopted and Implemented

- ✓ Safety inspectors are continuously employed to stop unsafe acts of workers and enhance their safe work behaviour
- ✓ 22 safety alerts and 2 safety/environmental notices were issued to site staff as a reminder for preventing site incidents
- ✓ Cordless portable tools were promoted on site to reduce the risk of electric hazards and tripping hazards by electric cables
- ✓ Regular Safety Review Meetings attended by top management of relevant subcontractors are held to overview safety practices and highlight any infractions
- ✓ Adopted Radio Frequency Identification (RFID), a type of innovative technology for Material Hoists to improve efficiency and protection

Adopted New Technology to Improve Protection

SOCAM constantly adopts new technologies that can benefit our safety measures. RFID, a new locking technology on construction sites in the use of material hoists, has been adopted since 2015. A major safety risk concerning the hoists is to do with every level needing a lock gate and inspection for safety due to the sheer height. The Radio Frequency Identification technology also works as a lock, but it receives signals from our Central Control Panels, and will only open accordingly as materials are being hoisted, leaving the gates secure at all times. This marks a step forward from the past of fallible manual locks and inspections, towards increased safety and decreased risks on-site.

RFID
Lock

COMMUNITY OUTREACH



SOCAM's 'We Care' spirit has been a cornerstone of our CSR commitment since the founding of the Shui On Seagull Club in 1982. Through this initiative we encourage voluntary participation in contributing to the wider community to particularly benefit the elderly, people with disabilities, and underprivileged children and youth. The Group also encourages employees to volunteer under SOCAM's community service leave policy. Last year, our long-running concern for the community culminated in the '10 Years Plus Caring Company' recognition in 2016.



• Karaoke night with the elderly

Our Contributions in 2016

In Hong Kong and the Chinese Mainland initiated and supported
39
community projects

Charitable donations and community sponsorships
HK\$ **2** million
2015: HK\$2.33 million

Total services hours of volunteer team
3,800
2015: 4,368

No. of volunteers
611
2015: 617

No. of beneficiary organisations
41

Total number of community service leave taken
678
hours

Youth Development

Youth development has long been a corporate social objective. Our ongoing commitments include providing support to the young people to help them deal with challenges and opportunities, development and growth. In 2016, SOCAM engaged in:

Personal support and mentorship

Career guidance

Dealing with challenges in their lives



• Gathering with children in Guizhou

Partnership for Children: supporting the promotion of the mental health and emotional wellbeing of children



Orphanages and children with special needs: paid regular visits and donated necessities for learning and winter needs

Child Development Matching Fund: sponsoring poverty alleviation to match the personal savings of the participating youths and help them develop a savings habit

Career guidance and internship for local and overseas students



Mother's Choice: support teenage girls who face crisis pregnancy and children without families



Upward Mobility Scholarship: we support the less privileged students to strive for self-improvement and maintain a positive attitude towards life and learning





- Promoting social inclusion



Long-term Partnership with YWCA (8 years)

The Seagull Club has been partnering with the Hong Kong Young Women's Christian Association (YWCA) since 2009 to bring smiles to the deprived and often forgotten senior citizens who live in the Sham Shui Po area, one of the five districts with the highest poverty rates in Hong Kong. We continued to run the 'Colourful Life for the Elderly' programme by launching a series of activities over festive seasons with home visits, karaoke nights and delivering hot soup. We build long-term relationships with the elderly through continuing activities.



A Continuing and Expanding Commitment

Through reaching out to the wider community where we have a corporate presence, SOCAM staff show an inexhaustible willingness and enthusiasm to help the needy. We do so with compassion, enjoyment and monetary donations and along the way we develop a deeper understanding of the needs of the less advantaged in our society. There is a particular reward for our dedicated volunteers in seeing the smiles on the faces of those they reach out to. We will continue to make those smiles broader as we expand our societal commitment.

