



Arts Optical International Holdings Limited
(Incorporated in Bermuda with limited liability) Stock Code: 1120

2016
**Environmental, Social &
Governance Report**

Contents

Chapter 1	About This Report	3
1.1	Introduction	3
1.2	Basis of the Report Preparation	3
1.3	Scope	4
Chapter 2	Overview of Environmental, Social and Governance Performance	5
Chapter 3	Environment	6
3.1	Emission Control and Management	6
3.2	Efficient Use of Resources	8
3.3	Environment and Natural Resources	9
Chapter 4	Employment	10
4.1	Respect for Labour Rights	10
4.2	Health and Safety	11
4.3	Education, Training and Career Development	12
4.4	Labour Standards	12
Chapter 5	Operating Practices	13
5.1	Supply Chain Management	13
5.2	Product Responsibility	14
5.3	Ethics and Anti-corruption	15
Chapter 6	Community Involvement	16
Appendix 1 Hong Kong Stock Exchange Environmental, Social and Governance Reporting		
	Guide Index	17



Environmental, Social and Governance Report 2016

Chapter 1 About This Report

1.1 Introduction

As a responsible corporate citizen, Arts Optical International Holdings Limited and its subsidiaries (collectively called the “Group”) are committed to actively taking on their social responsibility. We take from society and give back to society. By establishing a positive relationship with each stakeholder, we build a sustainable future together.

As the world's leading optical product designer, manufacturer and distributor with the mission of protecting the environment and social interests, the Group has developed action plans in the fields of environmental management, labour practices, product quality, corporate integrity and community engagement to carry out its corporate social responsibilities.

This report summarises the Group's efforts in carrying out its corporate social responsibilities in 2016 and demonstrates its ongoing commitment to creating a better future.

1.2 Basis of the Report Preparation

This report has been prepared with reference to the Environmental, Social and Governance (ESG) Reporting Guide which is included in Appendix 27 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The information disclosed in this report is based on the Group's internal statistical results and analyses of its internal management system.



Environmental, Social and Governance Report 2016

1.3 Scope

This is our first annual Environmental, Social and Governance Report, which sets out the Group’s environmental, social and governance efforts and their implementation. The reporting period is from 1st January, 2016 to 31st December, 2016.

The scope of the Report covers the Group's headquarter in Kwun Tong, Hong Kong, as well as its main operating entity: Shenzhen Argent Optical Manufactory ("Argent").

Hong Kong Head Office



Argent Optical Manufactory



Unless otherwise noted, all numbers are absolute values. Contractors are not considered to be employees of the Group. "Shareholders" refers to the holders of the Group's shares.

In order to be reader-friendly and increase transparency, a detailed index of the contents of the Stock Exchange's Environmental, Social and Governance Reporting Guide is included at the end of this Report. Other ESG information, including financial data and corporate governance, is published in the Group's annual report.

This Report has been approved by the Group’s senior management. The Group is grateful to all the people and organisations involved in preparing this Report.



Environmental, Social and Governance Report 2016

Chapter 2 Overview of Environmental, Social and Governance Performance

The Group's corporate social responsibility policies in 2016 are summarised as follows:

Subject Area	Aspect	Policy/Compliance	Policy Overview
Environment	Emissions	✓	Priority is given to the use of low-pollution materials such as: clean fuel
	Use of Resources	✓	Production equipment with high power consumption is strictly controlled
	The Environment and Natural Resources	✓	Wastewater treatment, hazardous waste management and replacement of diesel commercial vehicles
Social - Employment and Labour Practices	Employment	✓	Ensure that employees are treated equally in terms of recruitment, wages, benefits, training opportunities, work arrangements, promotions, discipline and termination.
	Health and Safety	✓	Provide a healthy and safe working environment
	Development and Training	✓	Provide a sound career advancement prospect and improve employees' skills through training, lectures and workshops
	Labour Standards	✓	Prohibit illegal use of child labour
Social - Operating Practices	Supply Chain Management	✓	Review suppliers
	Product Responsibility	✓	All products are subject to quality inspections
	Anti-corruption	✓	Employees sign an agreement requiring them to comply with the Code of Business Ethics
Social - Community	Community Investment	✓	Scholarship donations; provide prototype for the youth to participate in relevant competitions; sponsor athletes



Chapter 3 Environment





The Group is committed to achieving a balance between environmental protection and business development. Since 2013, the Environmental Committee, comprising 11 members, has been set up and led by the production manager to monitor environmental management issues during our operations. This includes the development of departmental environmental policies and objectives, ensuring that environmental protection measures are implemented in all departments.

3.1 Emission Control and Management



We take environmental factors into account when making decisions during the planning, purchasing and production processes of optical products. Through the collective efforts from all of the Group’s departments as well as its business partners, a series of measures have been taken to minimise their collective environmental impact, control the emissions of exhaust and greenhouse gases, reduce water and soil pollution, decrease the production of both hazardous and non-hazardous waste and achieve our commitment to environmental protection.

Argent takes the lead and has started to use low-pollution materials and clean fuel during their production process. Prior to the purchase of any equipment, Argent first assesses its environmental performance (including the equipment’s energy consumption). If possible, the factory will choose equipment with low power consumption and ensure that its impact on the environment is minimal when in use. Operating instructions are strictly followed and when using materials, small amounts are reused several times. Solid waste is recycled and reused when possible. Non-hazardous raw materials are used to reduce the production of hazardous waste.

In order to improve its environmental performance, Argent carried out a series of equipment upgrades which can be summarised as follows:

Equipment upgrades	Environmental performance improvement
<p>Deionized water washing line was upgraded from manual mode to automatic mode</p> <p><i>Before Improvment</i></p> 	<p>Reduced water consumption</p> <p><i>After Improvment</i></p> 
<p>Deionized glue line was upgraded from manual mode to automatic mode</p> <p><i>Before Improvment</i></p> 	<p>Reduced water consumption</p> <p><i>After Improvment</i></p> 

Environmental, Social and Governance Report 2016

<p>The pure water manufacturing system was upgraded from an ion exchange system to a reverse osmosis system</p> <p><i>Before Improvment</i></p> 	<p>Eliminated pollutant discharge and controlled electroplating quality</p> <p><i>After Improvment</i></p> 
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During the reporting period, the Group complied with all local laws and regulations relating to the emissions of exhaust and greenhouse gases, water and soil pollution, as well as hazardous and non-hazardous wastes.



Environmental, Social and Governance Report 2016

3.2 Efficient Use of Resources

The Group has developed stringent policies for the use of resources to strictly control the use of energy, water and office supplies in order to improve the efficient use of resources, reduce waste and promote recycling.

In terms of energy conservation, Argent inspects its electrical conditions on a weekly basis to monitor and guide how electricity is used. If wastefulness is found, corrective actions are taken immediately to avoid the waste of electricity. We strictly control the production equipment with high electricity consumption. Electricity consumption is calculated monthly and if there is an abnormal increase in power consumption, reasons will be analysed and corrective actions will be taken immediately. In addition, employees are required to “turn off lights when leaving”. During the lunch break, lights in the office and operation areas are turned off. Lighting facilities have been replaced by ones making use of solar panels to reduce power consumption. The use of diesel and gas at the cafeteria is also recorded on a regular basis so that it can be strictly controlled.

In terms of water conservation, Argent regularly checks its water equipment and its operational status. If water leak is found, the Water and Electrical Engineering Department will be notified immediately for maintenance. Water consumption is calculated on a monthly basis. If an abnormal increase in water consumption is found, reasons will be analysed and corrective actions will be taken.

In terms of office supplies, the Hong Kong headquarter and Argent have implemented a Green Procurement Policy under which environmentally friendly materials and appliances are selected. Employees are encouraged to save paper by saving files on the computer and printing on both sides of the paper as much as possible. After one side of the paper is used, employees are also encouraged to recycle one-sided paper for reuse. A conservation mechanism for the use of office supplies and daily necessities has been established for each department.

Use modern design to get natural light



During lunch break lights are turned off



Solar panels have been installed



Environmental, Social and Governance Report 2016

3.3 Environment and Natural Resources

In order to reduce the impact of the daily operations on the environment and natural resources, the Group identifies the sources of emissions and waste generated in the operational processes and the impact of the use of resources on the environment and adopts different green management policies for different key environmental factors.

- Green Operations Policy: implement the Sustainable Development Policy and environmental protection in production management;
- Green Procurement Policy: purchase from local suppliers and priority is given to environmentally friendly materials;
- Green Document Management: assign cabinets to specific employees and file documents according to their categories;
- Green Employee Training: train new employees on the treatment of wastewater and the management of exhaust gas and hazardous waste during orientation; and
- Green Supply Chain: develop and introduce clean and environmentally friendly products.

Treatment of waste water



The Group is committed to enhancing environmental awareness and supporting relevant government proposals by replacing operating vehicles and eliminating Euro-IV diesel commercial vehicles to reduce the pollution of and the impact on air and ozone.

Operatly vehicles have been replaced



Chapter 4 Employment

4.1 Respect for Labour Rights

Employees are valuable assets of the Group and are the cornerstones of the Group's success. We have developed management policies in accordance with the relevant local laws and regulations in respect of employees' wages and termination, recruitment and promotion, working hours, vacation, equal opportunities, diversification, anti-discrimination, benefits and welfare in order to fully protect and respect employees' rights and create a favourable workplace.

We employ and promote employees based on their professional knowledge and experience regardless of their race, colour, social status, place of birth, nationality, religion, disability, gender, sexual orientation, union membership, political stance or age.

We provide our employees with competitive wages and benefits. Hong Kong employees are entitled to medical insurance, travel insurance, personal accident insurance and year-end double pay. Employees can choose to work at home if necessary. We follow the Hong Kong Mandatory Provident Fund Schemes Ordinance to make monthly contributions for Hong Kong employees. In addition, we provide the "Economic Compensation Payment" program to Argent employees to protect their employees' benefits. In addition, all employees may resign when reasonable notice is given.

We understand the importance of a healthy work-life balance. We regularly organise recreational activities for employees to relieve their pressure from work. Employees are also entitled to take pay leave, sick leave, maternity leave, funeral leave and marriage leave as stipulated in the employment contract.

The Group attaches great importance to equal opportunities and diversification in the workplace. Argent has established an Anti-Discrimination Control Procedure to ensure that every employee is treated equally in terms of recruitment, wages, benefits, training opportunities and work arrangements to avoid discrimination. The Hong Kong headquarter also employs expatriate employees to provide quality services to overseas clients while promoting diversification.

During the reporting period, the Group complied with applicable local laws and regulations on wages and termination, recruitment and promotion, work hours, vacation, equal opportunities, diversity, anti-discrimination as well as benefits.

Workers' cinema



Workers' library



Workers' facilities



4.2 Health and Safety

The Group is committed to maintaining health and safety standards and complying with all applicable occupational safety and health laws and regulations. Our occupational health and safety policy protects our employees from any work-related injuries at work and during the production process. We provide employees with personal protective equipments and a safe working environment. This includes providing ergonomic office furniture and safety ladders to prevent occupational health and safety hazards. At the same time, Argent provides employees with appropriate occupational safety training so that employees can pay close attention to potential hazards in the workplace.

Protective equipments have been provided



In terms of occupational health, Argent hires an external professional institution to conduct physical examinations for employees and environmental assessments. In addition, the Group has established an Accident Response Procedure for Hong Kong employees to further improve the rescue and coordination in accidents to ensure employees' safety.

Physical examination for workers



Since 1987, the Group has set up an Occupational Health and Safety Committee with 124 members. Its main function is to monitor and facilitate the safety measures of all the operating departments within the Group and to continuously improve the occupational health and safety of our employees, suppliers and customers.

During the reporting period, the Group complied with all applicable occupational safety and health laws and regulations.



4.3 Education, Training and Career Development

The Group further strengthens its base for sustainable development through comprehensive employment development and training which can expand the professional knowledge, skills and qualifications of our staff.

We are committed to providing adequate career development opportunities, including offering internal promotion opportunities to our most proficient employees. Training, lectures and workshops are conducted to improve employees’ leadership as well as the professional skills of employees in different positions. Argent arranges its employees to participate in trainings on business processes, including: materials management and inventory control, lean production, quality control, visitor reception etiquette, wastewater and environmental management regulations, anti-terrorism, fire safety, packaging quality and safety.

Trainings and workshops have been organised



4.4 Labour Standards

The Group has formulated stringent labour standards. Argent has established and strictly enforced a “Prohibiting The Use of Child Labour Policy” in accordance with local standards and regulations. Argent does not force employees to work overtime nor does it force employees to work. All work is done voluntarily and there is no forced labour, bonded labour or contract labour to bind workers to their work.

During the reporting period, the Group complied with all relevant laws and regulations on child labour and forced labour.



Environmental, Social and Governance Report 2016

Chapter 5 Operating Practices

5.1 Supply Chain Management

The Group has always been paid close attention to the environmental and social risks of the business supply chain, and we expect our suppliers to continue to prove that they are capable of providing quality products, technology and services. Therefore, we have developed a Supplier Code of Conduct for this purpose, and through our quarterly supplier assessment mechanism, we encourage suppliers to strengthen their environmental management and social risks protection.

We require suppliers to meet the following requirements:

- Quality product or service;
- Timely delivery;
- Compliant with applicable standards, rules, laws, regulations and requirements, including those related to the environment and society;
- Continuous improvement;
- Competitive price;
- Customer service; and
- Respect for intellectual property and patents.

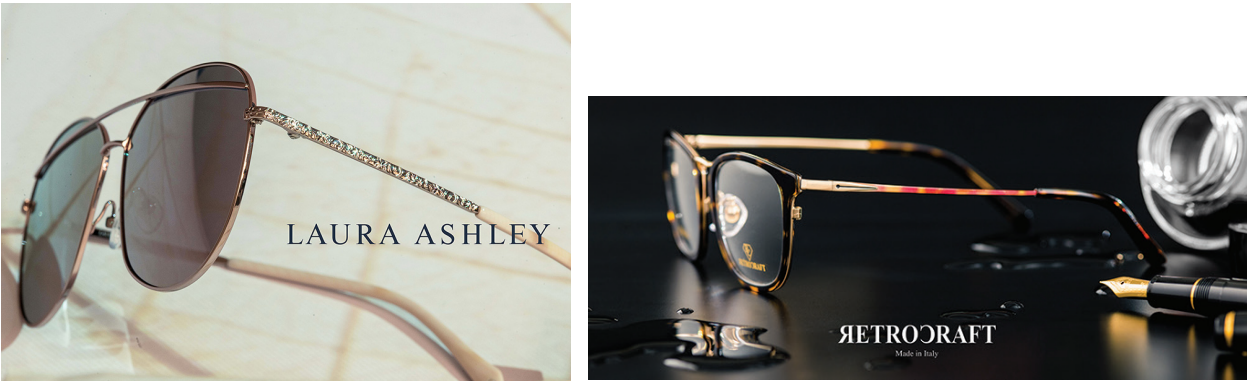
We require suppliers to submit technical files, test reports and technical drawings required to comply with the laws and regulations relating to product quality, environmental protection and safety. This includes the signing of the Supplier Manual, a list of substances specified in the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation (EC) No 1907/2006, relevant laws and those of high concern, Chapter 101 and 108 of the Consumer Product Safety Improvement Act (CPSIA), Safety of toys – Part 3: Migration of certain elements EN71-3: 2013, restrictions on the use of nickel as European Parliament and Council Directive 94/62/EC, material composition sheets and safety data sheets.



Environmental, Social and Governance Report 2016

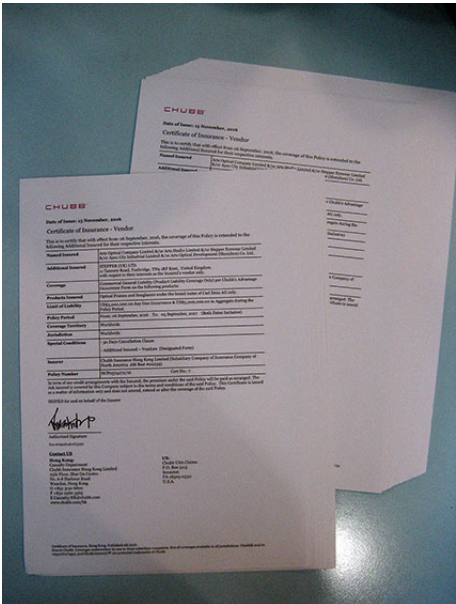
5.2 Product Responsibility

The Group has always provided a range of high-quality optical products from the customers' points of view to meet the customers' needs. Our various international brands have established long-term relationships with customers and are committed to providing the best service. We provide design and production in accordance with the needs of our customers, continuous improvement in the quality of our service and prompt response to customer inquiries about delivery time, product quality and price.



All of our products are subject to rigorous quality control and verification tests to ensure compliance with relevant quality and safety requirements. Some of our products are covered by product liability insurance to further ensure product safety.

Product Liability coverages



In terms of customer service, our sales team is required to provide accurate and authentic information to customers at the time of sale. We have also established a service hotline allowing customers to be informed of product details at any time. All of our employees have signed a confidentiality agreement to protect customers' confidentiality and privacy.

During the reporting period, the Group complied with the laws and regulations governing the health and safety, advertisements, labels, privacy and corrective actions of all applicable products and services.

Environmental, Social and Governance Report 2016

5.3 Ethics and Anti-corruption

The Group is committed to ensuring that the business processes are in compliance with local and international laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering. It also conducts regular review of operational procedures and guidelines to enhance internal control and compliance.

All of our employees are maintaining business integrity in good faith in the following areas:

- Procurement employees are required to sign an agreement that requires them to comply with the Code of Business Ethics and they are not allowed to have any corruption and bribery;
- All business activities are in line with the highest standards of business ethics;
- Reporting procedures and channels have been established;
- An independent auditor is engaged to audit the company's accounts; and
- An open tender policy has been established.

During the reporting period, the Group strictly abided by all relevant laws and regulations on the prevention of bribery, blackmail, fraud and money laundering.



Environmental, Social and Governance Report 2016

Chapter 6 Community Involvement

As part of its corporate citizenship, the Group has been keen to participate in community activities. The Group is one of the members of the Hong Kong Optical Manufacturers Association Ltd (“HKOMA”). Since becoming a member of the HKOMA in 1982, we have been actively involved in its activities, promoting Hong Kong's optical industry, opening up new overseas markets and promoting mutual cooperation and common interests in the industry to enhance the competitiveness of Hong Kong's optical industry in the international market. To contribute to the community, the Group donated scholarships to the Higher Diploma in Ophthalmic Dispensing courses at Hong Kong Institute of Vocational Education (Lee Wai Lee).

The Group is also keen to promote local inventions and encourage young adults to participate in social activities by helping them to make prototypes in order to participate in the Hong Kong Eyewear Design Competition.

In addition to participating in the eyewear market, the Group has also spared no effort to participate in sports activities by sponsoring athletes to participate in competitions including Hong Kong Cookies Run, the World Wildlife Fund's Run for Change, Love Love Run of Dah Sing, Winwin Run of Activist Association and Ironman Games in Malaysia, Shenzhen and Xiamen.

Sport activities donation



Sport activities donation



Environmental, Social and Governance Report 2016

Appendix 1 Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Index

Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Index	Description	Chapter / Page
A. Environment		
Aspect A1: Emissions		
General Disclosure	Emissions of exhaust and greenhouse gases, water and soil pollution, the generation of hazardous and non-hazardous waste, etc.: (a) Relevant policies; and (b) Comply with relevant laws and regulations that have a significant impact on the issuer.	3.1 Emission Control and Management Page 6
Aspect A2: Use of Resources		
General Disclosure	The Efficient Use of Resources (including energy, water and other raw materials) Policy.	3.2 Efficient Use of Resources Page 8
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies that reduce the issuer's significant impact on the environment and natural resources.	3.3 Environment and Natural Resources Page 9
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Employee wages and termination, recruitment and promotion, work hours, vacation, equal opportunities, diversity, anti-discrimination and other benefits: (a) Relevant policies; and (b) Comply with relevant laws and regulations that have a significant impact on the issuer.	4.1 Respect for Labour Rights Page 10



Environmental, Social and Governance Report 2016

Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Index	Description	Chapter / Page
Aspect B2: Health and Safety		
General Disclosure	Provision and protection of safe work environment Prevention of Occupational Hazard among Employees (a) Relevant policies; and (b) Comply with relevant laws and regulations that have a significant impact on the issuer.	4.2 Health and Safety Page 11
Aspect B3: Development and Training		
General Disclosure	Details of policies and training activities on the promotion of the knowledge and skills of employees.	4.3 Education, Training and Career Development Page 12
Aspect B4: Labour Standards		
General Disclosure	Prevention of Child labour or Forced labour: (a) Relevant policies; and (b) Comply with relevant laws and regulations that have a significant impact on the issuer.	4.4 Labour Standards Page 12
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policy governing the environmental and social risks in the supply chain.	5.1 Supply Chain Management Page 13
Aspect B6: Product Responsibility		
General Disclosure	The health and safety, advertising, labelling, privacy and corrective actions of the products and services provided: (a) Relevant policies; and (b) Comply with relevant laws and regulations that have a significant impact on the issuer.	5.2 Product Responsibility Page 14



Environmental, Social and Governance Report 2016

Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Index	Description	Chapter / Page
Aspect B7: Anti-corruption		
General Disclosure	The prevention of bribery, extortion, fraud and money laundering: (a) Relevant policies; and (b) Comply with relevant laws and regulations that have a significant impact on the issuer.	5.3 Ethics and Anti-corruption Page 15
Community		
Aspect B8: Community Investment		
General Disclosure	A policy that promotes community involvement which enables the company to the needs of the local community and ensures that the company's business activities take into account the interests of the community.	6. Community Involvement Page 16



Environmental, Social and Governance Report 2016

Please share your feedback !

We value your feedback on this Environmental, Social and Governance Report 2016. Your comments will help us achieve the vision of a sustainable future. We invite you to share your feedback through the following channels:

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