



AFFLUENT PARTNERS HOLDINGS LIMITED 錢唐控股有限公司*

* For identification purposes only 僅供識別

2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

環境、社會及管治報告



(Incorporated in the Cayman Islands with limited liability)

(開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 1466



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ABOUT THIS REPORT

Affluent Partners Holdings Limited (the “Company” together with its subsidiaries as the “Group”) is pleased to present the first Environmental, Social and Governance Report (this “Report”) to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance issues. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) – “Environmental, Social and Governance Reporting Guide” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarizes the performance of the Group in respect of corporate social responsibility during the year ended 31 March 2017, covering its operation which is considered as material by the Group – purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products in the People’s of Republic of China (the “PRC”) and money lending business in Hong Kong. As this Report is the first publication of its kind by the Company, only general disclosure of required aspects is disclosed. The Group will continue to optimize and improve the disclosure requirements. This Report shall be published in both Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

REPORTING PERIOD

This Report demonstrates our sustainability initiatives during the reporting period from 1 April 2016 to 31 March 2017.

CONTACT INFORMATION

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email to ir@affluent-partners.com.

INTRODUCTION

The Group is one of the world's largest merchants, purchasers and processors of pearls. The processing and production of pearls and jewellery are conducted at the Group's production facilities in Shenzhen, the PRC.

The Group will continue to explore new business opportunities so arising in order to maximise shareholders' value in the coming future.

The Group recognises that in order to continue its success in attracting affordable capital, retaining a loyal workforce and sustainable customer base, the Group needs to protect and enhance its reputation as an ethical, profitable and responsible brand.

The Group is committed to maintaining its operation in a responsible and value-optimizing manner and value creation for stakeholders and community by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements in the area in which we operate and taking into account opinions from stakeholders. It is crucial for the Group's growth in order to achieve business excellence and to build capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor the risks related to environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

STAKEHOLDERS ENGAGEMENT

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. Effective communication with our stakeholders is important to our continued success and we have made this integral to our operating approach for a long time. We have established various methods for communicating with local stakeholders that emphasize two-way dialogue. The following table provides an overview of the Group's key stakeholders and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Issue of concern	Engagement channel
Government and Market Regulators	<ul style="list-style-type: none"> – Compliance – Proper tax payment – Promoting regional economic development and employment 	<ul style="list-style-type: none"> – On-site inspections and checks – Annual reports, announcements and website
Shareholders and Investors	<ul style="list-style-type: none"> – Return on the investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> – Annual general meeting and other shareholder meetings – Annual reports, announcements and website – Meeting with investors and analysts
Employees	<ul style="list-style-type: none"> – Safeguarding the rights and interests of employees – Career development opportunities – Health and safety 	<ul style="list-style-type: none"> – Conference – Training, seminars, briefing sessions – Cultural and sport activities – Intranet and emails
Customers	<ul style="list-style-type: none"> – Safe and high-quality products – Stable relationship – Information transparency – Business ethics 	<ul style="list-style-type: none"> – Website, brochures, annual reports – Email and customer service hotline – Feedback forms – Visits and meetings
Suppliers/Partners	<ul style="list-style-type: none"> – Long-term partnership – Honest cooperation – Fair, open – Risk reduction 	<ul style="list-style-type: none"> – Business meetings, supplier conferences, phone calls, interviews – Regular meetings – Review and assessment – Tendering process
Peer/Industry associations	<ul style="list-style-type: none"> – Experience sharing and corporations – Fair competition 	<ul style="list-style-type: none"> – Industry conference – Site visit
Public and communities	<ul style="list-style-type: none"> – Community investment – Social responsibilities 	<ul style="list-style-type: none"> – Volunteering

ENVIRONMENTAL ASPECTS

EMISSIONS

The Group's objectives on environmental protection are to reduce emission of air pollutants, wastewater and hazardous wastes. In pursuing these objectives, the Group has established "Environmental Facilities Operation and Management System" and implemented corresponding procedures. It defines the responsibilities of organisations and employees at all levels in respect of reduction of pollutants and use of resources and to serve as guidelines for planning, prevention, governance and statistical analysis of environmental protection activities. Specific personnel are appointed to monitor the environmental performance of the operations and check if the emission meets the relevant national standards. We design facilities and conduct our operations in ways that control emissions. All operations have air control plans and activities in accordance with local laws, regulations, and permit requirements. We also believe in supporting voluntary initiatives to innovate and advance emissions control rather than waiting for regulatory requirements to drive our actions.

The operation of our business is expected to generate wastewater, wastes oil, packaging bags and other related wastes. Wastes are handled with a comprehensive procedure to mitigate the impact to the environment. The Group has a classification system for different types of wastes. Each type of waste has specific storage location and collection procedures. The Group engages qualified recycling companies to perform waste disposal and treatment so as to minimize the impact on nature.

The Group was in strict compliance with the local related laws and regulations, including but not limited to the Environmental Protection Law of the PRC and had no material non-compliance regarding environmental issues during the reporting period.

USE OF RESOURCES

The Group has adopted policies and guidelines to improve the efficiency of energy, water and other material consumption, including "Energy Resource Management Procedure". In our daily operation, electricity, water and paper are the major resource consumption.

In view of the scarcity of resources, the Group advocates policies and procedures on efficient use of resources. For example, air conditioner operating temperature is set within a reasonable range. Heat exchangers of the cooling system are checked and repaired regularly to secure their efficiency. Lights and electrical appliance should be turned off before leaving the room. We consistently seek ways to improve energy efficiency and lower electricity usage in our facilities. The Group also motivates all its employees to participate in resources conservation activities and encourages them to save water, power and paper, including reducing the times of business travel and encouraging double-sided printing. Internal security staff also patrol the offices after the employees finish duty to ensure there is no wastage of power.

THE ENVIRONMENT AND NATURAL RESOURCES

For any possible incident that will cause pollution to the environment, the Company and its subsidiaries have clarified the management responsibilities of each post and taken measures to protect the local ecological environment and avoid the occurrence of environmental pollution and ecological damage on the affected sites as stipulated in the "Pollution accident Management" session of the "Environmental Facilities Operation and Management System". In case of any incident of pollution, emergency plan will be carried out immediately and the case will be reported to the environmental department in order to protect the safety of people and the ecological environment. There was no occurrence of such kind of incident during the reporting period.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group has established and implemented a set of human resources management policies and procedures in place with the aim to provide good and safe working environment to its staff in order to comply with local employment laws and regulations, such as the Labor Law of the PRC. It sets out the Group's standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare and these standards have complied all the relevant laws and regulations that have significant impact on the Group in the reporting period. The remuneration management aims to attract potential employees and motivate current staff. Employees receive social welfare benefits and other benefits. All employees are treated equally and their employment, remuneration and promotion opportunities will not be affected by their nationality, race, age, religion and marital status as stipulated in the "Anti-Harassment, Anti-Discrimination and Anti-Abuse Regulation". During the reporting period, no concluded cases regarding employment brought against the Group or its employees were noted.

Health and Safety

The Group has always placed great significance on health and safety in the course of its business. The Group is committed to achieving a zero-incident work environment with a safety culture based on teamwork and leadership. Nothing is more important than the safety, health, and wellbeing of our workers and their families.

The Group's "Health and Safety Management Policy" is the primary tool that guides our efforts to achieve zero incidents. They require safety and occupational health evaluation, planning and design to be integrated into our business development strategies. Safe production is always our goal, and these guidelines and procedures help employees stay committed to continuous improvement in safety performance.

We have implemented key safety and health programs and activities, safety training for employees, fire drills, performance measurement, risk-assessment processes, recognition programs for safety achievement, and a steady flow of information to keep people focused on continuous safety improvement. Regular corporate assurance reviews at our operations help identify safety and occupational health hazards and that effective controls are in place and are monitored for continued improvement and effectiveness. When safety and health assurance reviews identify deficiencies, we identify the root causes underlying these deficiencies so that effective corrective actions can be implemented.

The Group has complied with related health and safety laws and regulations, such as the PRC Law on the Prevention and Treatment of Occupational Diseases. During the reporting period, no concluded cases regarding health and safety brought against the Group or its employees were noted.

Development and Training

The Group continues to provide comprehensive training to employees to promote a learning culture based on the Group's staff handbook. The Group provides diversified on-the-job training to employees. The training covers a wide variety of topics in order to cater to the needs of employees from different departments. For example, there have been in the past trainings on topics such as occupational safety, ISO 9000 Quality Management System, specific job knowledge and skills. The performance of employee is evaluated after the training to assess the effectiveness of the training programs. The Group believes the professional and person development of employee is crucial to the sustainable development of the business. The Group will enhance the training system in order to improve the professional and personal development of its employees.

Labour Standards

The Group is committed to ensuring that our employees respect human rights, including providing training on recognizing and reporting human rights violations. We are also committed to upholding the elimination of all forms of forced and compulsory labor, and to supporting the effective abolition of child labor. These objectives are reflected in the Group's "Child Labor Rescue Procedure" and "Prohibition of Forced Labour Policy Procedure". The Group strictly complies with Labor Law of PRC and Provisions on the Prohibition of Using Child Labor. Recruitment guideline clearly states that person under 16 is not allowed to work in the Group and the Group has zero tolerance to child labor and forced labor. If any case is discovered, the following measures will be implemented:

1. Stop the child employee from working;
2. Contact the parents or guardian of the child employee immediately and bring him/her back to home at the expense of the Group; and
3. An investigation will be carried out to find out the parties that introduce child employee to the Group.

During the reporting period, the Group was not involved in any lawsuit related to child labor or forced labor or subject to any punishment by the government.

OPERATING PRACTICES

Supply Chain Management

The Group recognizes that the conduct and behavior of our suppliers, vendors and contractors can affect – both positively and negatively – the quality of our workplace and the environment, the lives of people in local communities, as well as our reputation and ability to operate effectively. We expect and demand that our supply chain partners uphold the Group's principles of ethical business conduct and respect for human rights. We strive to do business only with those suppliers who share these principles.

The Group's "Suppliers/Distributors Social Responsibilities Control Procedure" strengthens the management of the social and environmental risks of suppliers. The procurement department is responsible for monitoring and evaluating the social responsibility performance of suppliers. Suppliers are required to sign a social responsibility agreement to confirm that they have complied with all local laws and regulations and agree to have on-site inspection. If any serious cases of non-compliance are discovered during the on-site inspection on a supplier, we will terminate the contract with it. The Group maintains a long-term relationship with suppliers based on the result from supplier assessment.

Product Responsibility

Maintaining high-quality product and providing efficient service to customers are the utmost concern for the Group. The Group has related policies and procedures to control the quality and safety of the services. During the reporting period, the Group was in strict compliance with related laws and regulations that have a significant impact on the Company relating to health and safety, advertising, labelling and privacy matters relating to products and service provided and methods of redress, including the Trademark Law and the Product Quality Law of the PRC and was not subject to any disputes relating to or punishment by the government and was not involved in any lawsuit related to product responsibility.

Quality Control

The Group closely monitors its various production processes to ensure that the quality of its products meets the standard for acceptance by customers. Therefore, the Group has established a comprehensive quality management system to monitor the entire production process as stipulated in the "Product Quality Control Procedure". The Group conducts quality testing for all products several times throughout the production process: upon taking initial samples, during processing, and before loading material for transportation. The information of the quality of products are recorded and analyzed to see if the performance meets the target.

Privacy Protection

The Group places utmost importance on protecting the privacy of its customers, partners and staff in the collection, processing and use of their personal data. As stipulated in Group's "Company Confidentiality Regulation", the Group adheres to the applicable data protection regulations and ensures appropriate technical measures are in place to protect personal data against unauthorized use or access. The Group also ensures that customers' personal data is securely kept and processed only for the purpose for which it has been collected.

Anti-Corruption

The Group believes that the integrity of business is a foundation of corporate social responsibility, as well as a fundamental element of a business's competitive advantage and sustainability. For these reasons, we have systematically incorporated anti-corruption management principles into our operations, promoted a fair and just commercial competition to achieve win-win situation with external partners and adhered to transparent and open mechanisms for internal management as stipulated in the "Business Behavior Ethics and Regulation Procedure". Employees shall not accept gifts, cash or other benefits that are beyond common business hospitality, or the supervisor shall be consulted. In cases of suspected corruption or other criminal offences, a report will be made to the appropriate authorities. Besides, we open up communication channels for employees to report suspected cases. The identity of the reporter is kept confidential. All these practical actions not only win the trust of customers, but also enhance the sense of belonging and fair play among our employees. During the reporting period, the Group was in strict compliance with relevant laws and regulations that have significant impact on the Group relating to bribery, extortion, fraud and money laundering, including Anti-Unfair Competition Law and Anti-Money Laundering Law of the PRC and there were no cases of corruption litigation against the Group and its employees.

COMMUNITY

Community Investment

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group has adopted "Social Responsibility Internal Control Procedure", which aims to ensure the social responsibilities system is effective and efficient by reviewing the system annually. The Group evaluates the system by considering a list of criteria as follows:

- To identify the risks related to social responsibilities that may affect the reputation and the image of the Group;
- To review the competitiveness of the company on the markets; and
- To assess whether the system align with the SA8000 international standard.

The Group will continue to contribute to the sustainable development of the community by building a healthy and dynamic community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

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