

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017



## 中金投集团

China Financial Services Holdings Ltd

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*(Incorporated in Hong Kong with limited liability)*

(Stock code: 605)



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Company Profile

Our Group is an integrated financial services provider mainly provides short-term financing services to small and medium enterprises, micro-enterprises as well as individuals through real estate mortgage. Our business regions cover Mainland China and Hong Kong. By adhering to the operation philosophy of “Honesty and Pragmatic, Diligence and Enterprising, Innovation and Development, Cooperation and Mutual Benefits”, we always provide customers with financing proposals catering their needs. Coupled with our thorough insights of the loan industry as well as our comprehensive and effective risk management, the number of customers increased significantly by 11.7% during the Reporting Period as compared to last year.

We understand and attach great importance to the significant relationship between risk management and business development. Hence, not only have we strived to build a seamless financing network, we also review and refine our overall business operation. At the same time, we maintain in-depth communication with all stakeholders to identify operational risks in advance and take precautions accordingly.

#### Group Structure



### Concepts and Principles

This Environmental, Social and Governance (“ESG”) Report (the “Section”) is prepared in accordance with the ESG Reporting Guide promulgated by HKEX, which covers the ESG performance of the Group for the period from 1 January to 31 December 2017, the period of which is the same as our financial report.

In order to have a more accurate and clearer disclosure regarding our performance during the Reporting Period, the report mainly covers the relevant data of our operating presence in Beijing and Hong Kong. Upon a more sophisticated data collection system is being set up, we will further expand our coverage on the environment segment.

The figures and data in this Section mainly derive from our various archived documents, records, statistics and files. For greenhouse gases (“GHG”) emission data, different internal data were provided to professional testing institutions for computation, with the assistance from external institutions, we expect to prepare a more professional and accurate report. If you have any suggestions regarding the content of the Section, feel free to email [605ir@cfsh.com.hk](mailto:605ir@cfsh.com.hk) to enable us to improve our overall disclosure performance and refine the quality of the report.

## Communication with Stakeholders

The Group fully recognises the importance of maintaining communication with all stakeholders. During the Reporting Period, we offer various channels for stakeholders to access our corporate information and over us suggestions.

Stakeholders	Communication Channels	Number of occasions
Shareholders	Annual General Meetings	1
	Results announcements	2
Investors	Investor Meetings	25
	Investor Conferences	5
Customers	Customer Visits and Survey	A number of non-regular meetings during the year
Supervisory Authorities	Delegate specialised staff to meet and communicate with supervisory authorities	A number of non-regular meetings during the year
Staff	Internal Staff Meetings	A number of non-regular meetings during the year

## Environment

The Group always puts great emphasis on the impact of its business operation on the environment. Although our business is not of a highly-polluted nature or it does not cause significant impact to the environment. However, we are still concern about whether our fund has been diverted to enterprises that cause serious pollution to the environment. The purpose is to prevent us from becoming an accomplice in damaging the environment.

### ➤ Environmental Data

Total GHG emissions	119.1 tonnes of carbon dioxide equivalent
Scope 1 (direct emission)	23.34 tonnes of carbon dioxide equivalent
Scope 2 (indirect emission)	95.76 tonnes of carbon dioxide equivalent
Electricity consumption	100,989 kWh
Water consumption	530 m <sup>3</sup>
Non-hazardous wastes	The non-hazardous wastes generated by the Group are mainly office stationery papers, including A4/ A3 papers, carton boxes and financial proof papers etc. As there is no significant impact on its consumption volume and the Group does not have any well-established waste paper statistical system, so we are unable to provide the total volume of non-hazardous wastes at the moment. The Group will make further disclosure upon setting up a more sophisticated system.
Non-hazardous wastes recycling	
Hazardous wastes	The Group does not generate any hazardous wastes.

➤ Complementing National Policy to Promote Green Finance

In April 2017, the Ministry of Ecology and Environment and three other ministries jointly promulgated the “Guidelines on Promoting the construction of Green One Belt One Road (《關於推進綠色「一帶一路」建設的指導意見》), which provides strategic planning and guidance regarding the objective and top-hierarchy design of the construction of Green “One Belt, One Road”. It promotes green standard investment through green finance and provides policy support for the construction of Green “One Belt, One Road”. To underpin the all-round and in-depth reform of the Chinese government, the leading group considered and approved the “Guidelines on Establishing Green Finance System” (《關於建構綠色金融體系的指導意見》). As such, the domestic green finance experienced a tremendous development, which brought the financing demand of numerous green SME and micro-enterprises.

Therefore, the Group provides failed financing options for green finance related enterprises through our internal risk management system, in order to complement the national direction for promoting green finance development. Furthermore, we also have relevant auditing standards in place for our internal investment team and require staff to focus more on the sustainable development performance of investment targets while making investments, which mainly comprises:

- (1) no investment in enterprises with serious environmental pollution and impact;
- (2) no investment in enterprises with fall behind technology; and
- (3) no investment in enterprises with safety hazards

We believe that enterprises highlighting sustainable development will have relatively lower operational risks, in which implies lowering the risks of our investment portfolio and generate more stable return to the Group.

➤ Encouraging Green Office Operations

Our business mainly involves a lot of administrative work and our business mainly operates in office. Therefore, we always encourage green office operations and strive to enhance the awareness of environmental protection of all staff.

During the Reporting Period, the Group has implemented numerous measures to Conserve energy, including:

- (1) Sharing various office equipment among staff
- (2) Implementing digitalized office to achieve paperless office
- (3) Setting the recommended range of temperature for air conditioning in the office to avoid wasting energy due to extremely low temperature indoor
- (4) Encouraging cross-border meetings on telephone or video instead of travelling to reduce carbon emissions generated due to travelling
- (5) Abiding the 3R principals: Reduce, Recycle and Reuse
- (6) Encouraging the use of recycle products, such as recycled papers

We endeavour to enhance the awareness of environmental protection within the Group, hoping to encourage staff to choose a more environmentally-friendly operational approach through implementing various administrative measures.

## Governance

### ➤ Employment Policy and Recruitment Practice

#### (1) Staff statistics - by age and gender

	Male	Female
Below 16	0	0
16 -24	9	4
25 -40	100	73
41 -59	14	17
60 or above	0	0

Staff are our most important composition. Therefore, the Group always place strong emphasis on staff policy formulation, with a view of not only retaining talents but also attracting outstanding individuals to join us and expand our team, thereby maintaining our competitiveness.

#### (2) Safeguards of employees' rights

Our Group insists on safeguarding the legal rights of our staff and has fully complied with the relevant employment laws and regulations in the regions where our Group operates. Our employment contracts and codes are based on the Labour Law, Labour Contract Law, Employment Promotion Act, Employment Ordinance and other laws and legal regulations of the People's Republic of China, aiming to safeguard the rights of our staff. Apart from paying full-amount of salaries promptly and approving entitled paid holidays in accordance with the laws, we also provide comprehensive insurance coverage for our staff, including the provision of "Five Insurances And One Fund" for all our staff in Mainland China. Besides, for staff working in different operation locations, their salaries will be adjusted according to local minimum salary requirements and living standard to safeguard their living quality in respective of domestic regions.

During the Reporting Period, the Group employed a total of approximately 217 staff in China and Hong Kong, and labour contract signing rate achieved 100%.

During the recruitment process, we prevent recruiting child labour and forced labour through various administrative measures, documents checking of candidates as well as due diligence.

During the Reporting Period, no occurrence of child labour and forced labour was found in the Group and there was no occurrence of work-related injury.

#### (3) Equal Working Environment

The Group also attaches importance to fair and equal recruitment process and working environment, ensure no employee will be discriminated due to age, gender, race, marital status, religious belief and they are entitled to reasonable salaries, trainings, promotion, dismissal or retirement and other employment arrangements according to their qualifications and work performance. To prevent different remuneration under equal work scope from happening due to factors such as gender and age, the Group has adopted unified remuneration standard and structure, applying same measure in determining remuneration regardless of gender and age.

During the Reporting Period, our male-to-female ratio was 1:0.76. For female staff, we have fully complied with the “Special Provisions on Labour Protection for Female Workers” in China to ensure that they entitle to maternity leave, procreation allowance, gestation and procreation facilities and other reasonable benefits. Furthermore, the Group has 4 employees of ethnic minorities, and no disabled person is employed currently. The Company has paid employment security fund for the disabled according to laws.

Should any staffs are feeling discriminated in their working environment, they can report to their department heads or human resources manager. Mediation measures will be conducted according to internal procedures.

#### (4) Appreciate Staff Efforts and Offer Good Benefits

The Group has always been striving to offer good benefits to staff to reward their efforts and contribution. During the Reporting Period, we offered competitive remuneration packages and performance-based bonuses to staff as always, in order to ensure their dedication and outstanding performance are commensurate with reasonable returns. The Group also set up a share option scheme to incentivise outstanding staff, with a view to encourage them to step up proactively as well as retain outstanding talents.

The Group also hopes to establish a friendly and harmonious working environment to welcome staff to join our big family. During the Reporting Period, we hosted certain recreational activities including basketball club, yoga club, and badminton competition, hoping our staff can enjoy leisure life outside their work to maintain physical and mental health balance.

During the Reporting Period, total staff cost of the Group was HK\$52,000,000. The overall staff turnover rate was 28%.

#### (5) Staff Development Training

With intensifying market environmental changes as well as increasing complexity in regulatory laws and rules, the overall environment is becoming more and more challenging. To enable us to keep up with social pace, we endeavour to provide targeted, systematic and forward-looking trainings for staff so as to enable them have a comprehensive understanding of the latest market situation and adapt to the development strategies of the Group.

During the Reporting Period, total training hours of the Group were 126 hours, which were mainly categorised as general, managerial and professional programmes.

#### ➤ Operating Structure and Risk Management

The Group understands the importance of solid corporate governance and risk management are essential to our long-run development and sustainable development. Therefore, we keep on improving our corporate rules and regulations during the Reporting Period. At the same time, we monitor the overall risk management procedures to ensure making appropriate decision in operations according to the established rules and procedures in order to safeguard the long-term interest of the Group as well as for our shareholders.

## ➤ Professional Risk Assessment System

The Group has a professional risk assessment system in place. Our risk control team comprises of various professionals who are qualified certified public accountants (CPA), lawyers, certified public valuers and professionals who possess working qualifications in financial institution. The Audit Committee, composing of independent non-executive directors, conduct periodic review of our risk management system and the effectiveness of relevant procedures.

Our risk management system is monitored, assessed and managed mainly on the following aspects, including:

- (1) Market risk: Loss may occur for the investment portfolio or financial assets held as a result of the changes and fluctuations of risk factors in market transactions;
- (2) Credit risk: Risk of economic loss may occur as transaction counterparty fail to perform its obligations under the contract;
- (3) Liquidity risk: Risk of failing to complete transaction may occur due to insufficient trading volumes or lack of transaction counterparty at appropriate time; and
- (4) Operation risk: Corporate faces uncertainties in respect of cash management, receivables management and inventory management. Corporate risks and controllability are analysed mainly based on human resources, operational mechanism and operational strategies.

The loan financing applications under the Group need go through stringent approval procedures including background investigation, due diligence and projects approvals. We implement different approval standards according to industry category of applications to balance and assist quality enterprises as well as control the demand among potential risks after reviewing the aforementioned risk factors. After the loan is extended, The project leader is the principal of post-loan management, who monitors the daily information with the assistance of risk management department, analyses overall operational performance and financial information regularly and pay on-site visit, so as to realize if there is any significant change or adverse information on the enterprise in time to ensure the healthy development of our financing business.

To establish a healthier asset condition, the Group controls its bad debt risks proactively and strive to expand its customer base in order to reduce its overall concentration risk. During the Reporting Period, the customer base of the Group increased significantly by 11.7% from 1,802 last year to 2,013. At the same time, our customer base became more diversified, thereby lowering the concentration risk on certain industries. Throughout the year, our customer base portfolios were segregated as follows: manufacturing and processing companies 10.5%, high-tech companies 8.7%, service companies and retail suppliers 56.3%, commercial property management companies 8.2%, and real estate development and construction companies 16.3%. In addition, our average loan size was about HK\$5,090,000 with our good performance on overall risk control.

## ➤ Comprehensive and Effective Corporate Governance

The Group have set up its management system in accordance with national and local regulations. We set up a relevant management system in accordance with the Listing Rules under The Stock Exchange of Hong Kong Limited, Securities and Futures Ordinance and Companies Ordinance in addition to the Company Law of the PRC, so as to safeguard the interests of all stakeholders.

### (1) Customer Relationship

As a financial service provider abiding its operational concepts of “Professionalism, Documentation, Innovation, Practicability”, we focus on pursuing excellence and hope to meet the customers’ demand for premier services and experience. Therefore, we always keep close relationship with customers and hope to offer targeted financial advice and proposals according to customers’ feelings and demands.

For this purpose, we hold regular meetings with customers and pay site visits to enhance communications and collect feedbacks regarding our services. To ensure service quality, we provide latest market information to our front office staff and enable them to offer customers with professional advice following to market trend. If there are any suggestion or complaint from customers regarding our services, they can reflect directly to our front office staff. We will discuss and analyse such suggestion internally and make improvement according to actual situations.

### (2) Customer’s Privacy Guarantee

We always adhere to our core vision of “Customer First”. We also pay great attention to protect customers’ privacy in addition to providing professional financial or financing advice to customers. With our growing business, technological tools such as information servers, operating system, data base and internet network become essential parts of our business operation. However, as technology is changing rapidly, enterprise computer systems become the targets of increasing, more sophisticated cyberattacks, in which they can disrupt customer services. The online and offline data management is a new source of risk. Disclosure of customers’ information will bring material adverse impact on enterprises.

Thus, we have formulated a stringent customer information confidential policy. We formulated very stringent rules with reference to the Secrecy Law and Interim Provisions on Computer Information System Security Management of the Chinese Government, so as to strictly control the authority of our staff for information accessibility. If no approval is given, such staff is unable to access or download data file, in which it diminishes the possibility of information disclosure. Meanwhile, we also require staff to sign a confidentiality agreement with legal effect and commits confidentiality responsibility in his/ her position. If he/she breaches the confidentiality agreement, he/she will undertake respective legal liability.

### (3) Anti-corruption

The Group had fully complied with national and local anti-corruption laws, including the “Criminal Law” of the People’s Republic of China and the “Prevention of Bribery Ordinance” of Hong Kong. As a responsible financial enterprise, not only are we responsible for ensuring the honesty of the entire Group, we must also possess moral and legal obligations to identify financial criminals, contribute to the industry and national development.

For measures and policies, we established rules and regulations including Internal Control Guidance, Confidentiality Management System, Staff Manual etc. with constant update, to enable staff to fully understand and identify criminal behavior such as contract fraud, corruption, jobbery, leakage of confidential information, insider trading, blackmail and other financial crimes etc. If staff encounters suspected cases, we also have a clearly written reporting policy and procedures in place to ensure whistle-blowing on a confidential basis. Through investigation and verification, we will report to relevant authority, we will also



conduct a comprehensive review of the vulnerability on our entire structure and make remedy and improvement.

Furthermore, we also provide anti-corruption related training to staff, hoping to minimize the occurrence to the greatest extent through increasing their precautionary awareness in corruption.

During the Reporting Period, the Group had no litigation case arisen from corruption.

#### (4) Intellectual Property Protection

The Group respects intellectual property and will never tolerate any behaviour of intellectual property rights infringement.

Since the Group discovered that some wealth management websites used identical or similar labels to the Group's registered trademark in 2016, no similar cases had occurred during the Reporting Period.

### **Community Investment**

The Group pays much attention to the contributions and influences brought to society. We hope to match with the propelling national policies through our own influence to facilitate local community development. During the Reporting Period, we brought employment opportunities to the regions where we operate. During job recruitment process, we undertake to recruit local people on a preferential basis if candidates meet our requirements and have similar backgrounds.

### **Future Prospects**

The Group will gradually increase its proportion of green finance elements in future. While focusing on providing quality financial services to small- medium-, and micro-enterprises, we will prudently identify any improper behaviour to ensure no capital will be provided to indecent behaviour and will completely eradicate funding any unhealthy companies indirectly.