



友川集團控股有限公司
NEWTREE GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1323)



2018/2019
Environmental, Social
and Governance Report

Environmental, Social and Governance Report

Introduction

About the Report

Newtree Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group” and “we”) are pleased to publish the Environmental, Social and Governance (“ESG”) Report for the year ended 31 March 2019 (the “Year”). The ESG report presents the Group’s sustainability approach and performance in the environmental and social aspects of its business in the Year.

Scope of the Report

The ESG report mainly covers the Group’s household consumables trading business in the United Kingdom carried out by S&J Distribution Limited (“S&J Distribution”), money lending business in Hong Kong carried out by Chengxin Finance Limited (“Chengxin Finance”), as well as the general office in Hong Kong (the “Hong Kong Office”). The environmental key performance indicators (“KPIs”) in the Year focus on S&J Distribution, Chengxin Finance and the Hong Kong Office, and will gradually expand to other subsidiaries in the future. For information on our corporate governance, please refer to the Corporate Governance Report of the Annual Report for the Year. The Group will continue to strengthen its efforts in information collection for a broader disclosure of information in the environmental and social aspects and related information in sustainable development.

Reporting Framework

The ESG report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

ESG Governance

The Group understands that ESG governance is vital to effective implementation of sustainable development strategies. The Board of Directors (the “Board”) bears the responsibility of leading the Group’s sustainability development, as well as evaluating and capturing ESG related risks and opportunities. Also, the Board delegates authority to the management for formulating ESG policies and embedding the sustainable principles across the business operations.

Stakeholder Engagement and Materiality

The Group attaches great importance to its communication with stakeholders to further improve its ESG performance. Therefore, the Group has established effective communication channels to gain a deeper understanding of various stakeholders’ expectations and needs, and to respond to their concern regarding ESG.

Environmental, Social and Governance Report

Introduction (Continued)

Stakeholder Engagement (Continued)

The table below summarised the major stakeholders related to the Group, their expectations and our communication channels:

Stakeholders	Expectations and Needs	Means of Communication and Response
Government and Regulators	<ul style="list-style-type: none"> • Compliance with national policies, laws and regulations • Support for local economic growth • Paying taxes in full and on time 	<ul style="list-style-type: none"> • Regular information reporting • Dedicated reports • Examinations and inspections
Shareholders	<ul style="list-style-type: none"> • Returns • Compliant operation • Increase in company value • Transparent information and effective communication 	<ul style="list-style-type: none"> • General meetings • Announcements • Email, telephone communication and company website • Dedicated reports
Business Partners	<ul style="list-style-type: none"> • Operational integrity • Equal rivalry • Performance of contracts • Mutual benefits and win-win situations 	<ul style="list-style-type: none"> • Review and appraisal meetings • Business communications • Exchanges and discussions • Engagement and cooperation
Customers	<ul style="list-style-type: none"> • Outstanding products and services • Health and safety • Performance of contracts • Operational integrity 	<ul style="list-style-type: none"> • Customer communication meetings • Calling for feedback
Environment	<ul style="list-style-type: none"> • Energy saving and emission reduction 	<ul style="list-style-type: none"> • Reporting
Employees	<ul style="list-style-type: none"> • Protection of rights • Occupational health • Remunerations and benefits • Career development 	<ul style="list-style-type: none"> • Employee communication meetings • Corporate journal and intranet • Employee mailbox • Training and workshops
Community and the Public	<ul style="list-style-type: none"> • Participation in charity • Information transparency 	<ul style="list-style-type: none"> • Company website • Announcements

During the preparation of ESG report for the Year, the Group has also entrusted an independent third-party consultant in collecting internal stakeholders' opinion on ESG. The opinions collected enable us to identify potential material ESG aspects for internal stakeholders, as well as acting as a reference for strengthening the ESG governance. Based on our assessment, key material issues all focused on social aspects. Environmental aspects, on the other hand, were considered less material for the Group.

Environmental, Social and Governance Report

Protect Our Environment

Use of Resources

As an environmentally friendly corporate, the Group bears the responsibility to protect the environment and adheres to low-carbon development concepts. We continued encouraging our employees to turn off any unnecessary lighting and electronic equipment while not in use, to use natural lighting and energy efficient light fixtures whenever possible, to use independent lighting for different office areas, and to clean light fixtures regularly, in order to minimize waste of energy and maximize energy efficiency. Anti-ultraviolet films were also applied on windows for reducing heat gain and the use of air conditioning.

During the Year, energy consumption included the purchased electricity by S&J Distribution, Chengxin Finance and the Hong Kong Office, and the diesel oil consumed by vehicles of S&J Distribution. Energy consumption levels for both years are similar. Details of energy consumption are as follows:

Energy Consumption	Year ended 31 March	
	2019	2018
Total energy consumption (MWh)	222	238
Energy consumption from purchased electricity (MWh)	48	53
Energy consumption from diesel oil (MWh)	174	184
Energy consumption per staff (MWh/staff)	6.95	7.43

Reference:

- i. Conversion Factors 2017 and 2018 issued by the United Kingdom Government

We integrate environmental protection into our daily operation and always remind our employees to cherish water resources. For example, S&J Distribution reminds employees to turn off the faucet tight after use for the avoidance of water wastage. The water consumption records of offices of Chengxin Finance and the Hong Kong Office were managed by the building management office and the cost of usage was included in the management fees. Both businesses did not consume significant amount of water through business activities and the water consumption was considered minimal during the Year. There was no issue in sourcing water. Water consumption of S&J Distribution in the Year was around 131 m³ (2018: around 129 m³) with its water consumption intensity amounted to approximately 16.38 m³ per staff (2018: approximately 16.13 m³ per staff).

Packaging material used by S&J Distribution is mainly plastics. To ensure utilisation of the material are in the greatest extent, its usage is constantly evaluated to avoid overstocking and squandering. Total packaging material has increased by 49.2% to approximately 2,200 kg for the Year (2018: approximately 1,475 kg) due to change in product mix. Details of packaging material used by S&J Distribution are as follows:

Packaging Material	Year ended 31 March	
	2019	2018
Total packaging material used (kg)	2,200	1,475
Packaging material used per revenue (kg/HK\$'000)	0.05	0.03

Environmental, Social and Governance Report

Protect Our Environment (Continued)

Emissions

The Group strictly complies with national and local laws and regulations regarding emission, including but not limited to the Air Pollution Control Ordinance of Hong Kong and Environmental Act 1995 of the United Kingdom. The Group's major exhaust gas was contributed by the vehicles of S&J Distribution. All domestic sewage were discharged to the municipal drainage system for further treatment.

To minimize the exhaust gas from vehicles and maintain their efficiencies, S&J Distribution avoids car idling and conducts regular maintenance for proper function and correct tyre pressure. Due to change in vehicle model and location of customers and suppliers, emission data varied. The decrease in emission for the Year was mainly because of decrease in total mileage travelled for the Year. Emissions from vehicles of S&J Distribution are as follows:

Emissions from Vehicles	Year ended 31 March	
	2019	2018
Nitrogen oxides (kg)	130	208
Sulphur dioxide (kg)	0.23	0.32
Particulates (kg)	4	7

Reference:

- i. Fleet Weighted Road Transport Emission Factor 2016 and 2017 issued by National Atmospheric Emissions Inventory of the United Kingdom

Waste Management

Solid waste was mainly generated during daily office operations, including general waste and paper waste. The general waste was collected and disposed of at designated areas of the building. All waste papers were recycled. Due to the business nature, we produced minimal hazardous waste. All hazardous waste were handled properly according to instructions of the manufacturer or guidelines published by the government. For the Year, all used toners were collected and recycled by their corresponding manufacturers.

In order to reduce waste disposal and paper consumption, our employees are encouraged to use paper on both sides and disseminate information by electronic means whenever possible. Also, employees are encouraged to reduce the use of single-use stationery and equipment and use more reusable stationery instead.

During the Year, a small amount of hazardous waste was produced, including replacement of 10 light bulbs. Information on non-hazardous waste included those produced by S&J Distribution and the Hong Kong Office. Production of both hazardous and non-hazardous waste was relatively the same for both years. Details of hazardous and non-hazardous waste produced are as follows:

Wastes	Year ended 31 March	
	2019	2018
Hazardous waste produced (kg)	4	6
Hazardous waste generated per staff (kg/staff)	0.13	0.18
Non-hazardous waste produced (kg)	329	348
Non-hazardous waste produced per staff (kg/staff) ¹	11.34	11.60

¹ As the non-hazardous waste collected did not include the waste from Chengxin Finance, non-hazardous waste intensity was calculated by number of employees in the Hong Kong Office and S&J Distribution.

Environmental, Social and Governance Report

Protect Our Environment (Continued)

Green Office

In consideration of the potential threats of climate change to the communities, the Group has made steady progress in reducing its carbon footprint across the businesses. In terms of transportation, our internal activities are held at locations easily accessible by public transportation to actively reduce greenhouse gas emissions caused indirectly by organising activities. We also grow green plants in the office areas. During the Year, S&J Distribution became a member of The Foodservice Packaging Association (“FPA”) in the United Kingdom and adhered to the FPA Code of Practice of ensuring its business takes all steps required to prevent an adverse impact upon the environment, in order to contribute to protecting our environment. In addition, all paper used in the Hong Kong Office were recycled during the Year, contributing to the reduction of greenhouse gas emissions.

Greenhouse gas emissions emitted by S&J Distribution, Chengxin Finance and the Hong Kong Office are as follows:

Greenhouse Gas Emissions	Year ended 31 March	
	2019	2018
Total greenhouse gas emissions (tonnes CO ₂ e)	105	139
Scope 1 – Direct emissions ²	70	103
Scope 2 – Energy indirect emissions ³	23	27
Scope 3 – Other indirect emissions ⁴	12	9
Greenhouse gas emissions per staff (tonnes CO ₂ e/staff)	3.28	4.36

² Direct emissions of the Group were from fuel combustion in vehicles.

³ Energy indirect emissions of the Group were from purchased electricity.

⁴ Other indirect emissions of the Group included paper used and recycled, business travel by employees, and electricity used for fresh water and sewage processing by government organisation.

Reference:

- i. Conversion Factors 2017 and 2018 issued by the United Kingdom Government
- ii. Appendix 2: Reporting Guidance on Environmental KPIs of Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited

Decrease in total greenhouse gas emissions of 24.5% to approximately 105 tonnes CO₂e for the Year (2018: approximately 139 tonnes CO₂e) was mainly due to decrease in use of electricity and reduction in total mileage travelled by vehicles.

Environmental, Social and Governance Report

Care Our Employees

Employment

In a bid to attract and retain talents and create a harmonious working environment, the Group adopts a non-discriminatory approach throughout the recruitment process, from advertising to employment, in strict compliance with the relevant labour laws and regulations promulgated by the national and local governments, including but not limited to the Employment Ordinance of Hong Kong, Labour Law of the People's Republic of China (the "PRC") (《中華人民共和國勞動法》) and Employment Rights Act 1996 of the United Kingdom. The Group highly respects cultural and individual diversity. All applicants receive equal opportunities and are considered solely based on their academic knowledge, morality, ability and relevant working experience. Being a member of FPA, S&J Distribution supports the global set of principles for corporate social responsibility set out in the United Nations Global Compact and operates with fair employment practices.

Upon receiving letter of resignation, discreet interview will be held to understand employee's reason for resignation, so as to strengthen and improve the Group's management. All payments will be calculated and made in a timely manner and in accordance with the employment contract, local labour laws and regulations.

Total number of full-time employees of the Group was 72 as at 31 March 2019 (2018: 92) and the details are as follows:

Number of Employee of the Group	As at 31 March	
	2019 Number	2018 Number
By Geographic Region		
Hong Kong	44	53
PRC	18	29
Macau	2	2
United Kingdom	8	8
By Gender		
Male	37	54
Female	35	38
By Age		
Below 30 years old	15	22
Between 30 to 50 years old	48	60
Over 50 years old	9	10

Child and Forced Labour

We strictly abide by the laws and regulations regarding child labour and forced labour, including but not limited to the Prohibition of Using Child Labour (《禁止使用童工規定》) and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). All of our employees have reached the statutory age with possession of identification documents. To avoid forced labour, we hire staffs by engaging them in employment contracts which specifies job descriptions of their position and the duties and responsibilities of the role before officially coming on board. Catering for business needs, our employees work overtime voluntarily with compensation in accordance with the internal policies, relevant laws and regulations.

Environmental, Social and Governance Report

Care Our Employees *(Continued)*

Employee Benefits

Our employees are our most valuable asset and we value their rights and welfare. We strictly abide by the laws and regulations in relation to the employees' benefits, including but not limited to the Employment Ordinance of Hong Kong, Labour Law of the PRC (《中華人民共和國勞動法》) and Employers' Liability (Compulsory Insurance) Regulations of the United Kingdom. The salary structure is reviewed annually to ensure that competitive remuneration package is offered to our employees. On top of basic salary, we also offer discretionary bonus based on their individual performance and our financial performance. While the working hours of employees are set in regard to the relevant national and local regulations, time off in lieu is provided to employees if they work overtime. For instance, the Company offers compensation leave, transportation allowance and complimentary dinner if employees are required to work overtime.

Apart from statutory holidays stipulated by the relevant national and local regulations, employees are entitled to different types of leave, including annual leave, compensation leave, sick leave, bereavement leave, maternity leave and paternity leave. As the Group's locations of employment spread from the United Kingdom, China, Macau to Hong Kong, employees in different business sections may enjoy different kind of benefits depending on local tradition and culture. For example, employees in the Hong Kong Office were invited to festive gatherings. During the Year, the Company arranged a mid-autumn luncheon for its employees. Employees in the Hong Kong Office were also entitled to early leaves before festive holidays, provided with complimentary drinks, freshly brewed coffee and snacks, and allowed to dress down on Fridays and before public holidays for a more comfortable working environment.

Development and Training

In order to establish an excellent team to cope with the rapid development and efficient operation of the Group, the Group reviews employees' performance continuously to maximize their strengths and to help them overcome any possible weaknesses. Our promotion is executed on a fair and open basis. We do not tolerate any form of discrimination on grounds of gender, race, age, religion and national origin. Promotion and dismissal decision of any employee within the Group are considered thoroughly on the employee's attitude, ability and performance at work. The Group provides orientation and internal training to employees in targeted, systematic and forward-looking approach. The Company has been accredited once again as an authorized employer of Hong Kong Institute of Certified Public Accountants to train prospective members of the Institute. We subsidise and offer seminar/workshop leave for staffs to participate in external job-related training.

During the Year, our employees have participated in various training sessions with topics covering financial and accounting, occupational health and corporate governance. Also, the Company has invited an agent to provide training about Mandatory Provident Fund ("MPF") investment for its employees, including an introduction to the overall market review and industry updates and a review on the performance on employees' individual MPF portfolio.

Environmental, Social and Governance Report

Care Our Employees *(Continued)*

Health and Safety

Work safety is the cornerstone of executing sustainable development in the Group. We strictly abide by the laws and regulations regarding occupational health and safety, including but not limited to the Occupational Safety and Health Ordinance of Hong Kong, Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and Health and Safety at Work etc Act 1974 of the United Kingdom. A health and safety policy has been adopted by S&J Distribution to provide reference and guideline on occupational health and safety. The workplace shall be kept clean and tidy at all times for safety purpose. In the meantime, employees of S&J Distribution receive training on health and safety at their commencement of employment. To protect our employees from injury or ill health, designated personnel is assigned to carry out workplace inspection and risk assessments annually to identify the tasks and equipments related to our business with potential safety risks, as well as monitoring the effectiveness of any actions resulting from the findings of the risk assessments. Employees are consulted regularly on matters concerning their health and safety at work through meetings, toolbox talks and notice board.

Respect Our Suppliers and Clients

Supply Chain Management

Suppliers are indispensable to the Group's business operation. A green procurement principle is taken into consideration during the procurement process. Suppliers are encouraged to use less packaging material to reduce the waste generated during the delivery process. When there are suppliers with similar qualification, we prioritise suppliers who are near to the locations of the Group to reduce the carbon footprint due to long-distance transportation. The Group is dedicated to maintaining a long-term strategic cooperative relationship with suppliers of good performances in qualification, reputation, product quality, environmental protection and social responsibility.

Protect Our Clients

The Group strives for protecting the rights and interests of our clients and strictly abides by the national and local laws and regulations regarding intellectual property right, including but not limited to the Trade Marks Ordinance of Hong Kong, Patent Law of the PRC (《中華人民共和國專利法》) and Data Protection Act 2018 of the United Kingdom. As a member of FPA, S&J Distribution endeavours to apply the highest ethical trading standards in operating its business and has undertaken the responsibility of ensuring all public statements made are honest and truthful to the best of its knowledge, understanding and beliefs.

Environmental, Social and Governance Report

Respect Our Suppliers and Clients *(Continued)*

Protect Our Clients *(Continued)*

The Group highly values the confidentiality of our clients' data as well, in which confidential and personal information are disclosed to officers on a need-to-know basis. Employees are required to keep all documentary or other materials containing confidential information safe and return any such materials to the Group at the time of termination of employment or at any other time upon demand. We are also committed to protecting the software system to prevent the introduction of virus contamination and the leakage of clients' information by forbidding any use of unauthorized software and undergoing software virus checking before use.

We strictly abide by the national and local laws and regulations regarding product safety, and respect and protect intellectual rights. In addition to the trademark registration of the Group's corporate logo, the Group also conducts business under the "Mammoth" trademark. Our policy is to label our products properly in accordance with local requirements. We work to ensure that the labels and trademarks used in our products properly reflect product specifications and the quality standards.



In conducting our money lending business, we explain all terms of the agreement to customers in detail before entering into any agreements for loan. We strictly follow the rules and regulations stipulated under Money Lenders Ordinance of Hong Kong during the money lending business operations. All customers' feedback are handled in a timely and proactive manner.

Environmental, Social and Governance Report

Respect Our Suppliers and Clients *(Continued)*

Anti-corruption

In order to maintain the Group's integrity and justice, we strictly abide by the laws and regulations regarding bribery, extortion, fraud and money laundering, including but not limited to the Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the PRC (《中華人民共和國刑法》) and Bribery Act 2010 of the United Kingdom. Integrity and transparency are of utmost importance to the Group and it has a zero tolerance attitude towards corrupt activities of any kind, whether committed by employees or by third parties acting for or on behalf of the Group.

An anti-bribery policy has been in place for effective prohibition on commercial bribes, kickbacks or similar payoffs or benefits paid by any suppliers or clients. Employees can report any irregularities, such as dereliction of duty, abuse of power, receiving bribes and encroachment on corporate property, to the designated personnel. Upon the receipt of such report, the Group will investigate the improper behaviors promptly and take corresponding remedial measures against the irregularities. In operating our money lending business, internal procedures for regulating and monitoring our due diligence and record-keeping procedures are implemented to ensure strict abidance of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong.

Community Investment

Over the years, the Group has focused on community activities and strongly encouraged our employees to participate in various volunteering works. During the Year, the Group focused on and gave support to the education sector by making donations to the Smart Education Charitable Foundation Limited. We also joined the Test of English for International Communication (TOEIC) Bridge Scholarship programme to offer subsidies to outstanding students from Vocational Training Council (VTC) as an encouragement of learning English and obtaining international English certification, as well as recognition for their efforts. In addition, the Group was awarded as the silver sponsor of "SRACP Charity Walk and Run 2018" ("甦Walk慈善行·跑步賽2018"), a charity run organised by the Society of Rehabilitation and Crime Prevention, Hong Kong. Apart from monetary donation, our staff competed in the relay race to support the crime prevention education provided by the organisation.



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友川集團控股有限公司
NEWTREE GROUP HOLDINGS LIMITED

