



(Incorporated in the Cayman Islands with limited liability)
Stock Code : 3938

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT **2019/2020**

Environmental, Social and Governance Report

ABOUT THIS REPORT

LFG Investment Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is an active financial services provider in Hong Kong licensed to conduct regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”). The Group principally engages in the provision of (i) corporate finance advisory services; (ii) securities and financing services; and (iii) asset management services.

This is the first Environmental, Social and Governance Report (the “Report”) published by the Company, which explains the environmental, social and governance (“ESG”) performance of the Group. The Report has been confirmed and approved by the board of directors (the “Board”) of the Company on 28 September 2020. Available in both Chinese and English, the Report has been uploaded to the websites of The Stock Exchange of Hong Kong Limited (the “SEHK”) (www.hkexnews.hk) and the Company (www.legogroup.hk).

Reporting Scope and Boundary

The Report focuses on the operation of corporate finance advisory services of the Group between 1 April 2019 and 31 March 2020 (the “Year”), where the reporting boundary of key performance indicators (“KPIs”) includes its Hong Kong office. For the Year, the operation of corporate finance services accounted for approximately 81.6% of total revenue of the Group.

The Group will continuously upgrade its internal data collection procedures and gradually expand the scope of disclosure according to the materiality principle.

Reporting Standard

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) as contained in Appendix 27 of the Rules Governing the Listing of Securities on the SEHK. The Report discloses KPIs about environmental aspects in compliance with the “Comply or Explain” provisions. The four reporting principles, namely materiality, quantitative, balance and consistency, form the backbone of the Report.

Reporting principle	The Group’s response
Materiality	The Group reports on issues that are considered as posing significant impacts on environment and society and are important to stakeholders. The issues are presented together with Group’s management measures in the Report.
Quantitative	The Group ensures the KPIs are measurable and accompanied by a narrative explaining its purpose, impacts and calculation methodology. The Group has also commissioned an independent consultant in assessing the carbon emissions in accordance with local and international guidelines.
Balance	The Group is committed to preparing the Report on an unbiased basis. The Group ensures achievements the Group has made and the challenges it has faced are both reported.
Consistency	The Group is committed that consistent methodologies will be adopted in the future reports for meaningful comparison on the Group’s ESG performance.

Feedback

The Group values opinions of stakeholders. If you have any questions or suggestions regarding the content or format of the Report, please contact the Group by email at management@legogroup.hk.

Environmental, Social and Governance Report (Continued)

SUSTAINABILITY GOVERNANCE

The Group endeavours to maintain good corporate governance in managing sustainability issues that have significant impacts on the environment and society posed by the Group's operation. It also enables the Group to cope with ESG challenges in a timely manner.

While relevant departments work together in managing sustainability issues that are significant to the Group and its stakeholders, the Board has the overall responsibility for the Group's sustainability governance and is responsible for overseeing the potential impacts and related risks on sustainability issues of the Group's operation.

Risk Management

The Group has a risk management system for identifying and managing significant risks of its operation. The system is reviewed regularly and is reported to the Board periodically to ensure the effectiveness of the systems.

The Group understands that stakeholders now have higher expectation on environmental and social risks management. In the future, the Board will identify and assess risks in relation to environment and society and enhance the stakeholders' engagement to understand their views on the Group's sustainability performance and future strategies. This is to ensure that respective mitigation measures are effectively in place in line with its risk appetite and strategy.

Compliance Management

Non-compliance of laws and regulations that have significant impacts on the Group's operation may lead to regulatory enforcement actions, such as fines and lawsuits. The Group has established procedures in reviewing and monitoring relevant laws and regulations' compliance status regularly. Details of the compliance of the relevant laws and regulations that have a significant impact on the Group are set out in the relevant sections below.

Environmental, Social and Governance Report (Continued)

PROTECTING THE ENVIRONMENT

2019/20 Performance Highlights:

70.8 tonnes of CO ₂ -e Greenhouse gas emissions	96.6 MWh Energy consumption	2.1 tonnes Non-hazardous waste
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While the Group runs an office-based operation which does not create a significant impact on the environment, the Group strives to reduce impacts of its operation on the environment. The Group's Environmental Protection Policy Statement has demonstrated its determination to become an environmentally responsible corporate. Through the implementation of various measures, the Group aims to minimise emissions, use of resources and impacts on the environment. The statement is reviewed regularly to ensure effective execution.

During the Year, the Group was not aware of any cases of non-compliance in relation to environmental laws and regulations, including but not limited to the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong) and Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).

Emissions

The Group is aware that the daily operation of its office generates emissions and is committed to the following:

- Minimise emissions of air pollutants and greenhouse gases ("GHG");
- Adopt internationally recognised standards or equivalent local standards in assessing and disclosing GHG emissions; and
- Properly manage and minimise hazardous (if any) and non-hazardous waste produced in its operation.

Adhering to the reporting principle of quantitative, the Group commissioned an independent consultant to conduct assessment on the Group's GHG emissions. The process is conducted with reference to relevant local and international guidelines¹ to ensure alignment with the ESG Reporting Guide.

The Group believes proper assessment, recording of GHG emissions is essential for quantifying its emissions management. The Group will continue the practice and disclose its environmental data on a yearly basis. It does not only allow stakeholders to better understand the Group's performance, but also allows the Group to monitor its progress on environmental commitments quantitatively.

¹ Including Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong compiled by the Environmental Protection Department and Mechanical Services Department of Hong Kong, international standards such as ISO 14064-1 and the Greenhouse Gas Protocol.

Environmental, Social and Governance Report (Continued)

Other than GHG emissions, the Group also produces air emissions, including nitrogen oxides, sulphur oxides and respiratory suspended particles, from vehicles the Group owns for business purpose. The Group strives to reduce air emissions by regular maintenance to ensure its efficiency.

The Group generates hazardous and non-hazardous waste during its daily office operation, which are collected by recycler. Due to the Group's office-based operation, the Group focuses on paper usage reduction to reduce waste produced, it has implemented the following measures:

- Recommend double-sided paper use; and
- Adopt electronic communications and filing to reduce the use of paper.

During the Year, the Group has disposed of two desktops, a laptop and a monitor. The electronic waste generated was collected through WEEE programme.

Future Plan:

Looking ahead, the Group is planning to improve its waste management procedures, including record of domestic waste produced and recycled, so as to review the effectiveness of current measures.

Use of Resources

The Group is committed to protecting the scarce resources on the planet. The Group strives to reduce the use of resources as stipulated in the following commitments:

- Adopt the principles of "reduce, reuse and recycle" to increase the consumption efficiency of energy, paper, water and other resources;
- Nurture the culture of environmental protection within the Group to increase the environmental awareness of staff; and
- Maintain continuous communication with staff with regard to environmental protection policies.

Environmental, Social and Governance Report (Continued)

Electricity and paper used at the office are the major sources of resources consumption, measures have been implemented including:

Resources	Measures
Energy	<ul style="list-style-type: none">• Switch off unnecessary lighting in unoccupied areas;• Set up timer for display monitors that automatically enter standby mode when left idled for a certain period of time;• Purchase electronic appliances with energy efficiency label; and• Maintain/replace malfunctioning facilities in a timely manner.
Water	<ul style="list-style-type: none">• Promote conservation of water internally.
Paper	<ul style="list-style-type: none">• Recommend double-sided paper use;• Adopt electronic communications; and• Arrange recycler to collect the used papers.

The Group understands that awareness of employees is a key to resources saving, it encourages its employees to consider the environment before consuming resources including energy and paper.

Future Plan:

To further promote environmental protection practices internally, the Group plans to formulate a guide for employees for green practices for energy saving and waste reduction.

The Environment and Natural Resources

Although the business activities of the Group do not pose significant adverse impacts on the environment and natural resources, it strives to minimise its impacts through effective execution of implemented measures. The Group will continue to review its Environmental Protection Policy Statement from time to time and enhance its measures for environmental protection.

Environmental, Social and Governance Report (Continued)

EMPLOYMENT AND LABOUR PRACTICES

2019/20 Performance Highlight:

Provide Equal Opportunities	Promote Training and Development	Enhance Continuous Communications
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The Group formulated the Employment and Labour Practices Policy Statement in response to the actual situation of the Group's operation. The aim of the policy statement is to provide staff with a workplace that is free of discrimination and harassment and emphasises equal opportunities, health and safety, as well as development and training opportunities.

Employment and Labour Standards

The Group regards talents as a key to corporate success and sustainability. The Group is committed to providing a diverse and fair working environment for its employees as stipulated in the Employment and Labour Practices Policy Statement that the Group will:

- Provide equal opportunities in employment, training and career development regardless of gender, age, nationality, race, ethnicity, religion, body size, illness, mental or physical disability, family roles, family composition, sexual orientation, political beliefs or social status; and
- Create a diverse working environment within the Group.

In addition, the Group has formulated the Group Policy Handbook to set out policies relating to compensation and dismissal, recruitment and promotion, working hours, holidays, benefits and welfare. Other than statutory holidays, the Group provides marriage leave, condolence leave, jury service leave to show support to its employees. The Group also provides medical insurance to all permanent full-time employees.

The Group welcomes suggestions from employees for continuous improvement, employees are encouraged to voice out their opinions regarding working environment, working procedures etc. to improve efficiency of the Group's operation.

The Group has zero tolerance in all forms of child and forced labour. The Employment Contract has set out terms and conditions of employees' duties and rights to ensure all employment relationships are voluntary.

The Group also verifies the age and relevant qualification of employees during the employment process. Due to the business nature of the Group, the risk of child and forced labour is relatively low.

During the Year, the Group was not aware of any non-compliance with laws and regulations nor any cases of child labour or forced labour in relation to employment and labour standards, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) and Minimum Wage Ordinance, (Cap. 608 of the Laws of Hong Kong).

Future Plan:

The Group values feedback from employees and seeks to provide a positive environment for them. The Group will continue to collect opinions from the employees and facilitate communications within the Group.

Environmental, Social and Governance Report (Continued)

Health and Safety

The Group places importance on protecting employees' health and safety, as well as their well-being. To build a healthy and safe working environment, the Employment and Labour Practices Policy Statement has stated commitments of the Group, including:

- Formulate occupational health and safety measures to minimise the chance of injury, illness or occupational hazards at work; and
- Be prepared for emergency situations to respond effectively towards hazards in a timely manner.

The Group strives to promote a healthy and safe working environment, knowing that it does not only protect its employees from physical injuries, but it also promotes employees' wellbeing. Other than physical health of employees, the Group cares about the mental health of employees under high pressure working environment.

During the Year, the Group complies with the relevant laws and regulations, including the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong). There were no cases of work-related injuries or fatalities recorded during the Year.

Development and Training

The Group formulates training plans and arranges various training for employees based on their job nature and the Group's business development. The Group values employees' enhancement of professional knowledge and skills in relation to the Group's operation. The Group also conducts performance review periodically with employees to ensure adequate supports are provided for employees' career development.

The Group organises training for its employees from time to time, during the Year, it has organised training including:

- Annual anti-money laundering training;
- Training on the restructuring of companies in Mainland China; and
- Regulatory compliance training.

Future Plan:

The Group will enhance its training programs and other supports through reviewing the opinions collected from the employees.

Environmental, Social and Governance Report (Continued)

OPERATING PRACTICES

2019/20 Performance Highlights:

Adopt Code of Conduct for employees	Adopt data security measures and system to prevent leakage of confidential data	Provide training for the Board and employees on anti-money laundering
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The Supply Chain Management, Product Responsibility and Anti-corruption Policy Statement is set to be the foundation of the Group's operating practices. The policy statement covers commitments of the Group regarding responsible supply chain management and service provisions, as well as upholding business ethics.

Supply Chain Management

The Group does not produce any physical products nor have significant procurement. The suppliers of the Group mainly include professional services providers, property management, as well as office supplies vendors. The Group is committed to managing its suppliers through stringent selection of suppliers and regular review of their performance.

To ensure suppliers are selected fairly, the Group obtains quotations from three different potential suppliers for products/ services with fee over HK\$50,000. Supplier is selected based on factors including but not limited to service quality and price. Approval from department head and chief executive officer ("CEO") of the Company is also required to be obtained before the commission of suppliers.

Future Plan:

Going forward, the Group is committed to selecting suppliers not only based on their service quality and price, but also their environmental, social and ethical values.

Product Responsibility

As a financial services provider, the Group values its customers and respects customers' rights. The Group's Compliance Manual stipulates conducts and detailed procedures when providing services. The Group also stresses on respecting customer's privacy and confidentiality, intellectual property and prohibition of market misconducts.

Feedback from customers is a drive for the Group's continuous improvement, it has established a mechanism for customers' feedback in a timely manner:

- Complaints received will be investigated promptly by the Compliance Department;
- CEO and the managing directors are responsible for determining appropriate response when the merits of the complaint are determined; and
- All complaints received, together with replies for the client will be recorded.

To protect customers privacy and confidentiality, the Group has adopted sufficient measures to safeguard customer data stored, including Chinese Wall and restricted access right to folders with clients' data. The Group also prohibited any unauthorized hardware and software installation.

Environmental, Social and Governance Report (Continued)

The Group is not aware of any significant non-compliance with laws and regulations in relation to product responsibility during the Year, including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), the SFO and the Rules Governing the Listing of Securities on the SEHK. The operation of the Group does not involve health and safety issues relating to products and services provided.

Anti-corruption

The Group puts strong emphasis on honesty and fairness in its operation, as it understands it is the core value of a financial services provider. The Group ensures that the services offered comply with applicable laws and regulations in Hong Kong and professional code of conduct.

When engaging a customer, the Group also conducts pre-engagement assessment of the customer to ensure there is no conflict of interest of ethical business risks from potential customers. Employees are required to file for any conflict of interest to ensure independence and neutrality of the services provided.

As a financial services provider, prevention and detection of money laundering is part of the core social responsibilities. The Group's Compliance Manual sets out the anti-money laundering and terrorist financing policies set forth the responsibilities of employees in preventing money laundering and terrorist financing.

The Group arranges training on anti-money laundering and anti-terrorist financing for employees and regularly communicates with them on the importance of compliance and business conduct.

During the Year, the Group is not aware of any non-compliance cases against relevant laws and regulations, including but not limited to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong) and Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong). During the Year, the Group and the employees of the Group were not involved in any legal cases in relation to corruption.

COMMUNITY INVESTMENT

The Group understands the importance of contributing to the communities where it operates and is committed to creating value for the society and environment with its professional knowledge and its impact in the industry. The Group has formulated the Community Investment Policy Statement, with the following commitments:

- Promote a responsible corporate culture within the Group;
- Encourage and arrange staff to participate in voluntary services and charity activities; and
- Leverage its expertise to contribute to the community where it operates.

The Group participates in community engagement activities from time to time. During the Year, the Group has donated to charities including Community Chest Hong Kong to help on the organisation's local community development.

Future Plan:

The Group plans to evaluate the Group's vision on community investment and identify focus areas, such as education, caring for elderly, etc. The Group will also consider implementing measures to encourage employees to take part in community volunteer activities, for example, providing extra charity leaves.

Environmental, Social and Governance Report (Continued)

PERFORMANCE SUMMARY

Air Emissions

Category	Emissions	Unit
Nitrogen oxides	1.02	kg
Sulphur oxides	0.03	kg
Respiratory suspended particles	0.07	kg

GHG Emissions

Category	Source	Emissions	Unit
Scope 1 — direct emissions	Combustion of fuels in mobile sources	4.6	tonnes of CO ₂ -e
Scope 2 — indirect emissions	Purchased electricity	65.4	tonnes of CO ₂ -e
Scope 3 — other indirect emissions	Paper waste disposal ²	0.8	tonnes of CO ₂ -e
Total GHG emissions		70.8	tonnes of CO ₂ -e
GHG intensity (by floor area)		0.02	tonnes of CO ₂ -e/ square foot

Waste

Category	Waste generation	Unit
Total non-hazardous waste	2.0 ²	tonnes
Non-hazardous waste intensity (by floor area)	0.593	kg/square foot
Hazardous waste	N/A ³	—
Hazardous waste intensity (by floor area)	N/A ³	—

Use of Resources⁴

Category	Source	Consumption	Unit
Direct energy consumption	Petrol	15.9	MWh
Indirect energy consumption	Purchased electricity	80.7	MWh
Total energy consumption		96.6	MWh
Energy intensity (by floor area)		0.03	MWh/square foot

² Includes papers of confidential documents collected by certified recycler.

³ During the Year, 2 desktop computers, 1 laptop and 1 monitor were disposed of via WEEE programme. The Group is planning to start collecting data of hazardous waste in the future.

⁴ The office does not have a separate water meter and the property management company could not provide the data. Therefore, water consumption data is unavailable.

Environmental, Social and Governance Report (Continued)

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3
A1.1	The types of emissions and respective emissions data.	10
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	3, 10
A1.3	Total hazardous waste produced and, where appropriate, intensity.	4, 10
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	3, 10
A1.5	Description of measures to mitigate emissions and results achieved.	3–4
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4–5
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	3, 10
A2.2	Water consumption in total and intensity.	10
A2.3	Description of energy use efficiency initiatives and results achieved.	5
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5; No issue in sourcing water
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	The Group does not consume much packaging material due to its business nature

Environmental, Social and Governance Report (Continued)

Material Aspect	Content	Page Index/Remarks
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	5
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	7
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	7
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	8

Environmental, Social and Governance Report (Continued)

Material Aspect	Content	Page Index/Remarks
B6 Product Responsibility		
General Disclosure	Information on:	
	(a) the policies; and	8–9
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	The Group's services do not have a significant impact relating to health and safety
B7 Anticorruption		
General Disclosure	Information on:	
	(a) the policies; and	9
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	9