



中國藝術金融控股有限公司

China Art Financial Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1572



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2021

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

China Art Financial Holdings Limited (the “Company”) is pleased to present our Environmental, Social and Governance (“ESG”) Report (the “Report”) for the year ended 31 December 2021. The purpose of the Report is to disclose our performance and progress in ESG aspects of the Company and our major subsidiaries, (collectively called “the Group” or “We”) in 2021. The Report is prepared in response to stakeholders’ expectations and concerns about the sustainable development of the Group. Additional information in relation to the Group’s corporate governance and financial performance can be referred to our Annual Report 2021.

BOARD STATEMENT

The Board is responsible for the sustainable development of the Group and directs the Group to perform its corporate social responsibilities. The Board determinedly believes that our attention to resources management and occupational safety and health will especially help the Group achieve its established vision and mission. The Board have faith in that attaching importance to ESG management can improve our corporate image, reduce ESG risks and enhance the Group’s capability to comply with relevant laws and regulations. These efforts can further improve the competitiveness of the Group and promote the sustainable development of the Group’s business.

The Board believes that an effective governance structure of ESG matters is essential to ESG performance and reporting and thus has established a working group to assist and advise the Board in managing ESG matters such as identifying ESG risks and opportunities, managing ESG issues as well as collecting data regularly for the review of the ESG performance. The working group reports to the Board on an annual basis.

The risk management of ESG-related issues is important to the Board. With an aim to promote the comprehensive risk management within the Group, we have made a basic assessment of relevant ESG risks through the Board’s extensive understanding of the business and the communication with different stakeholders, and incorporated the relevant risks into the risk management and internal control system.

The Board believes that the focus on resources management and occupational health and safety is valuable to the Group’s achievement of its goal of upholding an excellent corporate image. Relevant departments regularly report the metrics to the working group, who in turns consolidates them and reports to the Board. The Group can thus regularly assess our performance indicators in resources consumption and occupational safety based on predetermined targets. These targets and evaluations are effective metrics that reflect the efficiency and control of our operation.

The COVID-19 pandemic remained a major disruption to the world in 2021. The Board directed a clear message to all levels of employees to continue to adopt a series of COVID-19 preventive measures and social distancing policy. These measures served to ensure the health and safety of our employees and the resilience of the Group’s production.

A diligent and prudent operation practice is the answer to the uncertainty of the pandemic. The Group will continue to seek ways to develop our business in a more efficient and environmentally friendly manner and remains steadfast in our mission to build an inclusive and sustainable society.

REPORTING SCOPE

The Report covers our commitments, practices, and performance in various ESG aspects for the year ended 31 December 2021 (the “Reporting Period”). The reporting scope of the Report focuses on the primary businesses, being art and asset auction, art and asset pawn and art and asset sales businesses. All our operating locations, including Hong Kong and Yixing City, are covered in the Report as they are financially significant and operationally important to the Group.

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REPORTING PRINCIPLES

The Report complies with the “Environmental, Social and Governance Reporting Guide” (“Guide”) in Appendix 27 of the Listing Rules. The four reporting principles listed in the Guide: materiality, quantitative, balance and consistency, are used as the basis for the preparation of the Report.

Materiality: The Group communicates with different stakeholders on a regular basis and have conducted a stakeholder engagement and materiality assessment to better understand and identify the most material ESG-related issues to the Group based on various stakeholders’ perspectives. Meanwhile, the Group concerns ESG development outside and within the industry, fulfilling local standards as well as incorporating it into the strategic development plan of the Group.

Quantitative: Appendix 27 of the Listing Rules guides the Group to prepare measurable KPIs to review performance. Quantitative information presented in the Report is accompanied by narrative, explanation, and comparison analysis wherever applicable. The frequency of publication is once a year per Reporting Period.

Balance: The Group upholds this reporting principle to compile the Report, unbiasedly disclose the environmental and social performance in the Reporting Period with the support of pictures, charts and presentation formats whenever appropriate, to present objective and transparent information and data for readers to make sound decisions and judgments.

Consistency: The Group adopts consistent methodologies and retrieves environmental and social performance from the Group’s internal record system which provides comparable information to the user of our reports.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group recognises the importance of understanding stakeholders’ needs and expectations. Stakeholders’ opinions can help the Group identify and prioritise material aspects, whereby many communication channels have been set up to regularly engage different stakeholders.

	Communication Channels	Major Stakeholders
1	Meetings	Investors, Customers, Regulators, Suppliers, Directors, Management, and Employees
2	Reports	Investors, Customers, Regulators, Suppliers, Directors, Management, and Employees
3	Announcements	Investors, Employees, and Suppliers
4	Company’s website	Investors, Customers, Organisation, Regulators, Suppliers, Employees, and the Public
5	Phone calls	Customers and Suppliers
6	Surveys	Directors and management
7	Site visits	Customers, Regulators, and Suppliers
8	Seminars	Industrial Organisation
9	Company Events	Directors, Management, and Employees

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“Materiality” is one of the key reporting principles for preparing a quality ESG report. In the Guide, materiality is defined as the threshold at which ESG issues are determined by the board to be sufficiently important to investors and other stakeholders that they should be disclosed.

The Group through the communication channels described above and a survey conducted to grade the reporting aspects stipulated in the Guide. Based on the information collected, the board determines the level of importance of each of the reporting aspects stipulated in the Guide.

The importance of each reporting aspect was then determined by compiling the degrees of importance given from all the participants. The importance grade was the average among all participants.

ENVIRONMENTAL

Sustainability is the pathway to success. Striving to achieve that goal, the Group has set up a working group overseeing the Group’s environmental performance, formulating environmental initiatives, and minimizing environmental risks. First and foremost, the Group has complied with all environmental laws and regulations and prohibited to the utmost of all relevant illegal and violating activities. No environmental non-compliance incident was resulting in fines or prosecutions in the Reporting Period.

Additionally, the Group attaches great importance to mitigating environmental threats and impacts caused directly or indirectly by the business through vigilant assessment and monitoring. The Group adheres to the ISO 14001 environmental management system standard and accordingly set up an environmental management system. Last but not least, the Group unceasingly advance its environmental performance and work closely with relevant authorities in the wake of tightening national environmental legislation and management towards the manufacturing industry.

Emissions

Greenhouse Gases (“GHG”) Emission

GHG emissions have called the Group’s attention and led it to keep a close eye on the GHG emission. The Group has collected its GHG emission data since 2017. The Group has established an emission reduction pathway with a long-term perspective as a directional target. The primary source of GHG emission of the Group is from electricity consumed and secondarily from the fuel consumption by company vehicles. Please refer to the section “Use of Resources” for information on energy-saving measures that also help mitigate GHG emission. There was a slight decrease in the total GHG emissions because of the energy saving measurement implemented by the Group during the Reporting Period.

GHG Emissions	Units	Total emissions in 2021	Total emissions in 2020
Total GHG emissions ^{Note 1} (scope 1 and 2)	CO ₂ e tonnes	123	126
Scope 1 ^{Note 2}	CO ₂ e tonnes	23	22
Scope 2 ^{Note 3}	CO ₂ e tonnes	99	103

Note 1 The GHG emissions data present in terms of carbon dioxide equivalent refers to the emission factors by respective authorities.

2 Scope 1 refers to direct emissions from vehicles that operated directly by Group.

3 Scope 2 refers to indirect emissions mainly from the generation process of electricity consumed by the Group.

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The Group plans to control the GHG emissions level pro rata to the Group's number of headcount. The Group will continue to adopt energy-saving initiatives and efficiency practices to reduce GHG emission and conserve energy usage:

- indoor temperature is maintained at an optimal level for comfort;
- LED lighting system is set in the offices;
- employees are encouraged to turn off the computers, monitors and other personal electronic devices before they leave the office;
- office machines such as copiers and TV monitors are set to turn off automatically after office hours;
- telecommunication system is encouraged to avoid unnecessary travel arrangement; and
- signages are put on at appropriate areas to raise the awareness of energy saving.

Exhaust Gas Emission

Transportation is another emission area where the Group also provides guidance to control air pollution. The Group encourages employees to use car-pooling and public transits. The air pollutants emissions increased slightly in the Reporting Period because the Group resumed normal business activities than the previous reporting period which was affected by the COVID-19 pandemic.

Air Pollutants	Unit	Total emission in 2021	Total emission in 2020	Changes
Nitrogen Oxides ("NO _x ")	g	5,849	5,642	+4%
Sulphur Oxides ("SO _x ")	g	145	138	+5%
Particulate Matter ("PM")	g	431	415	+4%

Waste Management

We are as committed as ever to conserving precious resources, believing that every small step will make a difference. Besides implementation of energy saving initiatives in the offices, the Group also promotes other eco-friendly measures to reduce disposal of non-hazardous waste in our operation.

Contributing to our efforts to reduce paper usage, we have encouraged paperless solution for the operation. The electronic information system is encouraged for documents storage, material sharing or internal administrative documents. It considerably improves operational efficiency while helping create a paperless operation system, thereby contributing to waste reduction and resource conservation. When using paper, employees are encouraged to use double-sided paper, black and white or recycled papers when printing or photocopying documents.

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Wastes	Total disposal in 2021	Total disposal in 2020
Non-hazardous waste	3.8 tons	5.7 tons

* Intensity of non-hazardous waste per production volume is not applicable to the Group.

** No hazardous waste was generated by the Group.

Use of Resources

Energy Consumption

Electricity is considered as the primary energy resource the Group consumes. It is mainly used for lighting, cooling, and powering electronic appliances in offices and events. In order to increase employee's energy-saving awareness and consume electricity in a responsible manner, the Group develops the following green office practices:

- Encourage employees to turn off lighting and computer systems when they are not in use;
- Remind employees to switch relevant office equipment and electronic appliances to energy-saving mode;
- Give preference to appliances that meet the Grade 1 standard of the electrical and Mechanical Services Department's energy efficiency label whenever purchasing electrical appliances; and
- Dim or completely switch off advertising signs or lights for external display purposes after office hours.

Water Consumption

Water is principally used to support our employees in the offices and event venues for drinking and sanitary purposes. As the Group directly purchased water from local water suppliers in Hong Kong and Yixing City, we did not encounter any water sourcing problem. We understand the importance and urgency of water conservation, and hence develop the following water-saving measures:

- Place posters and stickers in highly visible locations to remind employees of the scarcity of water resources; and
- Work closely with property management representatives and appoint technicians for regular inspection of water taps to ensure there is no leakage.

Energy and Water consumption	Unit	2021	2020
Electricity	kWh	136,052	127,447
Unleaded petrol	L	9,868	9,364
Water	m ³	1,428	1,248

The Group plans to control the energy and water consumption level pro rata to the Group's number of headcount. The Group will continue to adopt energy and water saving initiatives detailed above to reduce energy and water consumption.

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Environment and Natural Resources

Sustainability is now crucial to our daily life, our society and even our future generation. The Group could protect the earth by utilizing natural resources and slowing down resources' depletion and ecosystem degradation. These all require efforts across departments and organisations. Training sessions arranged for employees are indispensable. There was no incident with significant impacts on the environment and natural resources in the Reporting Period.

Climate Change

The Group has established contingent plans to deal with extreme weather. In the event of adverse weather condition, such as typhoon, rainstorm and heatwave, the Group would rearrange manpower and take precautionary measures to ensure staff safety, as well as making sure the staff can be better protected when they commute. The Group would also refer to the guidance of local authority and implement corresponding measures to avoid any physical damage to property.

SOCIAL

Employment and Labour Practices

Employment

Human capital has always been considered by the Group as the most important asset for our long-term operation and business development, thus the Group is committed to upholding an open, fair, just and reasonable human resource policy.

Equality and diversity is highly respected in our corporate philosophy during the process of employment, remuneration, promotion and termination. In our employee inclusion, we strictly follow the relevant laws and regulations and our employment policies to select candidates based on skillsets, experience and expertise and offer equal employment opportunities to different genders, age groups and nationalities.

Employees hired by the Group are mainly located in Hong Kong and China. In Hong Kong, the Group safeguards the rights of our employees by strictly complying with relevant employment laws and regulations, including the Mandatory Provident Fund Schemes Ordinance by participating in the Mandatory Provident Fund retirement benefit scheme for our eligible employees, the Minimum Wage Ordinance, Employment Ordinance and the Employees' Compensation Ordinance by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees. In China, we have participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC.

The Group is fully aware that exploitation of child and forced labour violates human rights and international labour conventions. Therefore, the Group strictly complies with the relevant laws and regulations related to child labour and forced labour.

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In accordance with the Guide, the details of the Group's workforce during the Reporting Period are tabulated as well as presented in graphs below.

Workforce

	2021	2020
Total Number of Full-Time Employees	25	27
Male	15	17
Female	10	10
Turnover rate by Gender (%)		
Male	8	17
Female	4	0
Turnover rate by Age Group (%)		
Under 30 years old	0	7
30–50 years old	15	10
over 50 years old	0	0
Turnover rate by Geographical Region (%)		
Hong Kong	0	0
China	15	17

Health and Safety

Bearing in mind that the operational efficiency of an enterprise and the maintenance of a healthy and safe working environment are closely related, the Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from any potential occupational hazards.

The Group is in compliance with the Occupational Safety and Health Ordinance, by ensuring that the employees are working in a safe environment. We have developed and adopted health and safety policies, including prohibition of smoking in workplace, abuse of alcohol and drugs, identification and prevention of risks and hazards in working area, and follow-up actions for accidents or personal injuries. Such policies are set out in our employee handbook for our employees to comply with. We also update the health and safety policies from time to time to ensure that the policies are best fit to the Group's core businesses.

The Group has offered various facilities to address the health and safety needs of our employees, encompassing:

- installing air purifiers in areas where are relatively crowded such as conference and meeting rooms;
- ensuring ample space between workstations and clean and tidy common space such as corridors and pantry; and
- maintaining sufficient ventilation and lighting system in the offices.

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During the Reporting Period, the Group has achieved zero work-related fatalities and lost days due to work injury.

In response to COVID-19 pandemic, the Group has established a designated working group to formulate and implement COVID-19 safety measures. All visitors and employees must undergo temperature check and declaration of travel history before entering the workplace. Social-distancing and masks-on policies are in force, and no unnecessary visit and gathering activity are allowed. The Group also flexibly implements work-from-home policy depending on the circumstance. On the premises, the Group provides hand sanitisers, arranges routine cleaning and disinfection services to minimise cross-contamination risks.

Believing that sense of belonging is the key for the healthy growth of every commercial organization, the Group promotes open and direct communication between employees and management.

Development and Training

The Group see each of the position is of unique professional and technical needs. Thus, we ensure that our professional training and development programs continuously evolve and create a listening culture through support and coaching.

For every new joiner, we provide a proper orientation training and mentoring in order to help them adapt to the new working environment quickly. Continuous internal training is committed by the Group in different ways including comprehensive training for specific skill developments and professional training for relevant employees. Through a variety of on-the-job learning sessions, we are able to nurture and retain excellent talents and strengthen the competitiveness of the Group. During the Reporting Period, we have organized a series of training sessions, which were designed to help our employees to improve their skills of project management and execution.

In accordance with the Guide, the details of the of training and development programs provided by the Group during the Reporting Period are tabulated as well as presented in graphs below.

Training and Development

	Unit	2021	2020
Employee Training			
Average hours of training received per employee	hours	6.8	7.0
Average hours of training per employee by gender			
Female	hours	8.3	6.7
Male	hours	5.9	7.1
Average hours of training per employee by employment category			
Senior level	hours	4.8	6.4
Middle level	hours	6.0	6.0
Entry level	hours	15.0	8.8

All the employees received at least one hour of training during the Reporting Period.

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Labour Standards

The Group strongly believes children shall enjoy a pleasant childhood. No child is allowed to work in the Group. The Group performs identity checks in the recruitment process to ensure the regulatory working age is compliant. The Group also totally believes in the importance of work-life balance as it links to productivity and well-being. The Group neither encourages nor forces employees to work overtime. Furthermore, all illegal means such as retention of identity cards or passports, intimidation, coercion, and undue pressure are strictly prohibited.

Employees are entitled to statutory leave and various kinds of paid leave, which help them take sufficient rest. The Group is always meticulous about the production schedule to avoid overtime work. The Group reviews workflow carefully in the event of a significant amount of overtime work needed. The Group will seek assistance from relevant institutions if necessary.

Furthermore, the Group also highly appreciates employees to participate in leisure and social activities such as the Chinese New Year event to share warmth and happiness among colleagues. Labour union has been formed, and all employees preserve the right to speak. Other than the benefits and welfares above, the Group arranges monthly meetings with the labour union representatives to understand employees' points of view.

In the Reporting Period, the Group was in compliance with relevant laws and regulations relating to preventing child and forced labour, and as such no rectification was required.

Operational Practices

As a responsible corporate citizen, one of our missions is to disseminate the pursuit of sustainability into our core business. The Group has developed a series of management systems and procedures to be aligned with the Corporate Governance required by the HKEX.

Supply Chain Management

In case we need to select our suppliers and contractors in the process of our business operation, we do not just consider economical and commercial factors in the tendering processes but whether they comply with all the applicable laws and regulations; safeguard employees' health and safety; and mitigate environmental impacts or not are also taken into account.

Furthermore, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in our pursuit of sustainable development.

As at 31 December 2021, there are 23 and 35 suppliers registered with the Group in Hong Kong and PRC respectively.

Before signing a contract, the Group conducts an assessment and sample testing to assess suppliers' quality standards, and achievements in environmental protection and corporate social responsibility. The price is not the only selection consideration, equipment level, productivity and reputation are also taken into account. The Group also attentively concerns a safe working environment and an ethical business culture in the selection process. Moreover, samples testing must pass through quality check requirement for contract approval.

Other than that, the Group carries out an annual assessment to review suppliers' services quality, on-time delivery ability, fulfilment of the tender requirements and alignment with the Group's policies. In the Reporting Period, the Group assessed leading suppliers and they all passed. The suppliers who are unable to meet the requirements will be removed from the supplier list if applicable.

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The Group keeps close contact with the suppliers to ensure the shipping date, logistics status and supplies can match our production and delivery schedule. The Group closely monitors the updates on local, regional, and even international cross-border regulations from time to time to reallocate resources at the earliest.

To uphold the responsibility to disseminate sustainability to suppliers, the Group always strives to exploring alternatives to use less packaging materials and fewer plastics as much as feasible. The Group encourages suppliers to adopt products with eco-labels or environmentally friendly products. In the selection process, priority is given to those awarded with an ISO 14001 Environmental Management System certificate and an ISO 9001 Quality Management System certificate. Local suppliers are also preferred to limit the environmental impact from transportation.

Product Responsibility

The Group's primary business is to provision of auction and pawn services and has limited exposure to the product risks.

There is no significant complaint received in relation to our service.

For all the artwork handled by the Group, we have internal and external authentication experts inspecting the authenticity of the artwork before we solicit the artwork with potential collectors. We fully respect the originality and intellectual property rights of artwork created by their creators.

Throughout the operation, the Group unavoidably collects and holds personal information of individual customers. The Group has constantly monitored its compliance with applicable regulations and laws to ensure that all personal data are securely kept and used exclusively for matters relating to our operation. We are committed to ensuring all collected personal data kept will be free of unauthorized or accidental access, processing, erasure or other use.

Anti-corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group is in compliance with the Prevention of Bribery Ordinance (Cap 201 of the laws of Hong Kong).

A series of corporate policies were set up by the Group on anti-fraud, anti-bribery, anti-extortion and anti-money laundering. The Group has also set up an email channel for whistle blowing or other complaints lodged by the employees, and is committed to offering the maximum protection to whistle-blowers.

With principles of "Commitment, Assurance of High Quality, Fair Deals and Faithfulness", all employees perform their duties with utmost level of good faith, determination and professionalism, and ensure that the reputation of the Group will not be tarnished because of misconduct and corruption behavior.

During the Reporting Period, we have complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have an impact on the Group, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded. We have provided at least one session of anti-corruption training to the directors and staff in Hong Kong during the Reporting Period.

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Community Investment

We are committed to and take pride in contributing to the community. We encourage our employees and their family members to contribute their skills and time to the community by volunteering in our community development and outreach programs.

In the coming future, the Group will continue to attach great importance to community services, and encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

During the Reporting Period, the Group focused on the area of health and implemented work from home and flexible working hours policy in order to reduce the COVID-19 infection risk of our employees during their commute during the local peak COVID-19 outbreak period.