

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

OP Financial Limited (the “Company”) is pleased to launch the Environmental, Social and Governance (ESG) Report (the “Report”) for the year ended 31 March 2019 (the “Year”) to demonstrate its commitment and effort in the pursuit of sustainable development. The report complies with the requirements of the ESG Reporting Guide stated in Appendix 27 of the Listing Rules. The scope of the report covers the Company’s investment business in Hong Kong and outlined the policies and practices of the ESG performance during the Year.

Message from the Board of Directors

The Company is accountable for sustainable development in respect of environmental and social responsibilities while balancing its financial performance. The Board designates and supports the ESG working group to identify and evaluate the material ESG-related risks and opportunities of the Company, trying utmost to incorporate environmental initiatives into the daily operation to promote and establish a green office and ensure those appropriate green measures are effective. Moreover, the Board believes in being a family-friendly employer and community-friendly corporation would bring a positive impact to business operation. Even more significant, the Board assumes to minimize ESG-related operation risk and embrace the opportunity would benefit the business.

ESG Working Group

Under the supervision of the Board, every aspect of ESG is aided and managed by an ESG working group. The working group comprises employees from the departments of compliance, corporate communication, human resources, and finance. The working group has developed a process to work with relevant departments to consolidate and analyze ESG-related data. According to a formulated annual ESG plan, the working group is responsible for organizing internal activities and attending external ESG-related events. During the Year, the representatives of the group participated in various activities including the Green Office seminar, the Carbon Audit seminar for Listed Companies and the Eco Expo Asia Guided Tour, etc.

Communication with Stakeholders

The Company believes that showing respect to stakeholders’ opinions, understanding their expectations, and treating them sincerely will gain their trust and supports. Therefore, the Company has reached employees through internal review meetings, emails, and surveys on a regular basis. Regarding ESG performance, the area of concerns of employee and management are shown below in priority.

Materiality	Employee	Management
1	Employment	Energy Conservation and Emission Reduction
2	Training and Development	Use of resources
3	Occupational Health and Safety	Occupational Health and Safety

Because of the overwhelmed concerns from employees and management on environmental protection and health, the Company devotes more resources in response to the corresponding concerns. For details, please refer to the section headed “**Environment**” and “**Occupational Health and Safety**”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ENVIRONMENT

Preserving the principle of sustainable development, the Company is dedicated to developing business without compromising the environment and future generations. First and foremost, the Company has complied with all environmental laws and regulations and prohibited to the utmost of all relevant illegal and violating activities. During the Year, there was no non-compliance with the environmental laws and regulations. Second, the Company has established five general principles to pursue green office (refer to the chart on the right). Third, the Company attaches great importance to environmental threats and impacts caused directly and indirectly by the business and with careful assessment and monitoring. Various measures with reference to the 5Ps green office principles are adopted.

Five Principles (5Ps) on green office

P

Use only when necessary

Reduce, reuse & recycle

Adopt energy saving practices

Think before print

Use public transport

1.1 Emissions

Greenhouse Gases (GHG) Emission

GHG emission is a key indicator to assess environmental performance. Since the Company considers the emission reduction as a long-term objective, it has collected and quantified the emission data since 2017 to better manage the internal control and understand the emission caused. Due to the business nature of the Company, the daily operation mainly generates indirect GHG emission. The source of GHG emissions of the Company is primarily generated from business travels, operated vehicles and purchased electricity. The Company has realized that the total GHG emission in 2019 is higher than that in 2018. A contributing reason is more frequent business travels by flight and vehicles to facilitate the latest business development during the Year. The Company will continue to monitor the relevant data and set the plan for carbon reduction.

Business travel is sometimes inevitable due to the Company's business nature. Yet the Company notices distanced transportation is a critical cause in triggering and worsening climate change. Therefore, the Company encourages employees to prevent unnecessary business trips and utilize online communication channels and video conferencing to conduct interviews and meeting if applicable. Furthermore, employees shall select accommodations near the working location during a business trip. Also, the high-speed train should be considered before flights whenever available.

Indicator	Units	Total emissions in 2019
Scope 1 (Direct emissions)	CO2e tonnes	16.66
Scope 2 (Energy indirect emissions)	CO2e tonnes	30.66
Scope 3 (Other indirect emissions, Flight travel only)	CO2e tonnes	157.31
Total GHG emissions (Scope 1, 2 and 3)	CO2e tonnes	204.63
Nitrogen Oxides (NOx)	kg	2.71
Sulfur Oxides (SOx)	kg	0.09
Particulate Matter (PM)	kg	0.20

Note: Emission factors are reference to Hong Kong Electric, Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong and the UK Government GHG Conversion Factors for Company Reporting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.2 Use of Resources

Waste Management and Packaging Materials

Due to business nature, the Company does not pose a significant impact to the environment. The Company has adopted a 3Rs (Reduce, Reuse and Recycle) approach to handling paper usage and waste management. Moreover, the Company has implemented several measures to reduce paper use and waste, while employees are encouraged to paper recycling in the office.

- Reuse single-used waste paper and cardboard;
- Set duplex-printing, black and white printing as default;
- Carried out an e-fax system in the office; and
- Posted the paper recycling tips near the paper collection point.

During the Year, the Company produced 1.68 tonnes of non-hazardous waste, which is slightly greater than that in 2018 by 4.30%. More employees may be a reason for the increase.

Basically, hazardous waste generation is not applicable to the Company. Yet a handful of exhausted compact fluorescent lamps, batteries, cartridges and toners are produced in the office. Those wastes are collected and handled by the property management office of the building whereas exhausted cartridges and toners are collected by the service provider as well. In addition to waste management, key performance indicators A2.5 regarding the packaging material used is not applicable due to the business nature of the Company.

Energy and Water Consumption

The Company has realized that the non-renewable fossil fuel combustion outputs energy, but also amplifies GHG emission and releases the greater number of pollutants into the atmosphere for certain. In view of that, the Company's office is deliberately designed as an open office to allow better ventilation and the use of natural light. Different energy-saving measures listed below have been adopted in the hope of further lowering energy consumption and alleviating climate change.

- Replaced some conventional lightings with LEDs in the office;
- Activated energy saving mode in each computer and monitor;
- Turned off lighting, equipment, and personal computer during non-office hours;
- Placed reminder at the prominent location to remind employees to save energy; and
- Purchased environmentally friendly products with energy efficient labels.

The overall water consumption of the Company is relatively low. Notwithstanding the fact, the Company diligently reduces the use of water by placing reminder at the toilet and pantry and has installed water taps with motion sensors to eliminate unnecessary water discharge.

Indicator	Units	Total emissions in 2019	Intensity (per building area)
Electricity purchased	kWh	38,329.65	128.69
Unleaded petrol used	Litre	6,259.67	21.02
Water consumption	m ³	4.91	0.016

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.3 The Environment and Natural Resources

Green Office and Eco-Healthy Work Place

Environmental protection cannot be achieved without the support and cooperation from the employees. The Company has actively participated in the Green Office Awards Labelling Scheme (GOALS) organized by the World Green Organization (WGO) since 2016 to evaluate and even enhance the environmental footprint of the Company. The Company jointly worked with all employees to adopt green initiatives based on the Green Office Best Practice Criteria, covering energy savings, water savings, paper reduction, green procurement, and education and awareness. It is the honor of the Company to be awarded WGO's "Green Office" and "Eco-Healthy Workplace" label for the three consecutive years, which recognized its conscientious efforts to execute green practices and commitments in the direction of sustainable development.



Environmental Protection Education and Activity

Sustainability is now crucial to our daily life, society, and even future generation. The Company, as an environmentally responsible corporate, hopes to protect the earth by properly utilizing the natural resources and slowing down the pace of resources depletion as well as ecosystem degradation. Therefore, the Company is proactively seeking for the room of improvement, with an endeavor to advocate sustainability. The Company has been working with the assistance of WGO to evaluate and suggest areas of environmental improvement. Employees are invited to join different activities to enhance the awareness of environmental protection. The Company also demonstrates its green office best practices and achievements to the newcomers during orientation.

Over the years, the Company continues its support to Greeners Action's "Lai See Packet Reuse & Recycling Programme". Greeners Action, the organizer, is a charitable organization and green group in Hong Kong. The Company encourages employees to recycle red packets to the boxes placed in the office or to the nearby public collection points to support the recycling program. More than 800 Lai See packets were collected and sent to the organizer during the collecting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. SOCIAL

2.1 Employment and Labour Practices

The Company acknowledges employees are valuable assets of the Company. This drives the Company to create an engaging, harmonious, fair and safe working environment to the employees. Given that the Company endlessly strives to the room for enhancement in respect of social responsibility, the Company, therefore, has constantly improved the working environment and provided a competitive remuneration package in line with the market, as well as a transparent promotion channel. The Company strictly follows the employment ordinance of Hong Kong. During the Year, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, as well as discrimination.

Fair and equal employment and recruitment procedure are adopted by the Company. Any forms of discrimination are prohibited. Recruitment is simply based on candidates' experiences, abilities and business needs, regardless of race, gender, age, marital status, religion, and nationality. All talented candidates and employees can be hired and promoted, as well as eligible to attend training to meet business needs and career development. In addition, child labor is not allowed in the Company. The Company must check the identity card and relevant document in the recruitment process to ensure the regulatory working age is met before on board. An Employee's Handbook is issued to all staff on their first day of work, which clearly states the Company's policies, employment guidelines, and the Code of Conduct.

Team Structure

As of 31 March 2019, the Company employed 47 full-time employees, who are all based in Hong Kong. The total workforce during the Year can be illustrated by the following detailed table.

By Gender	No.	By age	No.	By employee category	No.
Male	33	20-35	18	Senior Management	11
Female	14	36-50	13	Middle Management	13
		>50	16	General Staff	23

Benefits and Welfares

Employees of the Company are entitled to various statutory holidays and paid leave such as sick leave and maternity leave. To reward the hard work of talented employees, the Company benchmarks salaries against industry norms annually to maintain a competitive remuneration package. Meanwhile, all employees shall participate in the annual appraisal to review their performance. The remuneration package will be adjusted in accordance with the appraisal result. By doing so, the Company hopes to boost productivity and enhance corporate competitiveness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Above all, the Company is committed to being a family-friendly employer. Working time and rest days have fully complied with the requirements of the laws and regulations, furthermore, several employee-oriented employment practices have been adopted to enhance their sense of belonging and achieve a work-life balance; for instance, five-day work weeks, flexible leaves application, facilitation breastfeeding for working mothers, and family recreational activities such as annual dinner to share warmth and happiness among fellow colleagues. Because of these employee care policies, the Company is honorably awarded “Family-Friendly Employers” and “Awards for Breastfeeding Support” of the 2017/18 Family-Friendly Employers Award Scheme during the Year, which is organized by the Family Council. Furthermore, the Company constantly cares about the employees’ safety, not limited to the working environment at the office but also in the time of daily commute. During the Year, the Company adopted a one-off special working arrangement of flexible working hours on the day after typhoon “Mangkhut” smashed through Hong Kong.



2.2 Occupational Health and Safety

The Company remains highly attentive and responsible to provide a safe, healthy and comfortable working environment. Thereby, proper office equipment is provided to all employees. For instance, commodious working space, height adjustable chairs with adjustable armrest and tilting backrest, ergonomic desk accessories, etc. Benefits coverage is also stated in the employee handbook and the significance of having a reasonably sound body and mind are also advocated.

All full-time employees are entitled to a medical insurance plan, covering out-patient clinical visits as well as hospitalization, dental checkups, and surgical treatment. During the Year, the Company has upgraded the medical insurance plan after stakeholder engagement to address the employee’s opinion on the matter of insufficient medical coverage. Body checkups, vaccinations, and vision care are newly covered in the plan. The upper limit of each claim of dental consultation has also been raised. The Company has worked with the insurance services provider to adopt an e-claim mobile application to facilitate the claims in a more convenient way. The dependent of the employees can also voluntarily join the medical insurance plan with extra cost.

Aside from the medical plan to all employees, the Company also provides travel insurance for extra protection, especially for the employees who have often business trips. There were no work-related fatalities and injuries recorded in the Company, resulting work-related lost days during the Year, yet the Company will offer immediate support to the injured and launch investigations to examine the cause of accidents if any. Corrective actions will be taken to avoid recurrence of such accidents.

2.3 Training and Development

Investment business evolves with changing economic conditions and regulation. To cope with the rapidly changing market, the Company arranges the employees to attend professional training by virtue of corresponding job duties. Moreover, representative of the ESG workforce attended environmental seminars during office hours to acquire the latest knowledge and skill. The Company also sponsors employees to participate in external training and professional examinations to acquire the latest technologies and qualifications. All employees can be granted paid leaves for examination preparation and attendance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. OPERATING PRACTICES

3.1 Supply Chain Management

The Company relies on suppliers and services provider to support the office operation. The Company is committed to providing a transparent and fair procurement process. Selection criteria not only include the price, product and services quality, but the suppliers' reliability and reputation are also being considered. To lead the suppliers on to achievements on ESG aspects, the Company gives preference to the environmental-responsible suppliers and environmentally friendly products such as electrical devices with energy-saving label and paper bearing eco-label. Supplier evaluation is also carried out annually to make certain that suppliers' performance meets tender requirements.

3.2 Product Responsibility

Responsible Investment

Incorporating ESG factors into investment decisions has become material for investors, to better manage its financial risks and generate sustainable returns. The capability of an investment company to identify and evaluate their own potential ESG risks and opportunities are key indicators for stakeholders to assess their performance. In managing and evaluating its investment portfolio, the Company also considers whether the management of the investee is acting in an environmentally, socially and ethically manner.

Sensitive Data Handling

The Company sticks fast to the data privacy law to take special care of personal data and confidential information. All data and information must be kept in strictest confidence at all times. A guideline and procedure are established and listed in the employee's handbook to guide every one of the Company to handle personal data and confidential information. Employees are forbidden to reveal any confidential information to outsiders or any co-workers who are not directly concerned. The information is also restricted access to selected personnel who are well-trained to manage the data. Consequently, any unlawful and inappropriate act is not acceptable in the Company.

3.3 Anti-Corruption

The Company adheres to operate the high standard of corporate governance. We have zero tolerance for corruption and bribery in any form. The established anti-corruption policies and procedures outline the unacceptable behavior and are applicable to laws, regulations and industry standards. In order to minimize the non-compliance risk, the Company established corruption risk management policy and the "Policy on Acceptance of Advantage and Handling of Conflict of Interests". Refresher training is also offered to the employees regularly to refresh their knowledge on the latest laws and compliances and share cases.

Under the existing guidelines issued by the Securities & Futures Commission, all employees are required to make a declaration of interests for those accounts in which they or their associates have beneficial interests and report all such transactions to the Company. All staffs are required to sign the declaration form to avoid conflict of interest on the first day of employment. The established whistle-blowing policy enables stakeholder to report on any suspected inappropriate situations. Reported cases are investigated and followed up by the compliance or internal audit teams. Confirmed cases are reported to the Audit Committee and Management of the Company.

The Company does not condone any form of corruption, bribery, extortion, fraud and money laundering. During the Year, there were no related risks, confirmed case or public legal cases against the Company or its directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. COMMUNITY INVOLVEMENT

The Company actively joins various types of community activities with NGO, social enterprises and educational institutes, to help people in need and fulfill corporate social responsibility. The Company realizes the importance of extending its reach to the community, and both employees and the management are pledged to continue with consistent efforts in community involvement.

Support for South-South Cooperation

The directors of the Company Mr. Zhang Zhi Ping, Mr. Zhang Gaobo and Dr. Wu Zhong have taken up the role to serve as the Executive President, Vice President, and Vice President and Director-General of the Finance Centre for South-South Cooperation Limited (FCSSC). FCSSC is a non-profit international organization founded in April 2014 and has been in Special Consultative Status with ECOSOC of the United Nations since 2017. It is an integral platform set under the United Nation's Sustainable Development Agenda framework, which specializes in production capacity cooperation, development experience exchange and financial services, so as to promote pragmatic cooperation and partnerships between governments of developing countries, private enterprises, multilateral development institutions, and international development assistance organizations.

Since its establishment, FCSSC actively promotes international production capacity cooperation by offering consultancy to developing countries and helping draw foreign investment through bridging China and other emerging economies. Besides, FCSSC facilitates the experience and best practice sharing by holding high-level international conferences, training programs and establishing think tank network and industries research institute. In March 2019, under the framework of the Second High-level UN Conference on South-South Cooperation "BAPA+40" conference held in Buenos Aires, FCSSC partnered with the United Nations Office for South-South Cooperation (UNOSSC) and organized the "South-South Cooperation in a Digital Era" side-event. During the event, the two parties jointly launched "South-South Galaxy" knowledge-sharing platform and 2018 South-South Cooperation annual report "South-South Cooperation in a Digital World". It is expected to strengthen technical cooperation among developing countries in the digital era and enhance digital infrastructure, human capital investment as well as knowledge and experience exchange in the Global South.

Besides, since 2016, FCSSC has started to cooperate with the United Nations Industrial Development Organization to jointly organize the "One Belt, One Road" annual urban development conference, aiming to build a dialogue platform for stakeholders to help developing countries find green and new industrialization roads, innovative solutions and actively promote the circulation of trade and investment on the "Belt and Road". In October 2018, the third "One Belt and One Road: Urban Green Economy Development Conference" was held in Vienna, Austria.

Moreover, taking the advantage of Hong Kong's role as an international financial center, FCSSC also mobilizes personnel and capital for South-South cooperation projects by fund issuing, equity investment and other market-oriented means, and finance projects through its partner network. In May 2018, FCSSC, African Export-Import Bank and Made in Africa Initiative signed a strategic cooperation agreement, whereby the three parties will pull together to promote China-Africa trade development with the help of diversified financial instruments and resources. They also plan to build a financing platform worth USD 1 billion to accelerate industrialization in Africa.

The Company believes the close relationship with FCSSC is beneficial to expand the international partner network and to expand its business scope into social impact investing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Six Industries Research Institute of Fudan University

The Company jointly cooperated with Shanghai Fudan University and FCSSC to support the establishment of the Six Industries Research Institute of Fudan University (復旦大學六次產業研究院) in 2017. RMB1.5 million is devoted during the Year. The Six Industries Research Institute aims to assist Fudan University to promote the development of applied economics and management science, and on this basis, to promote the innovative projects of national food safety, healthy endowment, and Six Industries based poverty alleviation.

Participation in the Underprivileged Support

The company continues to invite the employees to participate in the event organized by the NGO and charity organizations to support the underprivileged. During the Year, the Company invited MicroForests to have a DIY workshop with the employees as an environmental protection talk as well as a team-building activity. MicroForests is a social enterprise that provides meaningful training and dignified job opportunities for marginalized women who are new arrivals, single parents, teen mom or women from low-income families through the sale of artwork and workshops.

Other than helping the marginalized women via MicroForests workshops, the Company also continued to take part in Dress Casual Day organized by the Community Chest of Hong Kong to raise money to the needy. During the Year, the Company donated HKD \$5,000 to the Community Chest and paid HKD\$12,800 to the MicroForests for their service. The Company is pledged to continue the activities in the future to help those in need.

5. CONCLUSION

In the quest for continuous improvement, the Company will continue to keep abreast on sustainable development and to track the ESG performance and progress on a regular basis. Valuable feedback enables the Company to improve its performance. For any comments regarding this report, please feel free to contact us by email to ir@oriental-patron.com.hk.