



**INTERNATIONAL ALLIANCE
FINANCIAL LEASING CO., LTD.**

国际友联融资租赁有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1563

**Environmental,
Social and Governance Report 2018**

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SCOPE AND REPORTING PERIOD

This is the first Environmental, Social, and Governance (“ESG”) report of International Financial Leasing Co., Ltd. (the “Company”, and collectively with its subsidiaries referred as the “Group”), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The principal activities of the Group are providing finance leasing and advisory services. This ESG report covers the Group’s overall environmental and social performances and selected key performance indicators (“KPI”) from 1 January 2018 to 31 December 2018 (“Reporting Period”), unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, the Group regularly collects views and discusses ESG matters with stakeholders through a variety of channels, such as routine meetings and annual general meetings. During the Reporting Period, the Group has specifically engaged board members, shareholders, senior management and frontline staff to gain further insights on ESG material aspects and challenges, and have identified the following top 5 material aspects:

1. Development and Training;
2. Product and Service Quality;
3. Labour Standards;
4. Occupational Health and Safety; and
5. Customer Service.

The Group aims to keep close communication with its stakeholders for the identified aspects and continues to improve its ESG performance and management on ESG-related risks for future business development. The demand in financial leasing service continues to increase and market competition is fierce, the Group will put further effort on building up talents, increasing business capacity and continuously improving its own risk management mechanism.

STAKEHOLDERS' FEEDBACK

The Company welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at IR@iaf-leasing.com

SUMMARY ON ENVIRONMENTAL ASPECT

A. ENVIRONMENTAL

A1. Emissions

With the nature of the business, the Group’s operations were office based and its related environmental impact was very minimal. The Group has not established any policy and did not notice any incident of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

A1.1. Air Emissions

The Group’s operation did not involve any emissions related to gaseous fuel consumption or vehicles.

Greenhouse gas emissions are also generated from electricity consumption from the Group’s office operation. The Group aims to reduce electricity consumption in daily operation as the amount of indirect greenhouse gas emissions depend on the units of electricity consumed.

During the Reporting Period, there were employees attending business trips by plane. Those trips generated an aggregate of 99.09 tonnes of carbon dioxide emissions.

A1.2. Greenhouse Gas (“GHG”) Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent “tCO ₂ e”)	Total Emission (in %)
Scope 1 Direct Emissions	NA	NA	NA
Scope 2 Energy Indirect Emission	Purchased Electricity	14.24	12%
Scope 3 Other Indirect Emissions	Paper Waste Disposal Business Air Travel	1.98 99.09	88%
Total		115.31	100%

Note: Emission factors were made with reference to Appendix 27 of the Listing Rules and their referred documentation as set out therein, unless stated otherwise.

There were 115.31 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group’s operations during the Reporting Period, with an intensity of 3.03 tCO₂e per employee.

SUMMARY ON ENVIRONMENTAL ASPECT

A1.3. Hazardous Waste

During the Reporting Period, the Group has disposed of approximately 0.35 kg of batteries and 6.20 kg of toner cartridges.

A1.4. Non-hazardous Waste

The Group's operation generated a total of 412 kg of paper waste and minimal amount of general refuse.

A1.5. Measures to Mitigate Emissions

The Group's operations resulted in insignificant emissions. Nevertheless, the Group shall give priority in using electric vehicles when renting vehicles for business purposes. As a measure to mitigate emission, and to increase productivity, business phone calls are encouraged for internal and external communications to reduce the need of business air travel.

A1.6. Waste Handling and Reduction Initiatives

Non-hazardous waste from office are mainly paper being used for daily office operations such as documents printing and deliverables packaging; general refuse; and domestic wastewater from daily office operation. Domestic wastewater and other non-hazardous waste from the office were handled by the office's building management.

Waste reduction initiatives are encouraged among employees, such as adopting double-sided paper printing, and printing on single-side used paper. The Group shall review existing waste management at the work environment to promote better waste sorting and reduction practices.

With respect to the hazardous waste generated by the Group during the Reporting Period as referred to in the section "A1.3. Hazardous Waste", batteries were handled by the office's building management while toner cartridges were collected by the Group's printer service provider for recycling.

SUMMARY ON ENVIRONMENTAL ASPECT

A2. Use of Resources

Resources used by the Group were mainly electricity, water and paper. The Group has not established any policy on the efficient use of resources. Nevertheless, employees are reminded of resources conservation practices in offices.

A2.1. Energy Consumption

The Group's consumed electricity for maintaining daily office operations. A total of 18,739 kWh was consumed at offices in Hong Kong during the Reporting Period.

A2.2. Water Consumption

The Group's business is operated in commercial buildings where water supply is solely controlled by the property management company. In this case, it is not feasible for the Group to provide water consumption data as there is no sub-meter to record the data.

A2.3. Energy Use Efficiency Initiatives

The Group endeavoured to reduce electricity consumption in the office, for example, employees are reminded to turn off all electrical appliance before leaving work. Such practice is also reinforced in the Group's Employees' Codes of Conduct (員工行為規範制度).

A2.4. Water Use Efficiency Initiatives

Water was supplied by the office's building management and there was no issue in sourcing water that is fit for purpose. Employees are reminded to practise water conservation.

A2.5. Packaging Materials

The Group's operations did not generate any packaging materials. Deliverables packaging used in daily office operations was insignificant.

A3. The Environment and Natural Resources

The Group is committed to conducting its business responsibly, ensuring that its business does not contribute to significant adverse impact to the environment and society while bringing sustainable growth and profit. No policy on minimising the Group's significant impact on the environment and natural resources have been established, nevertheless, employees are reminded to include potential environmental impacts as a consideration for projects' approval.

A3.1. Significant Impacts of Activities on the Environment

Although the Group's business does not generate significant adverse environmental impact as compared with businesses in other sectors, the Group is committed to reducing GHG emissions and preserving natural resources by promoting a culture of conservation of energy where paper waste and non-crucial business travel are not encouraged.

SUMMARY ON SOCIAL ASPECT

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

The Group did not notice any incident of material non-compliance in relation to employment during the Reporting Period. The Group strictly complies with national and local laws and regulations, including Labour Law of the People's Republic of China ("PRC").

The Group had a total number of 38 employees as of 31 December 2018, in which all of them were employees from the PRC.

Workforce	2018
By Employment Type	
Full-time	100%
Part-time	0%
By Gender	
Female	39%
Male	61%
By Employee Category	
Senior Management	16%
Middle Management	18%
Frontline and Other Employees	66%
By Age Group	
18-25	0%
26-35	66%
36-45	29%
46-55	5%
56 or above	0%

SUMMARY ON SOCIAL ASPECT

A total of 12 employees left the Group during the Reporting Period (turnover rate: 32%) and they were all full-time employees from the PRC. The Group regularly reviews employees’ remuneration based on market trend to attract and retain talents, as well as providing welfare and promotional opportunities.

Turnover	2018
By Gender	
Female	7%
Male	48%
By Age Group	
18-25	100%
26-35	40%
36-45	9%
46-55	0%
56 or above	0%

The Group’s Employee Handbook has stated the Group’s policy on employment and provided comprehensive guidance regarding recruitment, training, career promotion, salary structure, staff benefits, rest days and working hours. The Group strictly complies with the Social Insurance Law of the People’s Republic of China (中華人民共和國社會保障法) and the Labour Law of the People’s Republic of China (中華人民共和國勞動法), and made timely contribution to “five social insurance and one housing fund (五險一金)” (being five social insurance, including endowment insurance, medical insurance, unemployment insurance, maternity insurance and employment injury insurance, and housing provident fund). Employees are also entitled to statutory holidays, annual leaves, maternity leaves, and wedding leaves. The Group values employees’ wellbeing by providing team building activities, annual medical check, daily meal and birthday allowances.

For the aspects of career promotion, internal transfer and career development, the Group has also established Management System for Job Positions, in order to give the employees a clear perspective and direction regarding their career progression within the Group, as well as optimising human resources. The Group has also formulated an Employee Withdrawal Management System setting out proper resignation, termination and dismissal procedures.

The Group strictly complies with the Labour Law of the People’s Republic of China (中華人民共和國勞動法) and the Labour Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) and provides equal opportunities for employees in terms of recruitment, training and development, career progression, compensation, benefits and termination of contract. Employees are not discriminated against or deprived of opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, physical conditions, pregnancy, political connection, sexual orientation or any other discrimination prohibited by applicable laws of PRC.

SUMMARY ON SOCIAL ASPECT

B2. Employee Health and Safety

During the Reporting Period, no serious work injury incident occurred within the Group. For laws and regulations in the PRC in relation to the occupational health standards and safe production, there was no violation of the laws and regulations regarding the provision of safe working environment by the Group during the Reporting Period. The Group has always maintained work-related injury insurance for all employees in accordance with the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法).

In addition, A Major Emergency Management Manual (重大突發時間應急管理辦法) has been prepared in accordance with the relevant regulations, which set out the procedures and measures in case of emergency, so that the respective responsible personnel would be able to respond to emergencies in a timely manner. The Group also ensures that employees participate in fire drills organised by the office building management in order to raise their awareness on fire safety.

Occupational Health and Safety Data in 2018

Work related fatality	0
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0 days

B3. Development and Training

The Group has in place the Management Measures on New Employee's Training to help the new employees identifying their job responsibilities, tasks and goals, as well as familiarising themselves with the Group's standard operational procedures. Training offered to newly joined employees includes introduction to the Company, attendance and performance management measures, code of conduct, document writing system, finance system and risk control system. Newly joined employees would also be provided an employee handbook. Additional training will be arranged according to business needs. During the Reporting Period, a total of 66 training hours was completed by 20 employees.

2018

Percentage of Employees Trained by Employee Category	
– Senior Management	100%
– Middle Management	29%
– Frontline and Other Employees	48%
Percentage of Employees Trained by Gender	
– Male	70%
– Female	27%
Average Training Hours Completed per Employee by Employee Category	
– Senior Management	3 hours
– Middle Management	1 hours
– Other Employees	2 hours
Average Training Hours Completed per Employee by Gender	
– Male	2 hours
– Female	2 hours

SUMMARY ON SOCIAL ASPECT

B4. Labour Standards

The Group strictly complies with the Labour laws of the PRC. There was no employment of child labour or forced labour in the Group's operation during the Reporting Period. Personal identification documents, relevant certificates and past working experience of job candidates must be checked and reviewed by the Group during recruitment process to avoid recruitment of child labour.

2. Operating Practices

B5. Supply Chain Management

Suppliers related to financial, legal and internal control services were engaged during the Reporting Period. The Group has no standardised policy on managing the environmental and social risks of the supply chain. Despite the relatively low environmental and social risks involved in the supply chain, the Group encourages best practices in supply chain management by reviewing and comparing their reputation, cost, service scope and service quality prior to the engagement. There were no major changes in practices in relation to supply chain management during the Reporting Period.

B6. Product Responsibility

During the Reporting Period, the Group did not notice any incident of material non-compliance regarding health and safety, advertising, labelling and privacy matters relating to products and services provided as required by related laws and regulations. There were no recalls or complaints received related to products and service provided.

The Group has established a policy for leasing business, so as to standardise the operating procedures, minimise operational risk, improve product and service quality and consistency, and to identify responsibility, rights and interests involved throughout the business.

The Group attaches great importance to the protection of intellectual property, such as registered trademarks and company website. There was no infringement of intellectual property rights during the Reporting Period. Only genuine software is allowed to be used at work.

Moreover, the Group handles significant amount of personal data and credit information of customers. The Group has established an independent information system department to take responsibility for the network security and information maintenance of daily business operations. During the Reporting Period, the Group did not receive any complaints on the violation of customer privacy from external or regulatory institutions.

SUMMARY ON SOCIAL ASPECT

B7. Anti-corruption

The Group abides by the Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法) and other laws and regulations in relation to bribery, extortion, fraud and money laundering in PRC. There was no concluded legal case regarding corruption practices brought against the Group or its employees during the Reporting Period. An Anti-fraud Management Measure is in place to provide guidance and regulations to all employees including directors, senior management, middle management and other employees. The Anti-fraud Management Measure promotes clean, diligent and fair work ethics and prevents misconduct that may damage the Group's economic interests, and is also set to protect whistle-blowers. Employees from all levels can report any misconduct or violation of professional ethics through phone, emails or letters.

Moreover, the Group has developed a Policy and Procedures for Employees Raising Possible Improprieties during the Reporting Period. This policy dedicated to establish a proper channel for employees to voice out their concerns, in particular, those related to possible improprieties in financial reporting, internal control, risk management and other matters. The policy allows a committee involving independent non-executive directors of the company to be formed to investigate concerns raised by employees, monitor the investigation progress and to decide on follow up actions.

B8. Community Investment

The Group has not yet established any policy on community engagement and will review and consider contributing to activities and organisations that benefits the community in the future.