



ENVIRONMENTAL, SOCIAL
& GOVERNANCE REPORT

2017

環境、社會及管治報告



修身堂控股有限公司 SAU SAN TONG HOLDINGS LIMITED Stock Code 股份代號 : 8200

Sau San Tong Holdings Limited

Stock Code 8200

Approach

Sau San Tong Holdings Limited (hereafter, called the “Group”, “we”, “our”, or “us”) is committed to promoting transparency of the Group’s operations and the impact of its operations on the environment and society in which we operate, and also communication with our stakeholders. The results of the Environmental, Social and Governance (“ESG”) review shown in this report demonstrate the importance of environmental protection we place on top of our business development target, and explain how we seek to continually improve our ESG strategy in line with the global standards.

With both integrity and purpose, we look at issues that may have a reputational impact on, or that may pose a risk to, the Group in the short-, medium- or long- term period. Issues that are important to our stakeholders, including, but not limited to, our customers and employees, as well as the community, are also crucial to us. We are positive in developing growth opportunities with a focus on work ethics to ensure that the Group’s success in business development is sustainable with the benefits which pass on to our employees, customers and the environment.



The integration of sustainability into our business strategy as well as daily operations is seen and pursued as a must in our business model. To deal with the ESG issues effectively, understanding of, and interaction with, our employees, consumers and other stakeholders are of the highest priority. We believe that thoughtful management of ESG issues is an essential part of long-term success in a rapidly changing world. With thorough understanding of the ESG risks and opportunities, the Group will be better positioned in allocating its resources to diminish and recycle different kinds of waste, while increased demand for higher standards of waste treatment is expected by regulators. Thus, greater challenges are expected to come up. In addition, we believe that our expertise, capabilities, capital resources and ownership model can be part of the solutions to some of the challenges that organizations around the world are already facing. We are confident that as part of the business decision-making process, whenever the Group can properly monitor the ESG issues with all relevant stakeholders involved in the ESG management process, the long-term success of the Group will be guaranteed.

Finally, our sustainability strategy in the following aspects is applied to all the work streams:

1. To contribute to the environmental sustainability;
2. To attract, retain and support employees;
3. To engage with stakeholders;
4. To strengthen community relations;
5. To sustain local community; and
6. To grow a supplier commitment.



About this report

Report Profile

We are pleased to present our first ESG report. The content of the report herein focuses on providing an overview of the environmental, social and governance performance of our major operations in Hong Kong and the People's Republic of China (the “PRC”) for the financial year from 1st April 2016 to 31st March 2017 (the “financial year” or “reported period”). During the process of preparing this ESG report, we have conducted thorough review and evaluation of the existing ESG practices of the Group with the aim of achieving better performance results in the future. The ESG reporting period is consistent with our financial year.

Report Scope and Boundary

The Group currently has ten beauty and slimming centres, with five in Hong Kong, one in Macau and four in Mainland China, including one in Beijing, two in Shanghai and one in Shenzhen. All these centres provide unique all-round personalized beauty and slimming services, health management and anti-ageing treatment programs, etc. Combining the effective treatments and comprehensive follow-up, all programmes enable customers to achieve their desired skin quality, weight and body shape in the healthiest manner.

In preparing this Report, we used selected global, local and industry standards, and best practices, including, but not limited to, the Hong Kong Stock Exchange's ESG Reporting Guide as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and any applicable accounting and financial reporting standards in Hong Kong.

For details in relation to our financial performance and corporate governance during the financial year, please visit our website: <http://www.sausantong.com/> and our Annual Report. We highly appreciate your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquires to the email address: enquiries@sausantong.net.

OUR STAKEHOLDERS

At Sau San Tong, we are searching for every opportunity to understand and engage our stakeholders to ensure that improvement can be implemented to our products and services. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business.

Stakeholders	Possible points of concern	Communication and responses
HKEx	Compliance with listing rules, timely and accurate announcements.	Meetings, training, roadshows, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and maintenance of social welfare.	Interaction and visits, government inspections, tax returns and filing of other information.
Suppliers	Payment schedule, and stable demand.	Site visits.
Investors	Corporate governance system, business strategies and performance, and investment returns.	Organizing and participating in seminars, interviews, shareholders' meetings, financial reports or operation reports for investors, media and analysts.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of newsletters on the Group's website.
Customers	Product quality, service delivery schedule, reasonable prices, service value, labour protection and work safety.	Site visits, and after-sales services.
Employees	Rights and benefits, employee compensation, training and development, work hours, and working environment.	Conducting team building activities, training, interviews for employees, and internal memos.
Community	Community environment, employment and community development, and maintenance with social welfare.	Developing community activities, employee voluntary activities and community welfare subsidies, and donations.

Environmental

Emissions

At the Group, we understand that the foundation for economic progress and well-being of the society is a healthy environment, and thus, our priority is to protect the environment, and our target is to minimize adverse impact on the environment.

The Group has established a set of management policies and measures regarding environmental protection to help ensure sustainable development and operation of the Group. The Group's operations in Hong Kong are mainly engaged in the provision of beauty and slimming services and the operations in the PRC are mainly engaged in the distributing business of skincare and cosmetic products. Types of emissions and environmental issues in relation to which the Group has been involved during the financial year were mainly electricity, water, paper and clinical waste. Our greenhouse gas emissions are indirect, principally resulting from electricity consumed at the Group's office and shops. During the year, the Group's operations do not impose any material impacts on generation of hazardous and non-hazardous wastes, and/or discharges of wastes into water and land.



The major non-hazardous waste produced from our business activities is mainly paper consumed for administrative purposes. We strive to minimize volume of non-hazardous waste produced during the course of our daily operations and try our best to avoid unnecessary wastage of paper and promote effective usage of paper. We maximise usage of e-versions instead of hardcopies, as well as electronic administrative platforms and communication channels wherever it is possible.

Besides, given the treatments provided by us, the Group produces sharps waste, such as syringes and needles, as well as medical dressings. Such clinical wastes are classified as “hazardous wastes” according to “the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal” that has been adopted by Hong Kong. As a clinical waste producer, the Group is subject to the “Waste Disposal Ordinance” (Cap. 354 of the Laws of Hong Kong).



We understand that a healthy environment is the foundation for economic progress and well-being of the society. Therefore, the Group exercises greatest care in managing any clinical waste it may produce. The Group has procedures in place for waste treatment in accordance with the “Waste Disposal Ordinance”. According to the existing practice, all clinical wastes produced during the course of daily operations are securely separated and collected by a licensed waste collector for further disposal.

The Group is not aware of any material cases of non-compliance with laws and regulations relating to generation of hazardous and non-hazardous waste arising from its operations and the resultant waste discharges during the reporting period.

Use of Resources



The Group has minimal consumption of resources and its current business operations don't have any significant impact on the environment. In this respect, we highly promote and implement electricity and water saving initiatives in our workplace.

We have been adopting the following measures in order to protect the environment and preserve natural resources:

1. We encourage our staff to keep the indoor temperature within the office and shops at 24 to 26 degrees Celsius, as it helps to reduce air conditioning power consumption.
2. For all electrical appliances used in the office and shops (e.g. printers, computers and air conditioners, etc.), we require our staff members to switch off all the electrical appliances, if applicable, when they get off from work.
3. Printing machine in the office is set at energy-saving mode by default, and sleeping mode is automatically turned on, if not in use for a certain interval in time to reduce unnecessary energy consumption.
4. We encourage our staff to reduce consumption of water by turning off the water tap after usage.
5. Internal memo is issued to encourage our staff to make copy / print documents in double sided format with environment-friendly paper. For single-sided printing, the relevant paper is recycled for reuse of the other side of it, if it doesn't contain confidential information.
6. If towels used during the beauty treatment were damaged, they are not used for the next beauty treatment, but used for cleaning purposes.
7. Carton boxes are recycled after beauty products are dispatched.
8. Written notices such as "Save Energy" and "Save Water" are placed and fixed on the walls in the working area to increase the staff's awareness of resources saving.
9. We encourage our customers to bring their own shopping bags in order to minimize the usage of bags.



The Environment and Natural Resources

The Group strives to enhance efficiency in the usage of energy, water and materials, and also comply with the relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment.

We aim at striking a balance between sustainable corporate development and environmental protection, and we closely monitor greenhouse gas emission and resources consumption rate to minimize our impact on the environment and natural resources.



Social

Employment

The key of our success depends on a strong and well-organized team of qualified experienced talents. We focus on assisting our staff to achieve their career goals and self-development. We provide training through seminars and courses, and encourage our staff to grow with the Group together.

The Group has set up an “Employees’ Handbook” that helps management comply with labour laws and relevant regulations that have significant impact on our internal procedures relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity of the origins of our employees, anti-discrimination and other human resources treatments and benefits, etc.

In Hong Kong, we provide MPF benefits to our staff in accordance with the "Mandatory Provident Fund Schemes Ordinance" (Chapter 485). In determining the remuneration of our employees, we comply with the "Minimum Wage Ordinance" (Chapter 608). For both recruitment and dismissal, the Group prohibits practice of discrimination by complying with the “Sex Discrimination Ordinance” (Chapter 480), the “Disability Discrimination Ordinance” (Chapter 487) and the “Race Discrimination Ordinance” (Chapter 602). We follow the “Employees’ Compensation Ordinance” (Chapter 282) in regard to the work injury of employees.

In the PRC, we are in compliance with the local laws, such as 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 “Work Safety Law of the People’s Republic of China” (中華人民共和國安全生產法).

The Human Resources Department reviews and updates the relevant company policies such as the Employees’ Handbook regularly in accordance with the latest applicable laws and regulations.

The Group has maintained an Employees' Handbook which stipulates the policies on recruitment, dismissal, promotion, remuneration and benefits of employees. Every employee gets a copy of the Employees' Handbook to make sure that all the employees are aware of their rights and responsibilities. In addition, the Group provides employment orientation to all newly recruited employees to ensure that they are properly trained and understand the Group's operations, working atmosphere, code of conduct and work safety.

Besides, the Group offers other benefits to its employees. For example, employees are entitled to have annual leave according to their grades. For instance, senior management staff are entitled to have 16 days of annual leave per year, while staff with department management grade are entitled to have 14 days of annual leave per year. Furthermore, all our employees are entitled to 3 days' marriage leave and 3 days' funeral leave for their close family members (e.g. parents / children / spouse / grandparents). We also provide employee medical insurance to all of our staff. Furthermore, we treat our staff equally and offer them discounts for all the treatments that are offered at our shops.

Health and Safety

At our Group, we focus our efforts on providing a safe and enjoyable working environment for all of our employees. The Group complies with relevant laws and regulations relating to provision of a safe working environment and protection of employees from occupational hazards in Hong Kong and the PRC, including but not limited to the “Occupational Safety and Health Ordinance” (Chapter 509), “Labour Contract Law of the People’s Republic of China” (中華人民共和國勞動合同法), “Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases” (中華人民共和國職業病防治法).

We encourage our employees to attend relevant training and we also provide sufficient guidance and supervision in relation to occupational safety. For example, emergency training is provided to the employees, and regular safety training on the operation of electric forklifts, that are used to unload goods, is provided to the relevant employees. Some of the staff in Hong Kong have completed the course in accordance with the standards and guidelines of the Accident and Emergency Training Centre and some of them have obtained a first aid certificate after successfully passing the examination offered by Hong Kong St. John Ambulance in order to be able to provide first aid in emergency cases.

Within the Employees’ Handbook, we have the safety regulations (i.e. fire safety, usage of electric forklifts, etc.) as guidelines to standardize the occupational safety procedures, with an aim to protect employees from occupational hazards. The Group has implemented strict preventive control measures to protect its employees and customers from contamination, infections and accidents. As a matter of disinfection procedures, employees who are engaged in medical and beauty treatments are required to put on protective clothing, surgical masks, as well as protective goggles and gloves. Besides, sharp equipment is properly handled in accordance with the safety guidelines stipulated in the Employees’ Handbook to avoid injuries or contamination.

The Group has implemented internal policies including procedures and guidelines to handle specific equipment such as laser machine, slimming machine, needles and sharp objects. The Group also arranges regular internal and external training on operational safety (such as the usage and maintenance of the equipment) which is provided to the relevant employees. After successful completion of the training and examination, the relevant employees are allowed to work with the specific equipment.



In case where any employee encounters an industrial accident, the Group will make appropriate compensation to the relevant employee in accordance with the guidelines stipulated in the “Employees’ Compensation Ordinance” (Chapter 282) in Hong Kong and the “Labour Law of the People's Republic of China” (中华人民共和国劳动法) in the PRC.

Development and Training

Our Group provides different types of training, such as training courses in service-related knowledge (i.e. slimming, hair removal, treatment theories, etc.) as well as soft skills (i.e. client handling skills and complaints management skills) to our staff to make sure that all staff have updated information and enough knowledge and skills to provide good quality services to the customers.

Training is provided to newly recruited employees during probation period about the Group and their job responsibilities, required skills and working instructions. We also encourage our employees to enhance their knowledge and skills through pursuing continued education. In-house training is provided regularly by the Training Department in relation to new technology or products, service-related knowledge, and soft skills, etc.



Apart from in-house training, to enhance the professional soft and selling skills required at work, the Group engages external parties like CWT Integral mind training centre to provide training on soft skills to its staff such as team building (for office staff in Hong Kong - Winning Mindset Habits training provided in 2016), modelling excellence and effective coaching (for senior staff and consultants of shops in Hong Kong and the PRC), and effective experiential selling skills (for all frontline staff in Hong Kong and the PRC). Employees are also encouraged to take external professional training to strengthen their work-related expertise, subject to the management's approval. Education sponsorship in relation to job-related courses provided by the external institutions is available for employees to apply.

Labour Standards

To ensure that the Group complies with the relevant laws and regulations in relation to prevention of child and forced labour, stringent internal review procedures are taken by the Group. For example, during the staff recruitment process, the responsible staff collect the identity document (such as ID card) from the job applicants to ensure that the age of the applicants can meet the legal requirements as mentioned in the Employment Ordinance. Applicants are required to fill in a job application form before the interview and provide personal information and copies of certificates to ensure that the applicants can be legally employed. At the time of appointment of the applicant concerned, the Group enters into an “Employment Contract” with the new employee, prescribing the terms of the employment, including basic salary, working hours, and overtime allowance, etc., for preventing potential future disputes over employment. Employees who are in breach of rules, or commit serious dereliction of duty, malpractice or criminal offence would be immediately dismissed

During the financial year, the Group had no non-compliance cases regarding violation of relevant child labour and forced labour laws.

Operating Practices

Supply Chain Management

The Group is focused on keeping positive mutual relationship with the suppliers. Currently, the Group has more than 100 suppliers. In order to satisfy a high quality requirement and act in compliance with the environment standards, the Group has set criteria for assessing supplies and the purchasing process to evaluate the impact on the environment. The assessment criteria include, but not limited to incidents of goods returns, price fluctuation, product/service delivery time, company background, stability of goods supply, quality of ingredients, packaging materials, geographical advantage of the supplier, etc. Every supplier should provide some core information such as background information (business activities and segments, size of the company, and registered capital, etc.), quality control measures, and technical ability, etc. to the Group in order for the Group to evaluate the quality of the relevant supplier.



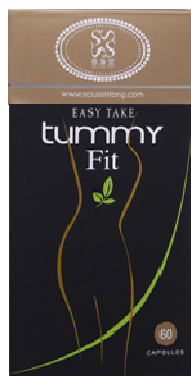
The Group is willing to cooperate more with the suppliers that are able to provide proves of measures taken in respect of protection of the environment. Besides, the Group has maintained an approved suppliers list to include all qualified suppliers that are subject to regular reviews performed by the Chief Executive Officer (“CEO”). The Group checks each product delivery from the suppliers with an extent which depends on the nature of the project and the importance of the beauty products concerned. Staff of the head office are sent to the factories of the suppliers to do on-site check of the quality of the products produced by the suppliers. A quality report is prepared on an annual basis.

Product Responsibility

We believe that our reputation is built on delivering high quality products and services to our customers.

The Group puts its full effort to maintain high standard of customer service in order to continuously improve the quality of its service to enhance its competitiveness. Frontline staff are provided with customer service training and relevant guidelines to strengthen their awareness of quality service and service skills. Moreover, management of the Group is responsible for checking the quality of the services by using the “mysterious customer” approach and the “mysterious customer” fills in the form to inform management about the level of satisfaction regarding the service of treatment.

Apart from provision of high quality of services, we also aim to provide high quality of products to our customers. Before the new product can be launched, we request samples from the suppliers/factories and involve a third-party professional in the process of the quality control checks to make sure that the quality of the new products meets the standard of Good Manufacturing Practice (“GMP”). In case of occurrence of a problem with a supplier, investigation is conducted and the CEO may decide to remove the supplier from the approved suppliers list, if thought fit.



To maintain high-quality professional services, the Group employs staff with relevant certifications and qualifications. For example, the Group ensures that its doctors have registered with the Medical Council of Hong Kong in accordance with the provisions of the “Medical Registration Ordinance” (Cap. 161). Besides, the Group ensures that the relevant staff obtain different certificates such as CICA diploma in International professional beautician, ITEC Level 2 Diploma for Beauty Specialists, ITEC Level 3 Diploma in Facial Electrical Treatment, ITEC level 4 Diploma in Laser and Intense Pulsed Light Treatments, etc. in order to provide relevant services to its customers.

Besides, regular training is provided to the staff who operate the machine/equipment. Moreover, there is a sticker on the machine/equipment showing how to use the machine/equipment. The Group performs regular check on the machines/equipment installed in the shops. For any irregularities noted, the shop manager immediately reports the event to the head office for further checking and repair.

The Group complies with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and the methods of redress.

Complaint Channel

Customers' opinions and feedback help to drive our continuous improvement and are vital to our pursuit for excellence. Our Customer Service Department is dedicated to maintaining close communication with our customers. There are numerous ways to reach us for any opinion or complaint, e.g. feedback provided through our website, by phone, by direct contact with our shop manager or staff at any shop, etc. Whenever a complaint is received from a customer, the Group carefully handles every complaint case.

One of our subsidiaries in the PRC is distributing Procter & Gamble (P&G) personal care products in Shanghai as well as retailing P&G beauty and skin care products, e.g. SKII, in the Huadong and Huaxi areas in the PRC. For any complaints relating to P&G personal care products as well as the services provided by our shops received via P&G customer service phone or directly by our Sales Manager, the complaints should be handled and verified by our Sales Manager and the Sales Manager should provide timely response to the customers concerned regarding the complaints. For any service programs such as slimming programme, hair removal, etc., if our customer is not satisfied with the specific service program or package selected, we would discuss it with our customer to see if the customer is willing to try any other program or package offered by us. When there is no other program or package suitable for the customer, the customer is allowed to share the program or

package with his/ her friends; otherwise, refund may be made upon the approval of Department Head of Sales and Operations.



If customers are not satisfied with the quality of the products delivered, the Department Head of Sales and the Head of Operations have to conduct preliminary assessment, and, if necessary, will pass the products to the factories for further checking. If a reported complaint is confirmed, the Group will terminate the agreement with the relevant supplier or factory and will take appropriate legal actions accordingly.

Personal Data Privacy

Our customer information is processed by designated staff of the Group for unified management to protect our customer's personal information, and stored in a locked cabinet. Other staff are not permitted to access the customer information stored in the locked cabinet. The information about all the treatments or programs performed on the customers is also saved in the system of the Group with restricted access rights. Furthermore, contracts entered into with our customers stipulate that we are subject to confidential obligations regarding the customer's personal information and we shall not use customer information for any purposes other than those written in the contracts.

In order to increase the awareness of our employees about the privacy of customers' personal information, we conduct employee training about customers' data privacy and information safety on a regular basis.



Intellectual property rights

Currently, the Group has more than 100 trademarks registered in Hong Kong and the PRC. The Group has maintained a register with a summary of trademarks registered by the Group. The register includes information such as trademark logo, trademark number, registration date, validity period, registration status and name of responsible personnel, etc. The Chief Operating Officer is responsible for monitoring the validity of the trademarks and checking if there is any unauthorized use of the trademarks registered by a third party. In case where there is unauthorized use of the trademarks by a third party, the Group will take appropriate legal action. In addition, in order to protect our brand names and interests, non-disclosure agreements (“NDA”) and the code of conduct are signed with all of our suppliers.

Anti-Corruption

We do not tolerate bribery, fraud and money laundering. The Group complies with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong and the PRC.

We have in place a whistleblowing mechanism and encourage our employees and other stakeholders to report on any observed and suspected non-compliance and

questionable practices in confidence without retribution. Reported cases are investigated and followed up by management of the Group.

Furthermore, the Group has implemented a guideline on gifts to make it clear to the employees that bribery is highly prohibited by the Group. Without approval obtained from management, employees cannot receive any kind of benefits from customers, and suppliers, etc. Subject to the latest version of the guideline, the employees can receive gifts (which is below an amount specified in the guideline or is in a form of promotional items with insignificant value).

During the financial year, no corruption case was noted and/or reported.

Community Investment

The Group continues to make contribution to the society in order to create a harmonious, beautiful and peaceful community. The Group actively encourages employees to take part in volunteering activities to contribute to the society and the environment. We are committed to caring for the elderly, children and other vulnerable groups by organising different volunteering activities such as blood donation, nursing home donation, participation in Bazaar with P&G products, donation to Tsinghua University in the PRC.

Due to the fact that the aging problems in Hong Kong become severe, the elderly issue is expected to be bigger. The Group established a volunteer team in 2005, and the voluntary team served more than 2,257 people during the past 10 years. The Group obtained the Award “Caring Group” from the Hong Kong Council for the Social Service for over 10 years. The Hong Kong Council for the Social Service appreciated our persistent care for the society, the community and the environment.

Since 2005, the Group has implemented an “Elderly Care Scheme” in cooperation with the Elderly Services Unit of the Against Elderly Abuse of Hong Kong (“AEAHK”). The aim of the scheme is to provide different forms of assistance and support to the elderly people who are experiencing abuse or neglect or abandonment or who live alone in order to improve their living conditions.



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