

MADISON

— G R O U P —

Madison Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057



► 2017/18
Environmental, Social and
Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

The Environmental, Social and Governance (“ESG”) Report published by Madison Holdings Group Limited (the “Company”) presents the efforts and achievement made in sustainability and social responsibility by the Company and its subsidiaries (collectively the “Group” or “we”). The ESG Report details the performance of the Group in carrying out the environmental and social policies and fulfilling the principle of sustainable development.

1.1 Scope of the Report

The ESG Report covers the environmental and social performance of the Group’s businesses, including sales of alcoholic beverages and financial services, principally operating in Hong Kong for the period between 1 April 2017 and 31 March 2018 (the “Year”). The environmental KPIs as disclosed in the ESG Report are based on the performance of the Group’s two offices, two warehouses and a flagship store for the retail sales of alcoholic beverages in Hong Kong for the Year. For details of corporate governance, please refer to the corporate governance report on pages 43 to 58 of the Company’s annual report.

1.2 Reporting Standard

The ESG Report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

1.3 Stakeholder Engagement

The engagement of our employees from different departments of the Group helps us recognize our sustainability performance. The diligently collected and carefully analyzed data underscores not only the Group’s sustainable initiatives for the Year, but also the Group’s short-term and long-term sustainability strategy. The Group will continue to increase the involvement of stakeholders via constructive conversation with a view to charting a course for long term prosperity.

1.4 Information and Feedbacks

Your opinions are highly valued. If you have any queries or suggestions, please feel free to contact the Company:

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North Point, Hong Kong

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

2. ABOUT US

The Group is principally engaged in the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine. Under the concept of operating an integrated one-stop shop, we provide our clients with a full range of products and value-added services, aiming at enhancing customer satisfaction and retention by improving customer convenience. Our one-stop shop concept encompasses (a) a diverse range of products including wine products, other alcoholic beverages and wine accessory products; (b) value-added services including delivery, storage and consignment services; (c) non-profit-generating value-added services including consultation, sourcing and evaluation services.

Starting from the Year, we are also engaged in the provision of financial services including the provision of corporate finance activities, as well as asset management and advisory services.

As a responsible company, the Group upholds the principle of growing our business together with the environment and the society. In order to promote business growth and achieve sustainable development of the Group, we are committed to striking a balance among the interests of investors, shareholders, clients, employees, business partners and other stakeholders in the society.

3. ENVIRONMENTAL PROTECTION

3.1 Emission

The Group places a high premium on our emission from business operation, like most of the enterprises worldwide do in recent years, due to the increasing awareness of environmental protection. The Group is not engaged in manufacturing and does not own any vehicles or have any other sources of pollution, therefore no air and water pollutants are emitted from business operations.

However, being involved in retail, wholesale, and provision of services, emission of greenhouse gases is unavoidable as daily operation of our offices, warehouses and flagship store is an indirect source of emission. Through electricity usage, paper disposal to landfill, energy usage for water and sewage treatment, as well as business trips by employees, different types of greenhouse gas are generated indirectly from our offices, warehouses and flagship store operations, among which the use of electricity accounts for the most because of the high-standard storage of beverages. In an effort to minimize our carbon footprint, the Group is devoted to maintaining an efficient and effective use of energy and resources at both operational and management level (For details, please refer to “Energy Saving” and “Resources Conservation”).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Cont'd)

3. ENVIRONMENTAL PROTECTION (Cont'd)

3.1 Emission (Cont'd)

Greenhouse gas emission during the Year:

Types	Weight (tones CO ₂)
Total emission ¹	262
Direct emission (Scope 1)	0
Indirect emission (Scope 2)	255
Indirect emission (Scope 3)	7
Intensity (emission/employee)	7.71

3.2 Waste Management

Both non-hazardous and hazardous waste was generated from our business operation during the Year. For non-hazardous waste, daily garbage was produced by staff working in offices, warehouses and the flagship store, while wooden boxes used for storing alcoholic beverages were also disposed of during the Year. On the other hand, waste batteries, as generated from office operation, were a type of hazardous waste discarded by the Group.

Waste generated during the Year:

Types	Weight/Amount	Intensity
Non-hazardous waste		
Office Waste	977 kg	24.41 kg/employee
Discarded Wooden Box	1,356 boxes	19.73 boxes/ thousand bottles of alcoholic beverages sold
Hazardous waste		
Waste Batteries	5 pieces	0.13 pieces/employee

In order to prevent harmful impacts resulted from improper treatment of waste, all hazardous and non-hazardous waste generated by the Group were handled appropriately by qualified parties in accordance with the Waste Disposal Ordinance. To put waste management into perspective, we have adopted a plenty of measures to minimize the amount of waste. For instance, we recycled plastics and paper by using waste sorting bins and reused office supplies such as folders, envelopes and file cards. We also strived to extend the life cycle of office stationery by refilling pens. Moreover, recyclable products and rechargeable batteries were always chosen over disposable products and batteries in our offices.

¹ Records of electricity, water and paper consumption of one of the offices of the Group were not able to be gathered as the relevant expenditures were included in the management fee of the office. Data (including total emission and intensity) as disclosed here therefore does not include that office.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

3. ENVIRONMENTAL PROTECTION *(Cont'd)*

3.3 Energy Saving

Establishing a qualified environment for beverage storage, particularly maintaining a stable temperature, is of premium importance to ensure the product quality of the Group, which requires a continuous usage of air-conditioning. During the Year, the total energy consumption by the Group was 398 MWh, all from the use of electricity, and the average consumption by employee is 11.69 MWh². The Group has put in place policies and practices with regard to energy saving in an attempt to reduce wastage and minimize environmental impacts.

Guided and monitored by the Group's administration department, different business units across the Group effectively maintain best environmental practices by carrying out energy-saving measures such as:

1. Keeping light fixtures and lamps clean to maximize their efficiency, and turning off all lights and electronic appliances when not in use;
2. Using split-type air conditioners with Grade 1 Energy Label and setting the air conditioning systems at a minimum of 25.5 degrees Celsius;
3. Setting the computers to automatic standby or sleeping mode when idling;
4. Turning off power of electronic appliances, lights and air conditioners before break and holiday;
5. Reviewing the Group's internal policies and practices regularly so as to look for room for integrating environmental considerations into working procedures.

We always strive for a continuous improvement on our performance in saving energy, hence, internal review of the energy-saving measures is constantly performed and reports are submitted to the management, recommending further actions to be done in the future.

² *Electricity consumption record of one of the offices of the Group was not able to be gathered as the relevant expenditure was included in the management fee of the office. Data (including total energy consumption and intensity) as disclosed here therefore does not include that office.*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

3. ENVIRONMENTAL PROTECTION *(Cont'd)*

3.4 Resources Conservation

The Group puts a high priority on its management of resources consumption which mainly includes water, packaging materials and paper. Water is not used in the provision of services with respect to both sales of alcoholic beverages and financial services, but a little amount is unavoidably consumed in daily life by staff working in offices, warehouses and the flagship store. During the Year, the Group has consumed in total 814 m³ and on average 23.94 m³/employee of water³. We have implemented a plenty of measures such as using dual-flush toilets, installing infrared sensors for faucets and using urinal equipment with water-efficient label. We also put up water-saving reminder labels in toilets to raise our employees' awareness of water saving.

Packaging materials are used in the business segment of alcoholic beverages sales that plastic packaging rolls are the major materials used. During the Year, the Group has consumed 310 plastic packaging rolls and the average consumption was 4.51 rolls/thousand bottles of alcoholic beverages sold. The Group advocates the adoption of simple packaging and we are dedicated to minimizing the use of plastic packaging rolls as much as practicable. For materials used during business operation, paper is the most commonly and frequently used. In an attempt to reduce paper consumption, all departments of the Group are advised to handle documents electronically except formal documents which are required to be prepared in hard copies. Besides, printers are set to default duplex and employees are encouraged to use both sides of the paper.

As a contribution to the avoidance of resources depletion and the reduction of harmful impacts to the environment, the Group will continue to review its resources management and to build up a resources-conserving culture across different units of the Group.

³ *Water consumption record of one of the offices of the Group was not able to be gathered as the relevant expenditure was included in the management fee of the office. Data (including total water consumption and intensity) as disclosed here therefore does not include that office.*

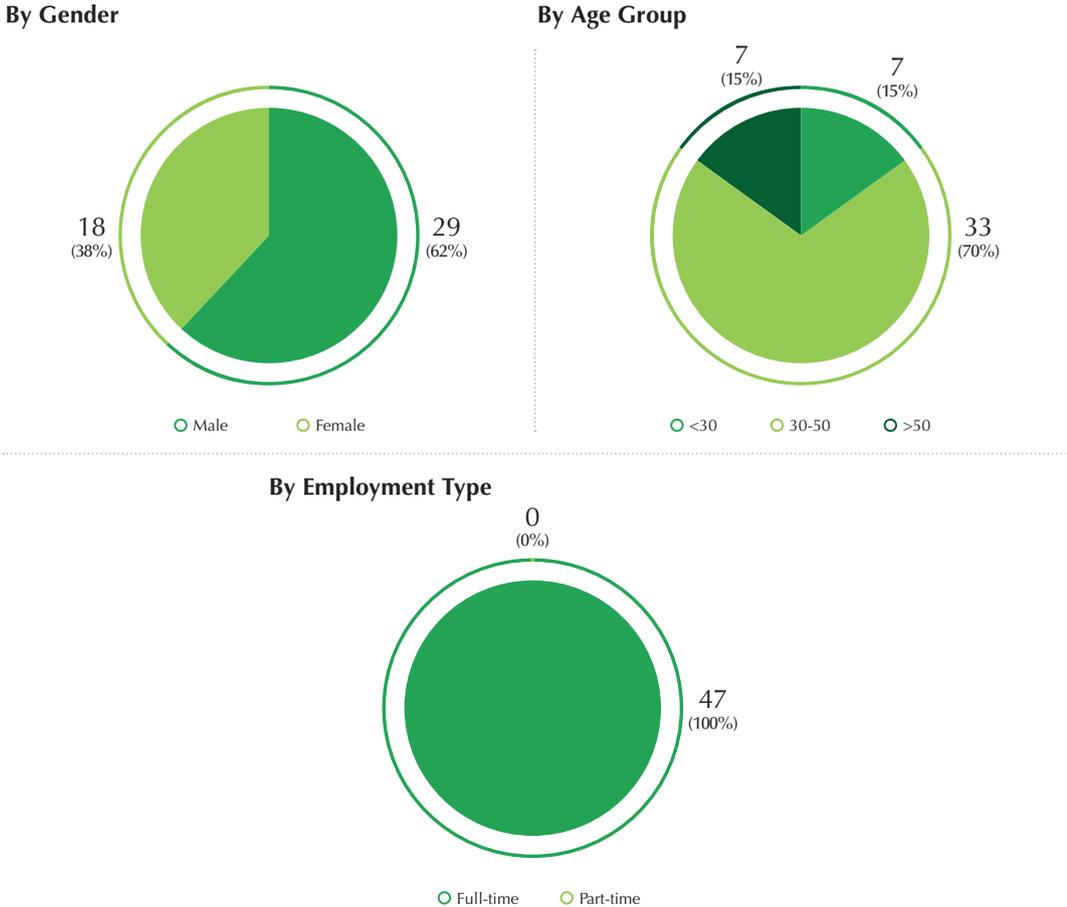
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Cont'd)

4. HUMAN RESOURCES

4.1 Overview

Human resources play a pivotal role of the Group and are the most valuable resources in general. The Group has established and strictly implemented a comprehensive human resources management system based on the Employment Ordinance. The Group's management undertakes to ensure that all human resources practices within the Group are in compliance with applicable laws and regulations. To make sure that employees are aware of their rights and welfare, we provide our employees with documents and materials on the related entry guidelines and clearly convey the messages about employment policies, mission and vision of the Group, work ethics and occupational safety and health guidelines to them. Reports on malpractices will be duly submitted to senior management with recommendations on how to handle such cases when necessary.

During the Year, the Group has employed in total 47 employees. The total workforce by gender, age group and employment type are as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

4. HUMAN RESOURCES *(Cont'd)*

4.1 Overview *(Cont'd)*

The employee turnover rate by gender and age group are as follows:

Employee Turnover Rate	%
By gender	
Male	34
Female	11
By age group	
< 30	71
30-50	21
> 50	0

4.2 Employment and Dismissal

During recruitment, we uphold the principles of anti-discrimination, equal opportunities and diversity that we select the right candidates with suitable qualifications, experiences, skills, potential and performance, regardless of age, gender, sexual orientation, marital status, family status or disability. The Group and the staff together observe relevant laws and regulations such as the Sex Discrimination Ordinance, the Disability Discrimination Ordinance and the Family Status Discrimination Ordinance. We by no means employ child labour by checking identity documents for age verification during recruitment. Forced labour is also stringently prohibited within the Group that overtime work is on a discretionary basis and compensatory leave or compensatory working hours will be provided if overtime work is performed.

When an employee is dismissed (due to violation of the Group's regulations, or that whose performance is consistently below an acceptable level, or any other reasons), the Group will follow a set of procedures pursuant to the human resources management system to terminate his or her employment contract. Terms and conditions for dismissal are outlined in employment contract and the related policy manual. In all cases, supervisors will consult the human resources department, legal department and/or management to ensure that applicable legal requirements are observed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

4. HUMAN RESOURCES *(Cont'd)*

4.3 Welfare

Achieving work-life balance is essential in keeping employees healthy and productive, thereby the Group has standardized the working hours and leaves policy for different kinds of employees. For office staff, we adopt five-day work week and eight-hour work day, while retail staff is entitled to one rest day each week and works for eight hours per day, subject to the opening hours of the store. All employees are entitled to a number of leaves such as public holidays, annual leave, maternity leave, paternity leave, marriage leave and funeral leave.

To attract and retain staff, the Group has formulated a competitive package of remuneration and welfare system. The standard remuneration package includes basic salary, discretionary bonuses and medical insurance. In addition to a basic salary, year-end bonus is offered to employees with outstanding performance to attract and retain eligible employees to further develop with the Group. Apart from basic remuneration, share options are granted to eligible employees based on the Group's performance as well as individual's contribution. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved. The Group will adjust the remuneration and welfare of each employee regularly with reference to the job nature, experience, job performance as well as market conditions.

4.4 Health and Safety

The Group places health and safety of employees at the first priority by strictly conforming to all relevant laws and regulations such as the Occupational Safety and Health Ordinance. Led by the Group's management, the administration department and supervisors from various departments collectively carry out safety management by identifying potential risks, coordinating health and safety trainings, providing related information to employees, as well as equipping adequate first aid supplies and fire service equipment.

The Group has formulated, implemented and monitored a series of code of practice for health and safety at work with reference to the industry conventions and supervision regulations to assure our employees of health and safety. We have established safety procedures for the recognized dangerous work and make every employee accountable for the safety goals. Besides, general safety orientation on safety regulations and emergency procedures is provided to new employees. We have also formulated emergency measures such as fire emergency plan and regularly arranged fire and evacuation drills in order to prevent casualties in case of accidents. A system for reporting hazards, accidents, injuries and illnesses is also set up so that responses can be made promptly. During the Year, there were no work-related injuries and fatalities, thanks to the effort put in creating an injury-free business environment by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

4. HUMAN RESOURCES *(Cont'd)*

4.5 Training and Development

It is our conviction that the Group's success highly hinges on the employees' performance. Therefore, delivering our employees' knowledge and skills and hence fostering their career development has long been seen as a core strategy of the Group.

The Group is committed to employee development and has implemented various training programs to strengthen their industry, technical and product knowledge. All newly recruited employees are required to attend induction training. We will continue to improve the employee training programs by developing orientation program, coaching and on-the-job training in an effort to enhance employees' sales and marketing techniques, client management skills, customer service, product information, quality control and industry knowledge. We also encourage our employees to enroll and study in job-related courses and examinations by reimbursing the tuition fee.

The Group is in favour of internal promotion, and therefore adequate on-the-job and professional trainings are provided to help employees qualify for senior positions. Performance appraisal will be performed regularly so as to assess the performance of the employees and provide promotion opportunities and training suggestion to them.

5. BUSINESS OPERATION

5.1 Supply Chain Management

The Group is principally engaged in providing wine retail and wholesale services with wine products procured through (i) purchases from wine merchants and wineries, (ii) purchases through auction houses and (iii) purchases from individual wine collectors.

As part of the Group's quality control measures to maintain the Group's corporate image, suppliers are selected based on a number of factors including their reputation for product quality and supply reliability, history of operations, past training record with the Group, size of business, overall reputation, delivery time, products portfolio, product availability, and promotions offered by the suppliers. After approval, the new suppliers will be put onto the authorized supplier list.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

5. BUSINESS OPERATION *(Cont'd)*

5.2 Product Quality

Quality is always emphasized by the Group as alcoholic beverages are susceptible to lots of factors such as storage environment. To ensure the quality of our products, strict requirements have been imposed on the storage environment of our warehouses and flagship store.

The Group's self-operated warehouses are equipped with a temperature and humidity control system, which is qualified for the Hong Kong Quality Assurance Agency certification, to maintain an optimal environment with temperature from 13 to 18 degree Celsius and humidity levels between 55% and 80%. The floor and the ceilings of the warehouses are also fitted with insulation and anti-vibration materials in a bid to protect the wine products from heat and vibration. At the flagship store, some of the premier collectible wine products are stored at wine refrigerators at a specific temperature, while other products are kept at shelves and a constant temperature is maintained at all times to preserve product quality. In the event of electricity failure, the back-up power system at the warehouses will automatically generate power to support the temperature and humidity control system for up to eight hours, while a staff member is assigned to monitor the temperature and humidity levels of the flagship store round-the-clock.

In addition to fulfilling the storage requirements, the Group also carefully inspects sample wine products and photos of old and expensive stock prior to placing orders with wine merchants and wineries. We also conduct quality control inspection upon receiving the products. To keep in line with industry practice, the Group adheres to the suppliers' return policy pursuant to the terms of the relevant purchases. Return and refund of products can be requested if the products are found unsatisfactory after the quality control inspection.

5.3 Customer Service

The Group's customer-oriented business philosophy emphasizes the delivery of excellent customer service. Most of the Group's customers are local and overseas wine merchants, avid wine collectors in Hong Kong and China, renowned Hong Kong restaurants and high net worth individuals. We endeavour to provide them with convenient one-stop shopping experience and a variety of unique, high-quality products at reasonable and competitive prices. We also offer a wide range of services including wine consultation, sourcing, delivery, storage, evaluation and consignment services to cater for customers who have different needs. In order to create a working environment that inspires staff to achieve excellent performance when dealing with customers, we motivate them by implementing an incentive scheme which aligns compensation and remuneration with their performance.

As a way to ensure the rights of customers of buying qualified products, customers are able to ask for product return or exchanges for wine products with vintages below 10 years and with selling prices below HK\$1,000 per bottle, in case of any quality issues verified by the Group. It is our aim to provide customers with the highest satisfaction when buying products or using services offered by us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

5. BUSINESS OPERATION *(Cont'd)*

5.4 Data Privacy

As a responsible corporation, the Group puts efforts in protecting not only the confidential information of the Group, but also personal data of different stakeholders, by implementing measures in compliance with relevant personal privacy regulations such as the Personal Data (Privacy) Ordinance. All our staff is required to covenant that he or she shall not, at any time during his or her employment or after the termination of the employment, disclose or make use of any confidential information without the consent of the Group. We also ensure that the personal information of customers and suppliers are used in the proper context only for authorized business purposes and are accessible only to the staff with legitimate need.

5.5 Business Ethics

Unethical business practices could be a source of risk that weakens a business's stability. Hence, the Board of Directors of the Group put zero tolerance policy in practices in terms of corruption and fraud. The Group strictly prohibits bribery and other corrupt practices in accordance to the Prevention of Bribery Ordinance. Through corporate governance and risk management, the Group adheres to the values of integrity, fairness, transparency and accountability to prevent corruption and protect the interest of stakeholders. We have established a strict corporate governance mechanism in compliance with Listing Rules and Securities and Futures Ordinance to forbid any fraudulent behaviour in the capital market. Our staff is also encouraged to report any form of misconduct, such as abuse of authority and bribery of clients or employees, and the Group will investigate upon reporting and report to the relevant regulatory and law enforcement bodies.

Besides, the Group has set rules and guidelines to ensure that staff at all times does not place oneself in a position of obligation that may lead to a conflict of interest in dealings with customers, suppliers, contractors and colleagues. Receiving and offering personal benefits such as gifts when dealing with suppliers, vendors or contractors is also strictly monitored within the Group. With respect to supply chain, we always ensure that the procurement process for supplies or services is conducted in a manner consistent with the highest ethical standard to assure the continued confidence of customers, suppliers and the public on the Group.

During the Year, the Group is not aware of any breach of laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud and money laundering.

6. COMMUNITY

We care about the needs of the community and the society so we strive to enhance the community awareness of employees and encourage them to participate in charitable activities to help those in need. Employees are also encouraged to share their learning and experience of participating in the activities so that a community-caring culture can be built within the Group. It is our greatest wish to grow our business in a harmonious community thus we will continue to step up our community contribution in the foreseeable future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Cont'd)

APPENDIX: KPI REPORTING GUIDE

KPI	Description	Chapters	Page No.
Environment			
A1 Emissions			
A1.1	The types of emissions and respective emissions data.	Emission	2
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Emission	2
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Waste Management	3
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Waste Management	3
A1.5	Description of measures to mitigate emissions and results achieved.	Emission; Energy Saving; Resources Conservation	2,4,5
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	3
A2 Use of Resources			
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy Saving	4
A2.2	Water consumption in total and intensity.	Resources Conservation	5
A2.3	Description of energy use efficiency initiatives and results achieved.	Energy Saving	4
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Resources Conservation	5
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Resources Conservation	5
A3 The Environment and Natural Resources			
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Emission; Waste Management; Energy Saving; Resources Conservation	2-5

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

APPENDIX: KPI REPORTING GUIDE *(Cont'd)*

KPI	Description	Chapters	Page No.
Social			
B1 Employment			
B1.1	Total workforce by gender, employment type, age group and geographical region.	Overview	6
B1.2	Employee turnover rate by gender, age group and geographical region.	Overview	6
B2 Health and Safety			
B2.1	Number and rate of work-related fatalities.	Health and Safety	8
B2.2	Lost days due to work injury.	Health and Safety	8
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	8
B3 Development and Training			
B3.1	The percentage of employees trained by gender and employee category.	No relevant disclosure for the Year	–
B3.2	The average training hours completed per employee by gender and employee category.	No relevant disclosure for the Year	–
B4 Labor Standards			
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment	7
B4.2	Description of steps taken to eliminate such practices when discovered.	No relevant disclosure for the Year	–
B5 Supply Chain Management			
B5.1	Number of suppliers by geographical region.	No relevant disclosure for the Year	–
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	9

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

APPENDIX: KPI REPORTING GUIDE *(Cont'd)*

KPI	Description	Chapters	Page No.
B6 Product Responsibility			
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No relevant disclosure for the Year	–
B6.2	Number of products and service related complaints received and how they are dealt with.	No relevant disclosure for the Year	–
B6.3	Description of practices relating to observing and protecting intellectual property rights.	No relevant disclosure for the Year	–
B6.4	Description of quality assurance process and recall procedures.	Product Quality; Customer Service	10
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Privacy	11
B7 Anti-corruption			
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business Ethics	11
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics	11
B8 Community Investment			
B8.1	Focus areas of contribution.	No relevant disclosure for the Year	–
B8.2	Resources contributed to the focus area.	No relevant disclosure for the Year	–

