



米蘭站 →
Milan Station



ENVIRONMENTAL, SOCIAL and GOVERNANCE REPORT 2017

米蘭站控股有限公司

MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Stock Code: 1150

Environmental, Social and Governance Report

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A. DEFINITION AND INTERPRETATION

Throughout this report, the following terms, except where the context otherwise requires, have the following meanings:

- **Group** : refers to MILAN STATION HOLDINGS LIMITED and its subsidiaries
- **ESG** : means ENVIRONMENTAL, SOCIAL AND GOVERNANCE
- **Appendix 27 or ESG Guide** : refers to the Appendix 27 – Environmental, Social and Governance Reporting Guide of the Listing Rules
- **KPIs** : means “Key Performance Indicators”
- **Listing Rules** : means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
- **HKEX** : means The Stock Exchange of Hong Kong Limited
- **GRI** : means the “Global Reporting Initiative”

B. OVERVIEW

In 2016, our Group reviewed and identified material environmental and social issues related to our business in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) of the Listing Rules. These issues and aspects have a significant impact and are relevant to the Group’s ongoing operation and stakeholders. Key performance indicators (“**KPIs**”) on environmental and social issues and aspects were established in 2016 to allow the management to regularly monitor and review their development and results in line with our corporate strategy and policies and this report provides an update on these issues for the year ending 31 December 2017.

C. REPORTING PERIOD AND SCOPE

Reporting Period: 1 January 2017 to 31 December 2017.

Reporting Scope: This report covers MILAN STATION HOLDINGS LIMITED and its subsidiaries’ principal businesses of the retail of handbags, fashion accessories, embellishments and spa and wellness products in Hong Kong and other locations in Asia.

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The scope of this ESG report includes data and activities of the Group's headquarters and retail operations for the year ended 31 December 2017 and can be summarized below:

1. ESG VISION

The Group targets to be a leading retailer of handbags, fashion accessories, embellishments and spa and wellness products, providing returns to our shareholders, and ensuring our staff with a satisfying and equitable workplace, whilst pursuing development in a sustainable and eco-friendly way to the benefit of our community as a whole.

2. ESG MANAGEMENT AND APPROACH

The Group has established guidelines under its Environmental Policy and Employee Handbook and has delegated the manager of the Administration Department to implement the company policies, and reports directly to the Group's CEO, who has the overall responsibility to manage the Board's approved strategies and policies.

3. MATERIAL ENVIRONMENTAL AND SOCIAL AREAS, ASPECTS AND RELATED KPIS

As recommended by the ESG Guide, the Group only prepares and reports on the environmental and social areas, aspects and KPIs which the management considers to be "material".

3.1 Environmental Aspects

As a corporate citizen, we understand and respect that our Group has a responsibility to the environment and to sustainable development. The Group is principally engaged in retailing, which does not generate any hazardous emissions, wastes or pollutants. In order to pursue sustainable development, we are committed to eco-friendly operations and conservation of resources.

3.1.1 Emissions

Our Group complies strictly with relevant environmental laws, rules and regulations in all our locations and we do not directly produce any emissions, discharges into water or land, or hazardous waste. Our retail operations generate small amounts of packaging waste and indirect carbon emissions through the use of electricity, which are both monitored and regulated by our internal Group policies.

To promote environmental responsibility and to promote better monitoring, the Group has set up the KPI of "CO₂ EMISSIONS".

In the year to 31 December 2017, our Group indirectly via the use of electricity, generated 20.76 tonnes of greenhouse gases namely CO₂ emissions. This was a 22% decrease on 2016, which reflected an achievement on costs control including electricity consumption despite our increased in overall business turnover by 7.5% over 2016.

In the year to 31 December 2017, our administrative headquarters and retail locations did not have any record of any penalty or warning related to air, water or waste pollution and discharges from any environmental department or alerts from any environmental agencies.

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3.1.2 Use of Resources

The Group is committed to conserving resources in order to reduce its impact on the environment as well as improve shareholder returns. We actively promote energy efficiency, conservation and environmental awareness to our employees and stakeholders.

As set out in our Employee Handbook, staff should pay attention to the use of air conditioning and electricity, and implement practices such as turning off lights, air conditioning and computers when not in use.

To reduce energy consumption, the Group regularly monitors its electricity consumption in our headquarters and retail locations. The Group does not consume material amounts of water in its operations. In the year to 31 December 2017, the Group consumed an aggregate of 313,045 kWh of electricity of which 293,168 kWh was for the Milan Station operations and 19,877 was for the Thann operations. This was 88,393 kWh or 22.02% less in aggregate than in 2016 (2016: 401,438 kWh) despite a 7.5% increase in overall business turnover over 2016. This showed our preliminary success on our measures on reducing the uses of electricity and our operation costs.

The Group's operation does not consume water. Water is mainly used by employees for hygiene needs and the amount is insignificant, and is supplied from and discharged into the city's water supply and treatment network. The Group therefore has no water supply problem nor any impact on the water resources.

Most of the Group's packing materials are paper and plastic sheets to pack the main products of our retailing. The Group strictly complies with the Product Eco-responsibility (Amendment) Ordinance 2014 and the plastic shopping bag levy in Hong Kong. We will continue to investigate the design of environmentally friendly packaging materials for our products, and encourage their use with our suppliers. We will also review our operations to minimize the use of the packaging materials.

The Group has established the KPIs of "**Electricity**" and "**Packaging Paper and Plastic**" consumptions for future monitoring. In 2017, we used an aggregate of 89 boxes of packing materials which is 3 boxes less than 2016 (2016: 92 boxes) despite an increase in sales of 7.5% over 2016. This showed again our preliminary success on our measures on reducing packaging paper and plastic bags uses.

3.1.3 The Environment and Natural Resources

Our Group disposes of its waste according to relevant rules and regulations, and encourages its staff to pay close attention to the use of waste and recycling, and the preservation of office equipment for the sake of conservation. We encourage the regular maintenance and prolonged use of our computers, printers, fax machines, photocopiers, POS machines and other common office and retail equipment to reduce the frequency of replacement.

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3.2 Social Employment and Labour Practices

3.2.1 Employment

The Group maintains an Employee Handbook and company guidelines for hiring and termination, working hours, attendance, holidays, performance assessment, awards and criteria, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

Our Group recognizes our employees are a key stakeholder in our operations and a key contributor to our business growth, and therefore we are committed to providing our staff with a satisfying and equitable workplace where our staff and our company can grow together. The Employee Handbook and company policies cover a wide range of employment protection and benefits, and complies with the labour laws, rules and regulations.

Employees' remuneration is determined with reference to the prevailing market level as well as their competence, qualifications and experience. The Group also provides a range of incentives to staff including best staff awards, promotion, pay raises, annual bonus and commission. Salary will be credited to the bank account of the employee within five business days after the end of each month.

The Group is an equal opportunities employer and employees are selected based on ability without discrimination on sex, religion, race, colour or age. The recruitment process and decision making will involve both the related department head and the Human Resource Department.

It is a requirement of our Employee Handbook that all management and employees actively ensure that the Group's working environment is not subject to any form of discrimination and harassment. The Group's Employment Handbook refers to the Sex Discrimination Ordinance (Cap. 480), the Disability Discrimination Ordinance (Cap. 487) and the Family Status Discrimination Ordinance (Cap 527).

An "**Employment Data**" KPI with breakdown on total number of employees, gender ratio and age distribution has been set up to review the Group's employment status regularly. In 2017, we employed a total of 26 staff (2016: 36) in our headquarters, of which 12 are male (2016: 21) and 14 are female (2016: 15), and 48 (2016: 78) in our retail operations, of which 8 are male (2016: 14) and 40 are female (2016: 64). The reduction in staff, was directly due to the closure of some Thann operations, and the majority of female employees was mainly due to the nature of our retailing business which is predominantly the sale of female centric products.

3.2.2 Health and Safety

It is the responsibility of the Group to protect its staff and provide a safe working environment that is not dangerous or discriminatory. The Group complies with all relevant laws and regulations including the Occupational Safety and Health Ordinance to minimize the risk of any occupational hazards.

In 2016, the Group established an "**Accidents Record**" KPI to continue to alert the management on safety and health issues and during that year no incidents occurred. We are proud to report that in 2017, again no incidences occurred or were reported.

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3.2.3 Development and Training

To improve the efficiency and effectiveness of each employee and the long-term development of the Group, the Group encourages staff to participate in training courses related to the job and establish a training record. These records will be used as part of the assessment of the employee's work ability.

For the betterment and job satisfaction of its employees, the Group provides an education allowance for the course fees of approved courses for its staff in service for over 3 years. The maximum entitlement of such allowance ranges from HK\$10,000 to HK\$30,000 per year depending on the staff's position.

In addition to the education allowance, the Group also offers in-house classrooms, providing occasional free training courses to shop staff, so that they learn sales skills, trend information, and product examination procedures of the Group.

For 2016, the Group established and kept a "**Staff Training Record**" showing the number of staff, their position and the amount of employment allowance paid to allow the management to review regularly. In 2017 we provided education training to a total of 39 staff members from managerial, operational and retailing divisions, which was 23 more than 2016.

3.2.4 Labour Standards

Our Group regulates the recruitment process in order to ensure compliance with relevant rules and regulations, and totally forbids any child and forced labour.

The Group strictly complied with the Labour Laws of Hong Kong and provided the required labour protection, safety and health conditions to ensure employees' safety during their services. The Group also paid wages and salaries, benefits and compensations on schedule. In the year ending 31 December 2017, no labour disputes or litigation have been reported.

3.3 Operating Practices and Social Investment

3.3.1 Supply Chain Management

Our Group strives to manage risks in its supply chain through an established set of procedures. For its handbags, fashion accessories and embellishments products, the Group follows such procedures to determine whether its products are unused or second-hand and to ensure the products sold and distributed through the Group's retail shops are genuine and authentic products. All international luxury branded products sold by the Group undergo at least two product examinations before being sold at the Group's retail locations. The Group prepares a set of product examination guidelines and organizes in-house training sessions to relevant staff.

As with 2016, in 2017 over 95% of the Group's procurement is conducted through local suppliers in Hong Kong, defined as an organisation that provides a product or service to the Group and that is based in the same geographical market as the Group without transnational payments to the supplier made.

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3.3.2 Product Responsibility

Product quality

Our Group is deeply aware of the importance of product quality on its reputation, brand name and the returns of its retail business. We are committed to ensuring the utmost confidence and satisfaction in our customers.

Since 2002, “Milan Station” has maintained its status as an accredited establishment under the Quality Tourism Services Scheme and has appeared in the Scheme’s dedicated shopping directory on the Hong Kong Tourism Board’s website. To qualify, accredited establishments are subject to annual assessments conducted by the professional consultants of Hong Kong Productivity Council to ensure that they meet high standards of product quality and service. We also strictly comply with the Product Quality Law of the PRC (中國產品質量法), the PRC Law on Protection of the Rights and Interests of Consumers (中國消費者權益保護法) and other relevant laws and regulations for our operations in the PRC.

Our handbags and fashion accessories are sold with a product quality warranty to our customers to ensure they have confidence in our products, which are often secondhand items. Our spa and wellness products are also sold with an exchange policy in the case of any defective products. Our Group strongly believes that this practice preserves our brand image as a retailer of quality products our customers can trust.

The Group did not receive any customers’ complaints during the year ended 31 December 2017 (2016: 0) and recorded an immaterial number of sales returns (HKD45,644, or 0.014% of the total sales) which were dealt with to the satisfaction of our customers.

Intellectual property rights

The Group recognizes intellectual property rights and although we act as a retailer and do not own the intellectual property rights of the products we sell, the Group is a member of the “No Fakes Pledge” scheme launched by the Hong Kong Intellectual Property Department. Under the scheme, the Group is required to sell only genuine goods and pledge not to sell or deal in counterfeit products.

For its handbags, fashion accessories and embellishments products, the Group uses the procedures stated in “Supply Chain Management” above to prevent the Group from purchasing counterfeit products from its suppliers. The Group did not receive any intellectual property rights complaints during the year ended 31 December 2017.

Consumer data protection

The Group’s business operation has generated large volumes of private and confidential information on buyers and suppliers. We both morally and legally treat these types of information and data seriously and safely and have committed to abiding by the requirements of the Personal Data (Privacy) Ordinance of Hong Kong and other relevant laws, regulations and requirements. The data of our customers and suppliers are kept under a secure system by our senior management, and employees have been warned not to access or use this information without approval. We did not experience any private information leakage during the year ended 31 December 2017.

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3.3.3 Anti-corruption

The Group strictly prohibits all bribery and corruption and all staff are required to comply with relevant laws and regulations in their place of employment which are laid out in our Employee Handbook. Directors and employees are required to comply with the Group's policy on the acceptance of benefits, in any case are required to discharge their duties with integrity and comply with relevant laws and regulations. In 2017, the Group reported no bribery nor corruption cases.

3.3.4 Community Investment

Our Group is committed to improving our communities and the lives of stakeholders in our communities. The Group encourages its staff to participate in voluntary and charitable events to service the community and society, and staff may apply for paid leave for volunteer work. In 2017, we donated approximately HKD3,860 and HKD110,660 of value of products or coupons to a number of community centers, and the Group will make more provisions for donations to charity in the future.



2017

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www.milanstation.com.hk