

Environmental, Social and Governance Report 2018



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

INTRODUCTION AND SCOPE OF ESG REPORT

This Environmental, Social and Governance (“ESG”) Report provides a detailed account of the sustainability performance, policies and strategies of Milan Station Holdings Limited (the “Company” or “Milan Station”) and its subsidiaries (collectively, the “Group”, “we”, “us” or “our”) for the year ended 31 December 2018 (the “Reporting Period”).

This report was prepared with reference to and in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited. An index is included at the end of this Report to demonstrate compliance with the ESG Guide.

This ESG Report provides an overview of our sustainability vision and related performance and initiatives in our operations, responding to our stakeholders’ interests in the environmental, social and corporate governance aspects of the Group. This ESG report covers the Group’s principal business of the retail of handbags, fashion accessories, embellishments and spa and wellness products in Hong Kong and other locations in Asia, and aims at providing a detailed account of the Group’s effort, policy standing and contribution towards the Group’s sustainability performance for the year ended 31 December 2018.

Key performance indicators (“KPIs”) on environmental and social issues and aspects were established to allow the management to regularly monitor and review their development and results in line with our corporate strategy and policies. The Group is committed to maintaining standards of corporate social responsibility and strictly complies with relevant laws and regulations.

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.

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 chief executive officer, who has the overall responsibility to manage the Board’s approved strategies and policies.

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.

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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 ended 31 December 2018, our Group indirectly via the use of electricity, generated 17.56 tonnes of greenhouse gases namely CO₂ emissions, with an intensity of 0.07 tonnes CO₂ emissions per million revenues in Hong Kong Dollar.

In the year ended 31 December 2018, 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.

USE OF RESOURCES

Energy and water consumption

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. For the year ended 31 December 2018, the Group consumed an aggregate of 255,520 kWh of electricity of which 235,767 kWh was for the Milan Station operations and 19,753 was for the Thann operations. This was 57,525 kWh or 18.4% less in aggregate than in 2017 (2017: 313,045 kWh). 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.

Resources	Consumption Quantity	Intensity Consumption/ Million revenues in HKD)
Electricity	255,520 kWh	966.78

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Packaging materials used

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.

In 2018, we used an aggregate of 79 boxes of packing materials which is 10 boxes less than 2017 (2017: 89 boxes). This showed again our preliminary success on our measures on reducing packaging paper and plastic bags uses.

The Group has established the KPIs of **"Electricity"** and **"Packaging Materials"** consumptions for future monitoring.

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.

SOCIAL EMPLOYMENT AND LABOUR PRACTICES

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.

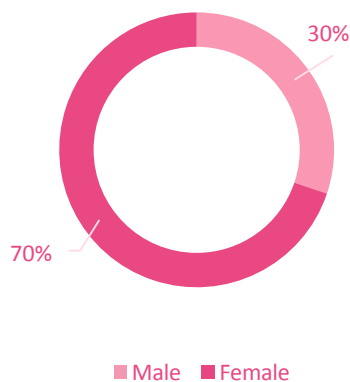
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It is a requirement of our Employee Handbook that all management and employees actively ensure that the Group's working environment is not subject to any form of discrimination and harassment. The Group's Employment Handbook refers to the Sex Discrimination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

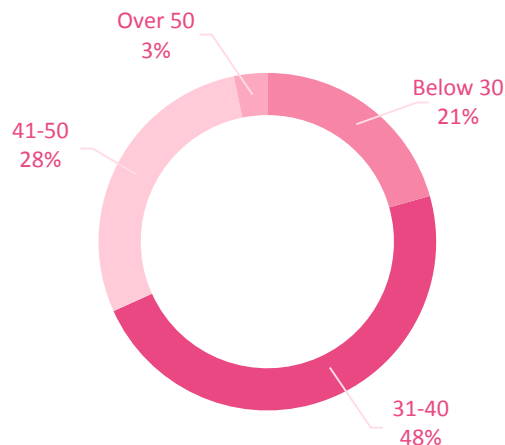
An "Employment Data" KPI with breakdown on total number of employees, gender ratio and age distribution has been set up to review the Group's employment status regularly. In 2018, we employed a total of 63 staff (2017: 74) in Hong Kong, of which 19 are male (2017: 20) and 44 are female (2017: 54). The 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.

The following is a snapshot of the total number of staff by gender, age group, employee category and operation.

Number of employee by Gender



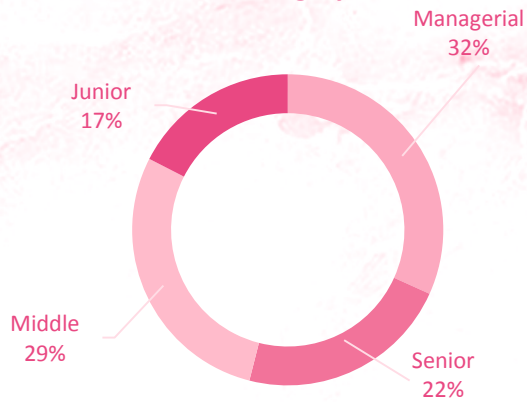
Number of employee by Age



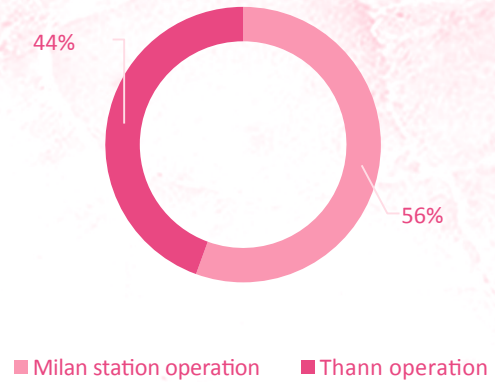
Finally, the Group has been providing more employees' welfare and benefits in a bid to retain an optimal workforce. The following charts below show the turnover of the staffs by gender and age.

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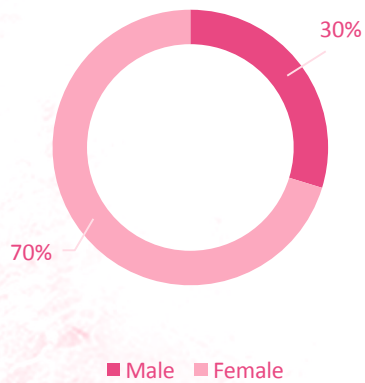
Number of employee by Employee Category



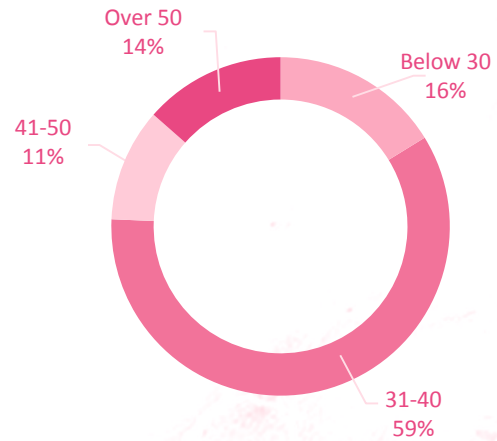
Number of employee by Operation



Turnover of employee by Gender



Turnover of employee by Age



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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.

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 2018, again no incidences occurred or were reported.

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.

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 2018 we provided education training to a total of 27 staff members from operational and retailing divisions.

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. During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant laws.

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OPERATING PRACTICES AND SOCIAL INVESTMENT

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.

For the year ended 31 December 2018, over 98% 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.

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 and sales returns during the year ended 31 December 2018.

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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 2018.

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. The Group did not experience any private information leakage during the year ended 31 December 2018.

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. During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant laws.

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. For the year ended 31 December 2018, we donated approximately HKD1,585 of value of products to a number of community centers as well as provided luxury good examination services for a charity function. The Group will make more provisions for donations to charity in the future.



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