

# Sincere Watch (Hong Kong) Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code 股份代號 : 00444

Environmental, Social and  
Governance Report  
環境、社會及管治報告

# 2019





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1 About this Report

Sincere Watch (Hong Kong) Limited (the "Group") recognises the importance of its impact on the society and environment, as well as its relationships with key stakeholders for long-term growth. The Group is committed to conducting responsible business activities, and continues to engage with its employees, customers, suppliers, shareholders and other stakeholders through different channels to develop mutually beneficial relationships and promote sustainability. This Environmental, Social and Governance ("ESG") Report is the Group's third sustainability update on the management and progress on relevant important sustainability issues.

### 1.1 Reporting Reference

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 of the Listing Rules issued by the Hong Kong Exchanges and Clearing Limited ("HKEX"). It follows the reporting requirements of the "comply or explain" provisions of the ESG Guide.

A content index of ESG Guide that maps the relevant information contained in this Report is included at the end of this Report.

### 1.2 Scope of this Report

This Report focuses on the Group's watch distribution business in Hong Kong and Macau, which generates 81% of its revenue for the year ended 31 March 2019.

The environmental key performance indicators ("KPIs") disclosed in this Report cover all of the Group's office, warehouses and boutiques which are located in Hong Kong and Macau. This covers 7 out of 12 boutiques in total. The remaining 50 retail points of sales in the Group's distribution network are run by independent watch dealers throughout the markets in Hong Kong, Macau, Taiwan and Mainland China. The Group reviews the materiality of sustainability issues at other locations of operation and considers extending the scope of data coverage in the future as appropriate.

## 2 Products and Services

As a luxury watch and accessories distributor, providing quality and reliable products and services is the Group's prime responsibility to its customers and is central to enhancing trust in the brands it represents. The Group views product and service quality as fundamental to its business activities and is committed to continuous improvement. The Group puts its values into practice through applying strict product quality control, providing professional customer support services, ensuring its customers' privacy is protected and adopting fair marketing communication practices.

### 2.1 Product Responsibility

#### ***Strict product and service quality management***

The Group strives to offer high quality products and services. The Group sources timepieces, watches and accessories directly from suppliers that apply high quality control and assurance standards as well as strictly comply with local standards and laws.

The Group's Hong Kong-based testing function performs product quality checking, which meets FRANCK MULLER standards. The Group maintains records of all quality control measures implemented to keep track of testing activities; this ensures all imported products are checked and tested thoroughly by its in-house technicians, and only those products that meet its quality standards will be approved for sale to end customers.

As the Group regularly launches new products, it provides training to its staff members to keep them up to date with its latest designs to ensure its in-house technicians are capable of carrying out consistent and proper maintenance and repair work. The Group also makes sure its sales teams are well-equipped to answer customers' enquiries on aspects such as repair operations and response time.

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## ***Customer relationship management***

The Group understands that customers not only expect quality products but also professional and personalised services. In order to offer comprehensive customer services, the Group has a dedicated team responsible for after-sales services that provides special repair and maintenance services, technical support, and prompt responses to other inquiries. Furthermore, the Group offers two years of warranty on watches' movement to demonstrate its commitment towards providing quality products and services.

To continuously improve its products and services, the Group reaches out to customers to seek feedback on areas such as their shopping experience and the query-handling process. In addition, customers are encouraged to voice their concerns through a variety of channels including the Group's retail outlets, service centres, dealers and the official FRANCK MULLER website. All complaints will be directed to the Customer Service Department, which will follow up with appropriate actions.

The Group did not receive any significant complaints during the reporting period. Clients mostly enquired about maintenance matters, which were appropriately handled and documented by the Group as per internal procedures.

## ***Protecting data privacy***

The Group is committed to safeguarding personal data privacy. It has formulated procedures for the collection, protection and use of customers' personal data as per local laws and regulation. In order to prevent any information leakage, the Group allows only authorised parties including the Customer Service Department to use, access, store and modify customers' personal information.

The Group ensures that the existing system and practices for handling customers' personal information are continuously evaluated and improved to comply with regulatory developments regarding data protection.

## ***Marketing and communication***

The Group has taken appropriate measures to ensure accurate information is provided in product marketing and communication materials. Its internal policies ensure compliance with the Trade Description Ordinance in Hong Kong, Advertisement Laws in China and Commercial Code in Macau. For instance, the Group verifies the product information provided by suppliers to check for consistency between actual product specifications and what is shown on the advertising brochures.

During the reporting period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to product responsibility.

## **2.2 Supply Chain Management**

The Group sources timepieces, watches and accessories from reputable manufacturers that are compliant with local laws and regulations regarding the environmental and social aspects. The Group also requires all the watches sourced to comply with high manufacturing standards and stringent testing procedures.

The Group's largest supplier is a Europe-based leading international watch brand. The Group has been able to maintain a trusting business relationship with the supplier for more than 10 years. While fostering and strengthening such business relationships, the Group actively engages with its suppliers and asserts its brand commitment to quality and craftsmanship. These enable the Group to offer best-quality watches and accessories to customers.



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## 3 Employment and Labour Practices

The Group attributes its success to its developed, skilled and hardworking employees. The Group strives to attract and retain the best talents, as well as ensures a safe working environment for its employees. The Group implements a transparent and fair recruitment scheme that respects human rights and dignity of all people. In addition, all of its employees are provided comprehensive benefit packages along with learning and professional development opportunities.

### 3.1 Recruitment and Welfare

The Group regards human resources as its valuable assets. It adheres to the principle of fairness and ensures the provision of equal employment opportunities irrespective of age, gender, marital status, religion, disability, race or nationality.

The Group has in place clear policies related to employee compensation and dismissal, recruitment and discretionary bonus scheme, leave and benefits and welfare. In addition, the Group communicates any updates and amendments to employees via email or in company meetings.

The Group believes that the recruitment and retention of talents is a crucial factor for sustainable growth of the business. For this purpose, the Group offers comprehensive remuneration to retain and motivate staff; the salaries are reviewed annually to ensure they remain competitive in the market and reflect each employee's performance and contribution. Employees are also provided discretionary bonus and medical benefits, and are covered under the mandatory provident fund scheme.

Financial rewards may not be the sole consideration for employees to stay at a company. The Group understands that talents are highly motivated by a sense of responsibility and achievement, as well as seek personal growth opportunities. Therefore, the Group encourages managers to foster close relationship with staff to understand their views on their current role and the scope of work, in order to better capture and address their concerns. The Group endeavours to match employees' expectations by, for example, providing them with more responsibilities, modifying the scope of work and providing the opportunity for internal rotations, based on their individual performances and suitability.

The Group adheres to the labour legislation in Hong Kong including the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance. The Group was not aware of any breach of applicable employment laws and regulations during the reporting period.

### 3.2 Healthy and Safe Working Environment

Providing a healthy and safe working environment to employees is fundamental for the Group. There are no material occupational hazards associated with the Group's retail and distribution business; nonetheless, the Group makes sure it complies with all applicable occupational health and safety laws and regulations, as well as maintains a sound and safe working environment to prevent injury and illness. In the office, first aid kits and fire extinguishing equipment are located at prominent locations and are properly maintained. Evacuation and escape exercises are regularly conducted with staff participation at least once a year.

In the year, the Group initiated a health scheme at the office to assist with employee wellness. It includes providing employees with healthy food such as fruit, nuts, juice and yogurt free of charge twice per week. The initiative was appreciated and helped to promote health through healthier food choices and performance through greater enthusiasm for work.

During the reporting period there were no significant health and safety incidents and non-compliance with relevant laws and regulations relating to employee health and safety.

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## 3.3 Development and Training

The Group considers its employees one of its most valuable assets, and prioritises their development. It takes steps to enhance employees' skill set through continual training for effective discharge of duties at work as well as for their personal development.

The Group regularly arranges visits wherein suppliers' watch makers and technicians come and share experiences and new techniques regarding watch repairing with the Group's local technicians as well as update them about latest industry trends. The Group also sponsors senior in-house technicians for external technical training, who would in turn share their experience and knowledge with juniors. During the reporting period, the Group's Junior Technicians participated in a 30-hour mechanical watch training held by IVDC (Integrated Vocational Development Centre) to build up their expertise in the field.

At the Group's retail outlets, boutique managers organise soft skills and product update training periodically for sales staff. Furthermore, steps are taken to provide employees with practical learning experience relevant to their duties, as well as assist them in developing the skills required for their long-term career development.

The Group strives to create an open working environment that fosters direct communication between management and staff. Performance review meetings are organised at least once a year to enable employees to keep track of their performance at work. Employees are encouraged to discuss potential areas of improvement with their mentor where they could seek advice on subjects such as technical issues, personal and professional growth.

The Group strives to provide its employees with opportunities to advance their career. They are encouraged to raise training requests to the Group's Human Resources Department. Each of these requests will be reviewed by the Group and acted upon in a timely manner.

## 3.4 Labour Standards

The Group prohibits child or forced labour and strictly adheres to the regulatory requirements in the Employment of Children Regulation within the Employment Ordinance. To prohibit child labour, the Group has set up procedures including verification of the candidates' age with their identification documents during the recruitment process.

The Group strives to maintain work-life balance for employees and ensure their welfare. The Group follows a "five-day-work and two-day-off pattern" and 8 hours per working day. In addition, overtime work is not compulsory, and the Group has in place clear policies to compensate staff for their extra work and contributions.

## 3.5 Anti-Corruption

The Group strives to achieve the highest possible standards of openness, probity and accountability. All employees are expected to comply with the behaviour guidelines stated in the employment agreement.

Employees are prohibited from engaging in activities that may harm the Group's interest. In the event of termination of employment, employees are required to return all confidential records, documents, accounts, computer discs, letters and papers to the Group.

All employees are expected to be familiar with the Group's whistleblowing policy; this policy will be introduced to new employees during the orientation program. In addition, employees shall not demonstrate any inappropriate behaviour that may compromise the interest of the stakeholders, investors, customers and the general public. The Group encourages employees to report any concerns related to bribery and corruption. It has also set up procedures to ensure all claims are investigated impartially and employees' confidentiality are properly protected. Employees can make relevant disclosures in person or in writing directly to the Group's Directors.

During the reporting period, the Group is not aware of any non-compliance with relevant laws and regulations relating to corruption that has a significant impact on the Group.

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## 4 Environment

The Group believes that environment protection is integral for achieving sustainable growth, and is the foundation for corporate presence and development. To reduce its environmental impact, the Group has implemented procedures and measures related to waste management and resources conservation in its day-to-day operations. The Group aims to promote and drive harmonious development of the society and environment.

The Group is primarily engaged in the distribution of luxury watches, which are not manufactured by it but are sourced from external suppliers instead. In this respect, the Group does not have a significant direct impact on the environment and natural resources. However, with growing demand for environmental protection, the Group considers and monitors related regulatory changes that may impact its operations. It also periodically reviews its environmental practices and takes measures where applicable to continue to improve its environmental performance.

During the reporting period, the Group was not aware of any major non-compliance with relevant environmental laws and regulations.

### 4.1 Emissions and Waste

The main business of the Group does not result in any significant air emissions, waste water discharge and hazardous waste disposals. Most of the waste produced at the head office and retail outlets, over which the Group has direct control, are general waste comprising used paper (e.g. office papers, posters and marketing brochures).

A third-party cleaning contractor collects and handles the recycling and disposal of general wastes produced by the Group. In order to minimise the generation of waste, the Group has adopted the following measures:

- Participating in a “zero landfill” programme organised by suppliers, as per which all the used multifunction devices and consumables were returned to the suppliers for recycling;
- Encouraging duplex printing and reusing scrap paper; and
- Communicating internal memorandum and reports by digital means.

### 4.2 Use of Resources

The Group mainly uses three types of resources — electricity, water and paper — for its daily operations.

The Group strives to make efficient use of resources. At the head office and retail outlets, various measures have been implemented to increase the saving of energy, water, paper and other office supplies as well as to bring about a behavioural change among its employees through awareness.

#### ***Use of electricity***

The Group understands that electricity is its main consumption of resource and has implemented the following measures for energy conservation:

- Encouraging employees to turn off lighting when leaving a room for more than an hour and switching off computers after working hours;
- Reminding employees to switch relevant office equipment and electronic appliances to energy-saving mode, e.g. enabling the printers and computers to automatically power down after a period of inactivity;
- Giving preference to appliances that meet the Grade 1 standard of the Electrical and Mechanical Services Department’s energy efficiency label whenever replacing office equipment or procuring renovation materials; and
- Dimming or completely switching off advertising signs or lights for external display purposes after office hours.



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In the year, the Group's Hong Kong office supported the "Energy Saving Charter 2018" launched by the Hong Kong EMSD (Electrical and Mechanical Services Department) through maintaining an average indoor temperature between 24-26°C during summer months of June to September.

## **Use of paper**

The Group strives to go paperless. To further reduce damage to the environment as well as free up office space, it is not only gradually eliminating the use of paper in its working environment but is also relying more on the developed IT network and internet system. The Group encourages employees to adopt double-sided printing and reuse paper. Such measures enable the Group to not only save natural resources but also reduce costs.

## **Use of water**

The Group primarily uses water in the form of drinking water for staff in office and retail outlets, as well as in wash rooms for sanitary purposes. Employees are encouraged to adopt green practices. The Group has put in place posters and stickers in highly visible locations to remind employees of the scarcity of water resources, and that it is their responsibility to conserve natural resources as much as possible.

The Group works closely with property management representatives and appoints technicians for regularly inspecting water taps to ensure there is no leakage.

## **Environmental data**

The two primary natural resources used in the Group's business are electricity and water. The consumption data related to the operations in Hong Kong and Macau directly run and controlled by the Group for the years ended 31 March 2019 ("FY2019") and 31 March 2018 ("FY2018") are presented below.

Location	Use of Electricity (in kWh)		Change ratio
	FY2019	FY2018	
Hong Kong <sup>1</sup>	343,748	356,760	-4%
Macau <sup>2</sup>	99,771	102,995	-3%

For water consumption, as most of the Group's premises are located at shopping mall or commercial office building, in which separate water meter for tenant is not available, a representative total amount consumed by the Group is not available. The Group's water consumption is not significant due to its business nature and the total for a Hong Kong outlet amounted to around 30 cubic metres only in the year (FY2018: 21 cubic metres).

### 4.3 The Environment and Natural Resources

The Group's business operations do not involve any other significant pollution or destruction of the environment and natural resources. In the above sections, all relevant principles and policies related to the management of emissions and use of resources have already been disclosed.

<sup>1</sup> Include 4 retail outlets, 1 office and 1 warehouse

<sup>2</sup> Include 3 retail outlets



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## 5 Community

The Group believes that active participation in community activities will demonstrate its commitment towards achieving harmonious development of the society as well as showcase its practice of corporate citizenship.

The Group encourages its staff to support the local communities and continuously explore new volunteering opportunities. It also shares updates on charity events with employees through emails.

### HKEX ESG Content Index

Aspects		Section		Remarks
<b>A</b>	<b>Environmental</b>			
<b>A1</b>	<b>Emissions</b>	4	Environment	–
	Information on:			
	(a) the policies; and			
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer			
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.			
A1.1	The types of emissions and respective emission data.	4.1	Emissions and Waste	–
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–		Greenhouse gas emission is not significant for the nature of the Group's watch distribution business and data are therefore not disclosed.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–		Hazardous waste is not significant for the nature of the Group's watch distribution business and data are therefore not disclosed.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–		The Group is reviewing the system for the collection of relevant data and will disclose in the future should the issue be found material.
A1.5	Description of measures to mitigate emissions and result achieved.	4.1	Emissions and Waste	–
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.1	Emissions and Waste	–

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Aspects	Section	Remarks
<b>A2 Use of resources</b> Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Use of Resources	–
A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.2 Use of Resources	The total amount of electricity used is disclosed.  The Group has not determined a suitable measure of energy intensity and is therefore not disclosed.
A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2 Use of Resources	This indicator is not disclosed and explanation is provided in 4.2 Use of Resources.
A2.3 Description of energy use efficiency initiatives and result achieved.	4.2 Use of Resources	–
A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2 Use of Resources	–
A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	The Group is reviewing the system required for collecting the relevant data and will disclose in the future should the issue be found material.
<b>A3 The environment and natural resources</b> Policies on minimising the issuer's significant impact on the environment and natural resources.	4.3 The Environment and Natural Resources	–
A3.1 Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	–	The significant environmental issues faced in the Group's watch distribution business regarding emissions and the use of resources are already disclosed in sections 4.1 and 4.2.
<b>B Social</b>		
<b>B1 Employment</b> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to compensation and dismissal, recruitment and promotion, working hours and rest periods, equal opportunity and anti-discrimination, diversity, and other benefits and welfare.	3.1 Recruitment and Welfare	–



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Aspects	Section	Remarks
<b>B2 Health and safety</b> Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations.	3.2 Health and Safety Working Environment	–
<b>B3 Development and training</b> Policies on improving employees' knowledge and skills for discharging duties at work; description of training activities	3.3 Development and Training	–
<b>B4 Labour standards</b> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	3.4 Labour Standards	–
<b>B5 Supply chain management</b> Policies on managing environmental and social risks of the supply chain.	2.2 Supply chain management	–
<b>B6 Product responsibility</b> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.1 Product Responsibility	–
<b>B7 Anti-corruption</b> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.5 Anti-Corruption	–
<b>B8 Community investment</b> Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5 Community	–



