



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2019

Introduction

Wing On Company International Limited (the “Company”) and its subsidiaries (the “Group”) recognize the importance of sound environmental, social and governance (“ESG”) practices as vital to long-term and sustainable business growth. Being a responsible corporate citizen, the Group endeavors to contribute to the environment and the community in which the Group operates.

The Group is pleased to present our Environmental, Social and Governance Report (the “Report”) to update our ESG initiatives and accomplishments from 1 January 2019 to 31 December 2019 (the “Year”).

This Report covers the Group’s core operations in department stores and property investments in Hong Kong which have substantial impact on our environmental and social performance. The portfolio comprises our department store branches, corporate office, godown office, investment properties and property management office in Hong Kong and the department stores buying office in Guangzhou. There is no significant change in scope of this Report from that of our 2018 Environmental, Social and Governance Report published on 29 April 2019.

This Report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Throughout the Year, the Group complied with the disclosure requirements of the Guide. The index of the Guide is available at the end of this Report for the reader’s reference. For details of our corporate governance practices, please refer to the Corporate Governance Report in the Group’s 2019 Annual Report.

The Board of Directors (the “Board”) has the overall responsibility for our ESG strategy and reporting. The Board is also responsible for evaluating and determining ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Management has confirmed to the Board that such systems are effective.

The Group has established an ESG Committee (the “ESG Committee”) to set the Group’s policy and strategy on sustainability. The ESG Committee is chaired by the Group’s Chief Accountant, who is also the Group’s Company Secretary, and comprises members of senior management of key departments within the Group. The ESG Committee reports sustainability matters to the Board where necessary through the Chairman of the ESG Committee to assist the Board in overseeing sustainability issues.

The ESG Committee has prioritized a number of areas, namely reducing harmful greenhouse gas emissions, minimizing unnecessary disposal of waste in its ordinary course of business, and providing a safe and supportive environment for its employees, as material to the Group's ESG strategy. The ESG Committee meets at least 3 times a year to formulate, approve and supervise the implementation of ESG measures to address environmental and social matters. Moreover, during the Year, key performance indicators were identified, tracked and closely monitored for the purpose of ensuring continuous improvement. Work progress and results of key performance indicators were regularly updated and communicated to the Group's employees to build a shared understanding of the Group's strategic direction and progression.

Environment

The Group identified emissions of greenhouse gas and generation of non-hazardous waste from its operations as material ESG issues relating to the Group, which had an adverse impact on the environment. The biggest contributors to the Group's greenhouse gas emissions came from energy consumption (through the use of electricity and fuel) and disposal and treatment of paper waste (through breakdown of organic matter in landfills), which accounted for 99.4% of the Group's greenhouse gas emissions. Other contributors include water usage and air travel for business purposes. The non-hazardous waste of the Group was mainly generated from disposal and treatment of paper waste and disposal of electrical appliances and accessories.

Due to the business nature of the Group, no hazardous waste was produced during the Year. The Group is not engaged in water intensive industries and therefore water consumption is not considerable. The discharges into water and land is not material to the Group's operations as the Group's business is mainly operations of department stores and property investments in Hong Kong. The air emissions of nitrogen oxides, sulphur oxides and particulate matter mainly came from emissions from the Group's vehicles.

The Group has established various policies covering its commitments, initiatives and targets to reduce emissions, enhance efficiency of resources, waste management and environmental compliance.

The Group has complied with all relevant laws and regulations relating to air and greenhouse gas emissions and non-hazardous waste during the Year.

To minimize the negative environmental impact associated with the Group's business operations, the ESG Committee continued to implement various policies and undertake a number of measures to reduce emission of greenhouse gas and generation of non-hazardous waste during the Year. More effort had been devoted to reducing energy consumption and paper waste disposal, as they were the major contributors of greenhouse gas and non-hazardous waste.

The policies implemented or the measures undertaken during the Year are listed below. Certain policies or measures commenced in prior years and they were continued to be adopted for the benefit of the Group during the Year.

Electricity

- Progressively replaced the aged cargo lifts located at Sheung Wan Main Store and godown office.
- Progressively replaced aged air handling units installed in Sheung Wan Main Store.
- Progressively converted fluorescent tubes to LED lights at godown office.
- Installed LED lights in renovated areas in Nathan Road Store.
- Installed energy saving lighting fixtures at property management office.
- Implemented 5-day work week in the department stores office and property management office.
- Installed centralized multi-functional printers and photocopiers, instead of multiple standalone printing equipment to handle all printing and scanning requests.
- Signed up for the “Charter on External Lighting” launched by the Environment Bureau to switch off external lighting from 11pm or midnight to 7am to reduce light pollution and electricity consumption.

Fuel

- Scrapped 2 home delivery trucks to improve truck utilization.
- Regularly review the usage of staff shuttle bus service to improve utilization.
- Encouraged employees to travel by high-speed rail instead of private vehicles when undertaking business travel in Mainland.
- Installed GPS tracking system on trucks to monitor driving behavior and manage fuel consumption.
- Upgraded to Euro IV or V standard truck fleet to reduce exhaust emissions.
- Installed 2 charging stations for electric vehicles in the car park of Wing On Centre to promote low carbon transportation.

Paper

- Preset targets to reduce paper consumption. Individual operating units which failed to achieve the preset target had to provide explanations.
- Increased the use of electronic marketing channels, such as “Wing On Rewards Mobile App”, eDM, SMS, QR code, company website, social media platforms and in-store digital advertising displays to disseminate promotion news and reduce promotion materials printing.
- Implemented new enterprise resource planning system in department stores operations. It allowed users to send electronic purchase orders to suppliers via email, use data to create the desired reports, reduce and consolidate the types of pre-defined regular reports. The amount of physical paper work was reduced.

Non-hazardous waste management

- Increased the volume of shredded paper handed for recycling.
- Handed over 113 pieces of computers and equipment to qualified recyclers and charity groups.
- Returned 54 pieces of empty toner cartridges to suppliers and green groups for recycling.
- Reused carton boxes for customer delivery orders and internal merchandise transfers.

Green activities

- Participated in the “Lai See Reuse and Recycle Program” organized by Greeners Action to collect used red packets in good condition. They were handed over to sheltered workshops to be sorted and distributed to the public for reusing in the next Chinese New Year.
- Organized tour to visit World Wildlife Fund Hong Kong’s Hoi Ha Wan Marine Park, a marine protected area inhabited by various coral and fish species. Staff could appreciate valuable marine resources and learn about marine conservation responsibility.
- Supported St. James’ Settlement with its mooncake collection. The donated mooncakes were transferred to the needy to reduce mid-autumn festival’s food waste.
- Organized a green Christmas party in which staff used their own reusable cutlery and plates made of recycled paper. All prizes of lucky draw were not wrapped as well.

During the Year, electricity consumption, fuel consumption and paper waste disposal of the Group reduced by 642 Mwh (or 3.3%), 3,541 litres (or 8.4%) and 8.1 tonnes (or 71.7%) respectively. The above measures undertaken during the Year contributed to the reduction. The decrease of paper waste disposal was also caused by the termination of “Wing On Charge Card” service during the Year, which eliminated the printing of charge card billing statements, card member documents and correspondences.

The Group is not engaged in water intensive industries and therefore water consumption is not considerable. Although the Group uses immaterial amount of water, we actively monitor our water consumption. During the Year, water consumption of the Group substantially decreased by 8,428 m³ (or 26.8%). This was due to failure of the chiller system installed in the Wing On Kowloon Centre in 2018 which required running water to enhance cooling capacity temporarily. Replacement of the chiller system was completed in July 2018. Therefore, water consumption went back to the normal level in 2019.

Air travel also accounts for a part of our carbon footprint. During the Year, the increase in the number of business trip led to a slight increase in air travel by 31,265 km (or 5.6%). The business trips were generally required for merchandise sourcing, market research and forum/seminar attending. We have established policy to set guidelines and procedures for making business travel applications. All requests are reviewed and authorized by management to ensure such business travels are essential. To minimize the number of merchandise sourcing trips, alternative sourcing channels such as online sourcing will be explored.

Due to the reduction of electricity consumption, fuel consumption, paper waste disposal and water consumption, the total greenhouse gas emissions decreased by 2.7% during the Year. With a greater percentage decrease in revenue during the Year, the greenhouse gas emissions intensity of the Group (being a measure of the amount of greenhouse gas emissions per HK\$1 million of revenue generated) increased by 3.6% during the Year.

The air emissions of nitrogen oxides, sulphur oxides and particulate matter reduced by 32,266 g (or 7.4%), 56 g (or 8.4%) and 1,951 g (or 6.5%) respectively. These pollutants were generated by our vehicles. The decrease in vehicle travel and fuel consumption lowered the emissions.

The following tables summarize the Group's environmental performance ^(Note 1):

Greenhouse gas emissions ^(Notes 2 & 3) (with resources consumption and non-hazardous waste disposal figures):

| | 2019 | 2018 | Year-on-year variance (in %) |
|--|---------------|---------------|------------------------------------|
| Scope 1 - Direct emissions and removals | | | |
| Fuel consumed ^(Note 4) | | | |
| (in litres) | 38,384 | 41,925 | -8.4% |
| (in tCO ₂ e) | 98 | 108 | -9.3% |
| Intensity per HK\$1m revenue ^(Note 5) | | | |
| (in litres) | 28.4 | 29.2 | -2.7% |
| (in tCO ₂ e) | 0.073 | 0.075 | -2.7% |
| Scope 2 - Energy indirect emissions | | | |
| Electricity consumed ^(Note 6) | | | |
| (in Mwh) | 18,958 | 19,600 | -3.3% |
| (in tCO ₂ e) | 12,241 | 12,533 | -2.3% |
| Intensity per HK\$1m revenue ^(Note 5) | | | |
| (in Mwh) | 14.04 | 13.63 | +3.0% |
| (in tCO ₂ e) | 9.07 | 8.72 | +4.0% |
| Scope 3 - Other indirect emissions | | | |
| 1. Paper consumed ^(Note 7) | | | |
| (in tonnes) | 10.3 | 12.4 | -16.9% |
| (in tCO ₂ e) | 50 | 60 | -16.7% |
| 2. Greenhouse gas avoided by recycling waste paper ^(Note 7) | | | |
| (in tonnes) | 29.7 | 23.7 | +25.3% |
| (in tCO ₂ e) | 143 | 114 | +25.4% |
| Paper waste disposal ^{(1) minus (2)} | | | |
| (in tonnes) | -19.4 | -11.3 | -71.7% |
| (in tCO ₂ e) | -93 | -54 | -72.2% |
| Intensity per HK\$1m revenue ^(Note 5) | | | |
| (in tonnes) | -0.014 | -0.008 | -75% |
| (in tCO ₂ e) | -0.069 | -0.038 | -82% |
| Water usage ^(Notes 8 & 9) | | | |
| (in m ³) | 23,025 | 31,453 | -26.8% |
| (in tCO ₂ e) | 14 | 19 | -26.3% |
| Intensity per HK\$1m revenue ^(Note 5) | | | |
| (in m ³) | 17.06 | 21.87 | -22.0% |
| (in tCO ₂ e) | 0.01037 | 0.01321 | -21.5% |
| Air travel by staff ^(Note 10) | | | |
| (in km) | 587,338 | 556,073 | +5.6% |
| (in tCO ₂ e) | 59 | 56 | +5.4% |
| Intensity per HK\$1m revenue ^(Note 5) | | | |
| (in km) | 435.1 | 386.7 | +12.5% |
| (in tCO ₂ e) | 0.044 | 0.039 | +12.8% |
| Total emissions (direct and indirect) and removals | | | |
| Total greenhouse gas emissions (in tCO₂e) | 12,319 | 12,662 | -2.7% |
| Intensity per HK\$1m revenue (in tCO₂e) | 9.13 | 8.81 | +3.6% |

Notes:

1. All data is provided and verified by respective department heads.
2. Greenhouse gas emissions were generated from the Group's department stores operations and property investment operations in Hong Kong.
3. Greenhouse gas emissions data is presented in tonnes of carbon dioxide equivalent (tCO₂e) and the calculation methodology is based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" issued by Electrical and Mechanical Services Department and Environmental Protection Department.
4. Fuel consumption includes fuel used by delivery trucks and vehicles.
5. The Group's revenue from Hong Kong operations was used as the denominator to calculate greenhouse gas emissions intensity. The Group's revenue from Hong Kong operations for 2018 and 2019 was HK\$1,438 million and HK\$1,350 million respectively.
6. Emissions relating to electricity consumption are based on the latest emission factors provided by the two Hong Kong power companies, i.e. Hongkong Electric Company Limited and CLP Power Hong Kong Limited. For the Group's department stores buying office in Guangzhou, the emission factor is based on the "2017 Emission Factors for purchased electricity within Mainland China" published by Climate Change Info-Net.
7. Emissions relating to paper waste disposal is equal to emissions from paper consumption minus emissions avoided from recycling waste paper. Paper consumption refers to paper used for copying and printing, while the amount of recycle of waste paper refers to those recorded in recycling vendor invoices.
8. Emissions relating to water consumption are based on the latest emission factors provided by Hong Kong Water Supplies Department and Drainage Services Department.
9. The water consumption data mainly covers the common area of property investment operations in Hong Kong.
10. Emissions relating to air travel by staff are based on "International Civil Aviation Organization Carbon Emissions Calculator", provided on the website of International Civil Aviation Organization.

Air emissions ^{(Notes 1, 2 & 3):}

| | 2019 | 2018 | Year-on-year variance (in %) |
|---------------------------|---------|---------|------------------------------------|
| Nitrogen Oxides (in g) | 405,096 | 437,362 | -7.4% |
| Sulphur Oxides (in g) | 608 | 664 | -8.4% |
| Particulate Matter (in g) | 28,030 | 29,981 | -6.5% |

Notes:

1. All data is provided and verified by respective department heads.
2. Air emissions are generated from the Group's delivery trucks and vehicles.
3. Air emissions are calculated in accordance with "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

Department stores operations

Our shopping bags are made of Forest Stewardship Council certified paper, which guarantees the forest materials used to produce the shopping bags come from responsible sources. To reduce the distribution of shopping bags, we always encourage customers to bring their own reusable bags. Where shopping bags are used, bags of appropriate size and appropriate quantity are provided to avoid excessive packaging. During the Year, shopping bag consumption decreased by 9.0% compared with 2018. Since our department stores business was severely hit by the local social unrest incidents during the second half of the Year, the loss in revenue resulted in notable decline in shopping bag consumption. With a greater percentage decrease in revenue during the Year, shopping bag consumption intensity (being a measure of the amount of shopping bags consumed per HK\$1 million of revenue generated) increased by 2.8% compared with 2018.

Shopping bags consumed (Notes 1 & 2):

| | 2019 Pieces (in '000) | 2018 Pieces (in '000) | Year-on-year variance (in %) |
|---------------------------------------|--|--|---|
| Shopping bags consumed | 1,959 | 2,153 | -9.0% |
| Intensity per HK\$1m revenue (Note 3) | 2.23 | 2.17 | +2.8% |

Notes:

1. All data is provided and verified by respective department heads.
2. The amount of shopping bags consumed relate to the Group's department stores operations only.
3. The Group's revenue from department stores operations was used as the denominator to calculate shopping bag consumption intensity. The Group's revenue from department stores operations for 2018 and 2019 was HK\$994 million and HK\$880 million respectively.

Property investment operations

The Group's commercial investment properties located in Melbourne, Australia have been rated according to the National Australian Built Environment Rating System ("NABERS"). NABERS is an Australian national rating system that measures the environmental performance of Australian buildings. NABERS converts performance information, such as utility bills, into easy to understand star rating scales from one to six stars. During the rated period of 1 October 2018 to 30 September 2019, the Group's Melbourne properties achieved a 4-star (good performance without buying green power and without any major upgrades) rating on NABERS 6 star scale in terms of energy and greenhouse gas emissions and environmental impact. A 2.5 to 3 star rating represents average performance and a 6 star rating demonstrates market leading performance.

The total associated greenhouse gas emissions (from direct emissions from fuel consumption, indirect emissions from energy consumption and other indirect emissions) amounted to 4,871 tCO₂e or 0.088 tCO₂e per square meter of net lettable area (Rated period of 1 January 2018 to 31 December 2018: 5,011 tCO₂e or 0.091 tCO₂e per square meter of net lettable area). During the rated period, the leasing office of the properties comprised 6 staff, who were responsible for all leasing, accounting and administrative matters. The services (such as air-conditioning, water treatment, electrical, lifts, recycling, waste, etc.) were outsourced to reputable professional service providers who provide a high standard of services to tenants, and hence, other detailed resources consumption data is not available.

Currently, environmental performance data (including the rating) is compiled prior to the marketing, selling or leasing of the properties (and not on a regular fixed schedule, but will cover most part of the reporting year).

The Group's investment property located in Houston, United States of America, is a non-core property in our investment property portfolio. We have also engaged a reputable professional property management company to provide all services to the building's tenants and therefore no relevant data is available for the purpose of this Report.

Social

Employment and labour practices

Our staff delivers excellent service and high-quality merchandise to our customers that enable the Group to become one of the well-known brands in retailing industry. To continue the success of our business, a stable and capable workforce is crucial. The Group fosters a safe, healthy and family-friendly work environment for employees to reach their full potential.

(a) Employment

To enhance the family-friendly working environment and promote work-life balance for employees' well-being, the Group has optimized its human resources practices, such as providing an extra monthly rest day for all frontline employees, adopting a 5-day work week for back office employees and offering birthday leave for all full time employees. The Group provides competitive remuneration packages with a wide range of benefits to attract and retain talented and qualified employees. As an equal opportunity employer, the Group upholds equal opportunities policies, including diversity and anti-discrimination policies, related to all aspects of employment including recruitment, compensation and benefits, promotions and training. All employment decisions are determined according to individual qualification, experience, capability, merit and competence.

All policies of the Group pertaining to human resources issues, including recruitment, dismissal, remuneration, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare comply fully with local laws and regulations. During the Year, the Group was also fully compliant with such laws and regulations and there were no cases of non-compliance in relation to the Group's employment practices.

To demonstrate the commitment of the Group to create a harassment free working environment for employees, the "Prevention of Sexual Harassment Policy and Procedures" was announced during the Year. The policy clearly defines sexual harassment and complaint handling procedures.

During the Year, the Group extended the employees' retirement age from 60 to 65 in response to the ageing problem of workforce in Hong Kong. This measure can maintain a stable supply of workforce within the Group and sustain the development of business.

The Group cares about the well-being of its employees and is dedicated to promoting a friendly and supportive work culture. Throughout the Year, the “Employee Appreciation Program” was launched which offered an opportunity for the Group to recognize and value the contribution of the employees. The Group’s department stores operations were awarded the “Happy Company” under “The Happiness-at-Work Promotional Scheme” organized by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council during the Year. This award recognizes the Group for its commitment to build a happy workplace culture, thereby cultivating a good human resources management culture in the workplace.

As at 31 December 2019, the Group had a total of 707 employees. They include permanent, temporary and part-time staff employed by the department stores operations and property investment operations. Most of the employees were stationed in Hong Kong.

(b) Health and safety

The Group strives for continuous improvement in providing a safe and healthy work environment for our employees. Occupational safety policies, guidelines and work procedures which comply with the Occupational Safety and Health Ordinance (Cap. 509 of Laws of Hong Kong) and the Occupational Safety and Health Regulation (Cap. 509A of Laws of Hong Kong) have been adopted and promoted. Safety Officers have been appointed to perform regular safety checks and assessments to prevent potential hazards to our employees.

“Occupational Health and Safety Training Program” is organized regularly for frontline staff. The program highlights the importance of occupational safety, reiterates the proper procedures of manual handling operation, and educates the staff about the use of mechanical aids and the proper ways to deal with critical and emergency situations. During the Year, the number of reported work injury cases and the number of lost working days due to work injury dropped significantly compared to 2018. This indicated improvement in occupational safety performance.

To safeguard employees’ health and address their concern over drinking water, indoor air quality and radiation emitted from the radio base stations of nearby buildings, the Group conducted tests and measurement on the above issues. The survey covered the following sampling locations: (1) boiler water of department store branches, corporate office and godown office (2) indoor air quality of godown office (3) radiation level of corporate office and godown office. The test results of boiler water and radiation level fell within safety standard. The results of air test identified several improvement areas, which the Group would take follow up actions proactively.

(c) Development and training

Talent is one of our valuable assets. The Group continuously invests in the training and development of our employees. The Group's policy is to encourage employees to participate in a wide range of training and development activities covering different topics, ranging from generic training such as computer skills to technical training such as the latest global economic, political and technological developments. This helps employees of different levels to perform competently in their current job roles and equip themselves for future career challenges and opportunities.

Different forms of training activities are launched in order to cultivate the culture of excellent customer service within the Group's department stores operations. In view of this, we provided a comprehensive training program for our employees during the Year. A variety of teaching formats, such as formal classroom training sessions, games and online learning videos, together with on-site supervision and coaching were implemented.

Apart from providing training activities aiming at developing employees' competencies, the Group also encourages personal growth and lifelong planning. Talks on retirement planning were organized during the Year, through which participated employees gained valuable suggestions and basic techniques in financial management to better plan for their retirement life.

(d) Labour standards

To respect and protect human rights, child labour and forced labour are strictly prohibited. The Group's policy is to ensure that all business operation units fully comply with legal requirements with respect to employment practices. The Human Resources Division of the Group is responsible for monitoring all job applicants' age and eligibility for employment to guarantee that no under-aged children are employed. All overtime work is on a voluntary basis. Human Resources Division ensures employees are given enough rest days and compensation for any overtime work accordingly. During the Year, there were no cases of non-compliance in relation to the Group's employment practices.

Operating practices

(a) Supply chain management

It is important that our suppliers also uphold the same values as ours in respect of environmental and social areas. The Group has developed a Supplier Code of Conduct for its department stores and property investment operations which outlines our expectations of suppliers in the areas of legal compliance, labour and human rights, health and safety, environmental protection and ethical conduct. We seek to work with suppliers who adhere to responsible and sustainable practices.

The Group surveys all active suppliers of department stores operations periodically by a self-assessment questionnaire. The questionnaire collects information from the suppliers about the status of their policies, control system and regulatory compliance relating to environmental conservation, occupational health and safety, employment practices and business ethics. During the Year, we received survey feedback from 578 suppliers. This represented 41% of all suppliers sent a self-assessment questionnaire. All suppliers who responded indicated that they had complied with the relevant laws and regulations. 61% respondents indicated they had policies and control systems in all environmental and social responsibility areas, while 4% respondents had none. The corresponding proportions in 2018 were 56% and 6% respectively. We observed improvement in overall performance.

We seek to make our procurement process responsible, fair and impartial. For the Group's property investment operations, all approved contractors are vetted to ensure they possess the professional qualifications and meet our requirements. Contractors of major building works are selected via a tendering procedure. For the Group's department stores operations, performance of suppliers is evaluated periodically. Such periodic evaluation takes into account factors like the supplier's business performance, number of customer complaints received and legal compliance in the previous year. The evaluation allows us to review the performance of our suppliers and based on such results to select quality and suitable vendors to optimize our merchandise mix and services.

During the Year, the majority of our merchandise suppliers in the Group's department stores operations were located in Hong Kong and European countries.

(b) Product responsibility

The rights and interests of our customers is always a top priority. To ensure safe and quality merchandise is offered in our department stores, policies and guidelines are adopted for merchandise sourcing. For example, the Group performs background checks on suppliers (including examination of all necessary certificates or licenses of their operations) and carries out label checks on particular merchandise. Upon becoming aware any confirmed or potential issues associated with health, safety or label non-compliance of our merchandise from sources such as suppliers, customers, government departments and/or the media, we withdraw such merchandise from the department stores immediately. We generally accept merchandise returns from customers and we may (where appropriate) work with relevant suppliers to resolve issues. During the Year, there were 2 incidents of merchandise sold which were subject to recalls for merchandise safety concerns.

The Group's department stores operations value the feedback from our customers and provide multiple channels, such as feedback forms, our website, hotline services and social media platforms to collect comments and enquiries. To ensure customer feedback is properly channeled and addressed, all feedback is reviewed by designated departments and all complaints are investigated and promptly followed up to resolve disputes. During the Year, a total of 603 customer compliments and 39 customer complaints were received regarding the department stores' merchandise or services. All of these complaints were settled with the relevant customers amicably. Compared with 2018, the number of compliments increased by 18% and the number of complaints decreased by 52%. The compliments received during the Year were mainly related to good customer service delivered by our staff. The number of complaints decreased significantly because many technical issues of our "Wing On Rewards Mobile App" launched in April 2018 had been fixed. To meet our customer's growing expectations, we will continuously seek improvement to enhance our service quality.

The Group complies with the Personal Data (Privacy) Ordinance (Cap. 486 of Laws of Hong Kong) and Trade Descriptions Ordinance (Cap. 362 of Laws of Hong Kong), and respects and protects intellectual property rights.

The Group has policies and guidelines to regulate access, storage and disposal of personal data, which all relevant employees have to sign to confirm their understanding and compliance. Should there be a need to use customer's personal information for direct marketing, we would obtain prior written consent from our customers.

To ensure our marketing practices are in full compliance with the Trade Descriptions Ordinance, guidelines are developed to assist various departments in understanding the legislation. All advertising materials are reviewed by the designated departments before such materials are released or published.

The Group respects intellectual property rights of third parties. We prohibit the unauthorized use of computer software, music and photo images which may lead to infringement of copyright. We request suppliers to submit certificates and licenses of their merchandise as required under relevant regulations to ensure authentic merchandise is offered in our department stores. The Group protects its own intellectual property rights by undertaking relevant registration for its own created brands in department stores operations.

(c) Anti-corruption

The Group upholds the highest standard of integrity in the workplace. Code of conduct and policies related to anti-corruption and whistle-blowing are established to prevent bribery, extortion, fraud, money laundering and other malpractices in the Group. Each year, all employees are required to disclose their financial association or relationship that may cause conflicts of interest at work. During the Year, we invited the Hong Kong Independent Commission Against Corruption to conduct seminar on “Corruption Prevention for Retail Industry” for employees of department stores operations to raise their ethical awareness and deepen their knowledge on anti-corruption law. The Group also issued a whistle-blowing policy for employees to report misconduct or malpractices through a confidential reporting channel. The whistle-blowing procedures were implemented and monitored by the senior management of the Group. Throughout the Year, the Group complied with the relevant laws and regulations and there was no legal case brought against the Group or its employees concerning corrupt practices.

Community investment

The Group is committed to strengthening the connection with the communities and is actively involved in making contributions to the communities. The Group does not have a specific focus area of contribution in community investment and donations. During the Year, the Group participated in various fund raising events and sponsored community activities and our employees had collectively devoted 36 hours of volunteering services. A total amount of HK\$39,880 was donated to different charitable organizations.

Activities and events the Group and/or its employees participated in or sponsored during the Year included:

- Placement of donation boxes from different charitable organizations (such as the HelpMeSee, World Wildlife Fund, Christian Action, Yan Oi Tong and Orbis) in department stores
- My Future – Life Experience Program
- UNICEF Charity Run
- Coral Community Research Activity at Hoi Ha Wan Marine Studies Centre under World Wildlife Fund
- Charity Walk of Children's Heart Foundation
- Charity Sale of Haven of Hope Christian Service
- Orbis Mid-Autumn Charity Sale
- Lai See Reuse and Recycle Program of Greeners Action

During the Year, the Group received several community focused awards organized by different organizations, including Caring Company launched by The Hong Kong Council of Social Service and the Heart to Heart Company organized by The Hong Kong Federation of Youth Groups.

Laws and Regulations

The Group's business operations strictly complied with all applicable ESG laws and regulations in Hong Kong. The following table lists the relevant ESG laws and regulations which have significant impact on the Group's operations.

| |
|---|
| Environment <ul style="list-style-type: none">• Air Pollution Control Ordinance (Cap. 311)• Waste Disposal Ordinance (Cap. 354)• Building Energy Efficiency Ordinance (Cap. 610)• The Environmental Levy Scheme on Plastic Shopping Bags under the Product Eco-Responsibility Ordinance (Cap. 603)• Promotion of Recycling and Proper Disposal (Electrical Equipment and Electronic Equipment) (Amendment) Ordinance 2016 in relation to the Product Eco-Responsibility Ordinance (Cap. 603) |
| Employment <ul style="list-style-type: none">• Employment Ordinance (Cap. 57)• Discrimination Ordinances on Sex, Disability, Family Status and Race (Cap. 480, 487, 527 and 602)• Occupational Safety and Health Ordinance (Cap. 509)• Occupational Safety and Health Regulation (Cap. 509A)• Employees' Compensation Ordinance (Cap. 282)• Minimum Wage Ordinance (Cap. 608)• Mandatory Provident Fund Schemes Ordinance (Cap. 485) |
| Product Responsibility <ul style="list-style-type: none">• Sale of Goods Ordinance (Cap. 26)• The Supply of Services (Implied Terms) Ordinance (Cap. 457)• Food Safety Ordinance (Cap. 612)• Food and Drugs (Composition and Labelling) Regulations (Cap. 132W)• Consumer Goods Safety Ordinance (Cap. 456)• Toys and Children's Products Safety Ordinance (Cap. 424)• Trade Descriptions Ordinance (Cap. 362)• Competition Ordinance (Cap. 619)• Personal Data (Privacy) Ordinance (Cap. 486)• Copyright Ordinance (Cap. 528)• Trade Marks Ordinance (Cap. 559) |
| Anti-corruption <ul style="list-style-type: none">• Prevention of Bribery Ordinance (Cap. 201) |

The Stock Exchange's ESG Reporting Guide Index

| A. Environmental | | 2019 | 2018 |
|------------------|---|--|--|
| A1 Emissions | General Disclosure 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. | Environment (Pages 3 to 10 and 18) | |
| KPI A1.1 | The types of emissions and respective emission data. | Nitrogen Oxides: 405,096 g Sulphur Oxides: 608 g Particulate Matter: 28,030 g | Nitrogen Oxides: 437,362 g Sulphur Oxides: 664 g Particulate Matter: 29,981 g |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 12,319 tCO ₂ e 9.13 tCO ₂ e/HK\$1m revenue | 12,662 tCO ₂ e 8.81 tCO ₂ e/HK\$1m revenue |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Not applicable. Due to the business nature, the Group does not produce hazardous waste. | |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Paper waste disposal: -19.4 tonnes, -0.014 tonne/HK\$1m revenue Electrical appliances/accessories for recycling: 113 pieces of computers and equipment 54 pieces of empty toner cartridges | Paper waste disposal: -11.3 tonnes, -0.008 tonne/HK\$1m revenue Electrical appliances/accessories for recycling: 119 pieces of computers and equipment 151 pieces of empty toner cartridges 120 boxes (2,400 kgs) of unsold merchandise |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | Environment (Pages 3 to 10) | |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Environment (Pages 3 to 10) | |

| A. Environmental | | 2019 | 2018 |
|--|---|--|--|
| A2 Use of Resources | General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. | Environment (Pages 3 to 10) | |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility). | Fuel: 38,384 litres, 28.4 litres/HK\$1m revenue Electricity: 18,958 Mwh, 14.04 Mwh/HK\$1m revenue | Fuel: 41,925 litres, 29.2 litres/HK\$1m revenue Electricity: 19,600 Mwh, 13.63 Mwh/HK\$1m revenue |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | 23,025 m ³ 17.06 m ³ /HK\$1m revenue | 31,453 m ³ 21.87 m ³ /HK\$1m revenue |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | Environment (Pages 3 to 10) | |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Not applicable. Sourcing water that is fit for purpose and water efficiency initiatives are not considered to be material issues in the Group's operations as the Group is not engaged in water intensive industries and water consumption is not considerable. | |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Shopping bags (in '000 pieces) 1,959 2.23 pieces/HK\$1m revenue (Department stores operations only) | Shopping bags (in '000 pieces) 2,153 2.17 pieces/HK\$1m revenue (Department stores operations only) |
| A3 The Environment and Natural Resources | General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources. | Environment (Pages 3 to 10) | |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Environment (Pages 3 to 10) | |

| B. Social – Employment and Labour Practices ^(Notes 1, 2 & 4) | | 2019 | | 2018 | |
|---|---|--|------------------------------|--|------------------------------|
| B1 Employment | General Disclosure 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, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment (Pages 11, 12 and 18) | | | |
| KPI B1.1 | Total workforce by gender. - All staff - Corporate manager | Male 26% 61% | Female 74% 39% | Male 26% 63% | Female 74% 37% |
| KPI B1.1 ^(Note 3) | Total workforce by employment type. - Permanent - Temporary & part-time | 90% 10% | | 90% 10% | |
| KPI B1.1 | Total workforce by age group. - Below 31 - 31 – 40 - 41 – 50 - 51 – 60 - 60 above | 6% 15% 27% 46% 6% | | 7% 14% 27% 46% 6% | |
| KPI B1.1 | Total workforce by geographical region. - Hong Kong - China | 99% 1% | | 99% 1% | |
| KPI B1.2 | Employee turnover rate by gender. | Male 2.28% | Female 5.96% | Male 2.34% | Female 6.59% |
| KPI B1.2 | Employee turnover rate by age group. - Below 31 - 31 – 40 - 41 – 50 - 51 – 60 - 60 above | 1.52% 1.84% 3.18% 1.70% 0% | | 2.48% 1.76% 1.90% 2.79% 0% | |
| KPI B1.2 | Employee turnover rate by geographical region. - Hong Kong - China | 8.24% 0% | | 8.93% 0% | |

| B. Social – Employment and Labour Practices | | 2019 | | 2018 | |
|---|--|--|----------------------|---|----------------------|
| B2 Health and Safety | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to provision of a safe working environment and protecting employees from occupational hazards. | Health and Safety (Pages 12 and 18) | | | |
| KPI B2.1 | Number and rate of work-related fatalities. | Nil | | Nil | |
| KPI B2.2 ^(Note 5) | Lost days due to work injury. | 31 cases, 57 lost days | | 37 cases, 337 lost days | |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety (Page 12) | | | |
| B3 Development and Training | General Disclosure Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities. | Development and Training (Page 13) | | | |
| KPI B3.1 | Percentage of employees trained by gender. | Male 28% | Female 72% | Male 21% | Female 79% |
| KPI B3.1 | Percentage of employees trained by employee category. - Corporate manager - General staff - Temporary & part-time | 2.5% 81.4% 16.1% | | 1.5% 70.8% 27.7% | |
| KPI B3.2 ^(Note 6) | Average training hours completed per employee by gender. | Male 2.98 hours | Female 2.17 hours | Male 3.95 hours | Female 3.37 hours |
| KPI B3.2 | Average training hours completed per employee by employee category (internal training). - Frontline staff (Frontline staff of department stores operations only) | 1.45 hours | | 4.44 hours | |
| KPI B3.2 | Average training hours completed per employee by employee category (external training). - All levels - Corporate manager - General staff | 2.35 hours 2.89 hours 0.78 hours | | 1.18 hours 11.31 hours 0.93 hours | |

| B. Social – Employment and Labour Practices | | 2019 | 2018 |
|---|--|------------------------------------|------|
| B4 Labour Standards | General Disclosure 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. | Labour Standards (Pages 13 and 18) | |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Labour Standards (Page 13) | |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Labour Standards (Page 13) | |

Notes:

1. All data is provided and verified by respective department heads.
2. All KPIs of employment and labour practices cover employees employed by the Group's department stores operations and property investment operations in Hong Kong, except the KPI of average training hours completed per employee by employee category (internal training) covers frontline staff of department stores operations only.
3. The total number of employees (permanent staff versus temporary and part-time staff) employed by the Group's department stores operations and property investment operations in Hong Kong as at 31 December of 2018 and 2019 was 739 (680:59) and 707 (642:65) respectively.
4. All KPIs of employment (except total workforce by employment type) refer to permanent staff only, while all KPIs of health and safety, development and training, labour standards and total workforce by employment type refer to permanent, temporary and part-time staff.
5. Work injuries include incidents requiring sick leave.
6. Training includes all job-relevant internal and external training attended by the employees.

| B. Social – Operating Practices | | 2019 | 2018 |
|---------------------------------|--|--|---|
| B5 Supply Chain Management | General Disclosure Policies on managing environmental and social risks of the supply chain. | Supply Chain Management (Page 14) | |
| KPI B5.1 | Number of suppliers by geographical region. | Majority of our merchandise suppliers are located in Hong Kong and European countries (Department stores operations only) | |
| KPI 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 (Page 14) | |
| B6 Product Responsibility | General Disclosure 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, labeling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility (Pages 15, 16 and 18) | |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | 2 incidents (Department stores operations only) | 5 incidents (Department stores operations only) |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | 39 cases, 100% settled (Department stores operations only) | 82 cases, 100% settled (Department stores operations only) |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Product Responsibility (Pages 15 and 16) | |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Product Responsibility (Pages 15 and 16) | |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Product Responsibility (Pages 15 and 16) | |
| B7 Anti-corruption | General Disclosure 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. | Anti-corruption (Pages 16 and 18) | |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and outcomes of the cases. | Nil | Nil |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Anti-corruption (Page 16) | |

| B. Social – Community | | 2019 | 2018 |
|---------------------------------|--|---|------|
| B8 Community General Disclosure | | Community Investment (Page 17) | |
| Investment | 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. | | |
| KPI B8.1 | Focus areas of contribution. | Not applicable. The Group does not have focus areas of contribution. | |
| KPI B8.2 | Resources contributed to the focus area. | Not applicable. The Group does not have focus areas of contribution. | |

Hong Kong, 29 April 2020