



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

2020

Introduction

Wing On Company International Limited (the “Company”) and its subsidiaries (the “Group”) regard environmental, social and governance (“ESG”) practices as an integral part of its business objective. The Group commits to integrating sustainability practices into its business operation and continues to contribute to the protection of environment and the community in which the Group operates.

The Group hereby presents our Environmental, Social and Governance Report (the “Report”) to update our ESG initiatives and accomplishments from 1 January 2020 to 31 December 2020 (the “Year”).

This Report covers the Group’s core operations in department stores and property investments 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 2019 Environmental, Social and Governance Report published on 29 April 2020.

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”) that are applicable to the Year. 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 2020 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, minimising 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.

To address the new ESG requirements that are effective for accounting periods beginning on 1 July 2020, the Group has commenced the following actions:

- The Board approved the terms of references of the ESG Committee in December 2020. The ESG Committee will continue to assist the Board to fulfill its responsibilities regarding all ESG matters;
- Commencement of a materiality assessment survey in February 2021 to collect opinions in relation to the materiality of various ESG issues from shareholders, customers, suppliers, tenants, business associates, etc.;
- Holding of internal discussions among the ESG Committee and senior management of all departments on climate change risks that affect the Group's operations.

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 99.8% 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.

The Group's business mainly consists of department stores operation and property investments. Due to its business nature, the Group generated an insignificant amount of hazardous waste during the Year. All hazardous waste was directed to licensed recycler for proper treatment. The Group is not engaged in water intensive industries and therefore water consumption is not considerable. The discharges into water and land is immaterial. 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 generation of hazardous and non-hazardous waste during the Year.

To reduce the environmental impact of the Group's business operation, the ESG Committee devoted considerable effort to reducing the emission of greenhouse gas and generation of non-hazardous waste during the Year. More resources were allocated during the Year as compared to the previous year to reduce energy consumption and paper waste disposal, as they have been the major contributors to greenhouse gas and non-hazardous waste.

Certain policies and measures implemented in prior years and continued to be undertaken during the Year are summarised below. All these policies and measures are for the benefit of the Group and to ensure the sustainability of its business, efficient use of resources and minimise its impact on the environment and natural resources.

Electricity

- Progressively replaced the aged cargo lifts and passenger lifts located at the Sheung Wan Main Store and the godown office.
- Replaced the aged chiller plants at the Wing On Kowloon Centre.
- Progressively replaced the aged air handling units installed in the Sheung Wan Main Store.
- Progressively converted fluorescent tubes to LED lights at the godown office.
- Adopted energy saving lighting fixtures at the corporate office and the property management office.
- Implemented a 5-day work week in the department stores office and property management office.
- Installed centralised multi-functional printers, instead of multiple standalone printers 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

- Regularly reviewed the usage of the staff shuttle bus service to improve utilisation.
- Regularly reviewed the delivery routes of the truck fleet to optimise delivery and fuel efficiency.
- Encouraged employees to travel by high-speed rail instead of private vehicles when undertaking business travel in Mainland China.
- Installed GPS tracking system on trucks to monitor driving behavior and manage fuel consumption.
- The truck fleet comprised Euro IV or V-compliant vehicles to reduce exhaust emissions.
- The car park of the Wing On Centre was equipped with charging stations for electric vehicles to promote low carbon transportation.

Paper

- Implemented an online leave management system to process leave application.
- Preset targets to reduce paper consumption. Individual operating units which failed to achieve the preset target were required 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 operation. 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

- Engaged contractor to recycle shredded paper.
- Handed over obsolete computers and equipment to qualified recyclers and charity groups.
- Returned empty toner cartridges to suppliers for recycling.
- Reused carton boxes for customer delivery orders and internal merchandise transfers.

Green activities

- Participated in the “Lai See Reuse and Recycle Program” organised 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. This was the second year the Group sponsored the program. With the active support of customers and staff, the amount of red packets collected reached 70kg.

During the Year, electricity consumption and fuel consumption of the Group decreased by 1,214 Mwh (or 6.4%) and 3,268 litres (or 8.5%) respectively. This was a combined result of the above mentioned electricity and fuel control initiatives, as well as impact caused by COVID-19 pandemic. In the midst of COVID-19 pandemic, business hours of our department store branches were shortened, business travel was limited and staff shuttle bus services were reduced.

Paper waste disposal increased by 9.5 tonnes (or 49.0%) during the Year. This was largely due to less old paper document required for shredding, therefore shredded paper handed over to recycler dropped by 10.2 tonnes (or 34.3%). To reduce paper waste disposal, the Group will continue to explore and implement more paper saving measures.

The Group is not engaged in water intensive industries and therefore water consumption is not considerable. Water consumption of the Group is mainly for sanitary purposes. During the Year, water consumption of the Group increased slightly by 0.6%. Although the Group uses immaterial amount of water, we will keep monitoring our water consumption and conserve precious water resources.

Air travel by staff decreased significantly by 415,507 km (or 70.7%). The decline was attributable to halt of all business trips from March 2020 onwards in response to outbreak of the COVID-19 pandemic globally.

Due to the reduction in electricity consumption, fuel consumption and air travel, the total greenhouse gas emissions decreased by 6.1% 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 8.8% during the Year.

The air emissions of nitrogen oxides and sulphur oxides decreased by 2.1% and 8.1% respectively. These pollutants were generated by our vehicles. The overall reduction in business activities lowered the emissions.

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

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

	2020	2019	Year-on-year variance (%)
Scope 1 - Direct emissions and removals			
Fuel consumed ^(Note 4)			
(in litres)	35,116	38,384	-8.5%
(in tCO ₂ e)	91	98	-7.1%
Intensity per HK\$1m revenue ^(Note 5)			
(in litres)	30.1	28.4	+6.0%
(in tCO ₂ e)	0.078	0.073	+6.8%
Scope 2 - Energy indirect emissions			
Electricity consumed ^(Note 6)			
(in Mwh)	17,744	18,958	-6.4%
(in tCO ₂ e)	11,499	12,241	-6.1%
Intensity per HK\$1m revenue ^(Note 5)			
(in Mwh)	15.23	14.04	+8.5%
(in tCO ₂ e)	9.87	9.07	+8.8%
Scope 3 - Other indirect emissions			
1. Paper consumed ^(Note 7)			
(in tonnes)	9.6	10.3	-6.8%
(in tCO ₂ e)	46	50	-8.0%
2. Greenhouse gas avoided by recycling waste paper ^(Note 7)			
(in tonnes)	19.5	29.7	-34.3%
(in tCO ₂ e)	94	143	-34.3%
Paper waste disposal ^{(Note 7) (1) minus (2)}			
(in tonnes)	-9.9	-19.4	+49.0%
(in tCO ₂ e)	-48	-93	+48.4%
Intensity per HK\$1m revenue ^(Note 5)			
(in tonnes)	-0.008	-0.014	+42.9%
(in tCO ₂ e)	-0.041	-0.069	+40.6%
Water usage ^(Notes 8 & 9)			
(in m ³)	23,162	23,025	+0.6%
(in tCO ₂ e)	14	14	0%
Intensity per HK\$1m revenue ^(Note 5)			
(in m ³)	19.88	17.06	+16.5%
(in tCO ₂ e)	0.01202	0.01037	+15.9%
Air travel by staff ^(Note 10)			
(in km)	171,831	587,338	-70.7%
(in tCO ₂ e)	14	59	-76.3%
Intensity per HK\$1m revenue ^(Note 5)			
(in km)	147.5	435.1	-66.1%
(in tCO ₂ e)	0.012	0.044	-72.7%
Total emissions (direct and indirect) and removals			
Total greenhouse gas emissions (in tCO₂e)	11,570	12,319	-6.1%
Intensity per HK\$1m revenue (in tCO₂e)	9.93	9.13	+8.8%

Notes:

1. All data is provided and verified by respective department heads.
2. Greenhouse gas emissions were generated from the Group's department stores operation and property investment operation 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 the Electrical and Mechanical Services Department and the Environmental Protection Department.
4. Fuel consumption included fuel used by delivery trucks and vehicles.
5. The Group's revenue from Hong Kong operations is used as the denominator to calculate greenhouse gas emissions intensity. The Group's revenue from Hong Kong operations for 2019 and 2020 was approximately HK\$1,350 million and HK\$1,165 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 "2019 年度減排項目中國區域電網基準線排放因子" published by the Ministry of Ecology and Environment of the People's Republic of China.
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 recycled waste paper refers to the paper recorded in recycling vendor invoices.
8. Emissions relating to water consumption are based on the latest emission factors provided by the Hong Kong Water Supplies Department and the Drainage Services Department.
9. The water consumption data mainly covered the common area of property investment operation 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 the International Civil Aviation Organization.

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

	2020	2019	Year-on-year variance (in %)
Nitrogen Oxides (in g)	396,760	405,096	-2.1%
Sulphur Oxides (in g)	559	608	-8.1%
Particulate Matter (in g)	28,548	28,030	+1.8%

Notes:

1. All data is provided and verified by respective department heads.
2. Air emissions were 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 operation

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 2.2% compared with 2019. This was mainly attributed to the declining business of the department stores due to the outbreak of COVID-19 pandemic. With revenue having a greater percentage decrease than shopping bag consumption 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 21.1% compared with 2019.

Shopping bags consumed (Notes 1 & 2):

	2020 Pieces (in '000)	2019 Pieces (in '000)	Year-on-year variance (%)
Shopping bags consumed	1,915	1,959	-2.2%
Intensity per HK\$1m revenue <small>(Note 3)</small>	2.70	2.23	+21.1%

Notes:

1. All data is provided and verified by respective department heads.
2. The amount of shopping bags consumed related to the Group's department stores operation only.
3. The Group's revenue from department stores operation is used as the denominator to calculate shopping bag consumption intensity. The Group's revenue from department stores operation for 2019 and 2020 was approximately HK\$880 million and HK\$708 million respectively.

Property investment operation

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 rating period of 1 December 2019 to 30 November 2020, the Group's Melbourne properties achieved a 4.5-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 rating is an improvement when compared with the last assessment for the rating period of 1 October 2018 to 30 September 2019.

The total associated greenhouse gas emissions (from direct emissions from fuel consumption, indirect emissions from energy consumption and other indirect emissions) amounted to 3,160 tCO₂e or 0.058 tCO₂e per square meter of net lettable area. The emissions reduced substantially as compared with the last assessment which amounted to 4,871 tCO₂e or 0.088 tCO₂e per square meter of net lettable area for the rating period of 1 October 2018 to 30 September 2019. During the most recent rating 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 is not compiled on a regular fixed schedule. However, it will cover most part of the relevant 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

The Group endeavours to provide the best shopping experience to customers by offering a wide range of quality merchandise and excellent customer service that enable the Group to become a household name. To deliver the level of service our customers expect, we need a dedicated, sustainable and capable workforce. Thus, the Group invests in building a healthy, family-friendly and fulfilling work environment for employees to achieve long-term success.

(a) Employment

As a socially responsible employer, the Group has developed a broad range of employment practices, including competitive remuneration packages above the regulatory minimum level and family-friendly policies. Benefits for employees include extra monthly rest day for frontline employees, 5-day work week for back office employees, birthday leave for full time employees, medical insurance, group life insurance, education allowances and performance bonuses. To assist employees in balancing work and family responsibilities, a variety of family-friendly practices have been established, including special leave policies for family reasons, such as marriage, marriage of sons and daughters and compassionate leave.

To promote a friendly, supportive and stress-free work environment, the Group is dedicated to improving employees' wellbeing. The global COVID-19 pandemic has affected the health of employees physically and mentally. To assist employees in coping with the pandemic, the Group prepared a series of program with tips and information to strengthen employees' physical and mental health.

The Group is an equal opportunity employer committed to fair and equal treatment. Equal opportunities policies, including diversity and anti-discrimination policies have been developed and followed in all aspects of human resources management, including recruitment, training, promotion, compensation and benefits. The Group arranged for employees to attend training organised by the Equal Opportunities Commission to enhance their awareness and understanding of anti-discrimination ordinances and equal opportunity issues.

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 also fully complied with such laws and regulations and there were no cases of non-compliance in relation to the Group's employment practices.

The Group's department stores operation were bestowed certain awards relating to the area of human resources during the Year. The Group was awarded the "Happy Company" under the "Happiness-at-Work Promotional Scheme" organised by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council. This award recognised the Group for its commitment to build a happy workplace culture. Moreover, the Group passed the assessment of the "ERB Manpower Developer Award Scheme" held by the Employees Retraining Board and was awarded the status of "Manpower Developer". This award recognised the Group's outstanding achievement in manpower training and development. The Group was also a signatory of "Good Employer Charter 2020" organised by the Labour Department and is committed to the adoption of an employee-oriented human resources management culture in the workplace.

As at 31 December 2020, the Group had a total of 758 employees, including permanent, temporary and part-time staff employed by the department stores operation and property investment operation. 627 were permanent staff and 125 were temporary and part-time staff from Hong Kong, and 6 were permanent staff from Australia. Most of the employees were based in Hong Kong.

(b) Health and safety

The Group put the safety of employees as its first priority and is committed to providing a safe and healthy work environment for them. 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 established and promoted to all levels of staff.

During the Year, the Group prepared a series of online learning video classes regarding occupational health and safety for all staff. These online resources enhanced employees' awareness of appropriate manual handling operation and prevent work-related musculoskeletal disorder. Also, safety tips of operating display screen equipment and operating tail lifts of vehicle had been provided. The Group's Safety Officer performed regular safety checks and assessments in different work locations to prevent potential hazards to our employees.

During the Year, the number of reported work injury cases dropped significantly as compared to 2019. However, the number of lost working days due to work injury increased. The Group will continue to strengthen the awareness of occupational safety of employees through various training courses, workshops and activities.

To safeguard the health of employees during the outbreak of COVID-19, the Group implemented various precautionary measures. To reduce the risk of spreading virus in the workplace, employees were entitled to paid quarantine leave if their residential buildings had confirmed cases of COVID-19. Seating arrangement of the workplace had been relocated and reorganised to facilitate increased social distancing. Many meetings were held online to avoid large crowds and gatherings.

To better protect our frontline staff and customers in department store branches, we cleaned and sanitised facilities and premises more frequently and regularly. We also inspected air-conditioning systems and disinfected air filters on regular basis. Customers were required to check their temperature at store entrances and wear masks at all times in the stores. Those with flu-like symptoms and who were undergoing home or mandatory quarantine were not allowed to enter the stores. Hand sanitizer dispensers were installed in the stores. “LeaveHomeSafe” QR code and e-payment methods were available for customer’s use. Different epidemic prevention supplies, including medical masks, protective gears and hand-sanitizer etc., were provided to all frontline staff.

During the Year, 4 salespersons of the Group’s department stores operation had been infected with COVID-19. Arrangement were made for all employees working in the respective store branches to take virus tests and these employees were allowed to resume work after confirmation of negative test results. The store branches concerned were closed temporarily for thorough disinfection carried out by professional cleaning company.

(c) Development and training

Human resources development is crucial to the success of our business. The Group adopts a proactive approach in the training and development of our staff. Different training activities were provided to all levels of staff based on their job responsibilities, ranging from product knowledge, service and selling skills, and complaint handling techniques for frontline staff, to managerial competences, leadership skills and communication skills for managerial staff.

In view of the outbreak of COVID-19, epidemic-related video clips were provided to staff for their self-learning. Publications were also issued to increase the awareness of our staff toward the epidemic. Topics included DIY of anti-epidemic supplies, personal hygiene, physical health and mental health care. Further, a series of video clips concerning communication skill during epidemic were uploaded to the Group’s online learning channel. A new mode of training consisting of video viewing and mini online tests, supplemented with face-to-face training for the consolidation of skills, was introduced to frontline staff.

The Group encourages staff to participate in different kinds of webinars and online conferences to develop their competencies to cope with current job roles and future challenges during the epidemic.

To recognise the expertise of frontline staff, the Group assisted 61 staff to obtain “Store Operation (General) (Level 3)” certificates under the Hong Kong Qualifications Framework (QF) during the Year. It resulted in 85% of our frontline staff attaining recognition of professional qualifications based on their work experiences and therefore facilitated their on-going professional development.

(d) Labour standards

The Group adheres to human rights principles, and child labour and forced labour are strictly prohibited in all business operations. The Group’s policy is followed by all business units to ensure employment practices are legally compliant with local laws and regulations. The Human Resources Division of the Group monitors all job applicants’ age and eligibility for employment to guarantee that no under-aged children are employed. The Group also ensures that employees are given rest days and are compensated for any overtime work which is voluntary, as required by local regulators. During the Year, there were no cases of non-compliance in relation to the Group’s employment practices.

Operating practices

(a) Supply chain management

The Group expects our suppliers to continuously improve their performance in environmental and social areas. The Group has developed a Supplier Code of Conduct for its department stores and property investment operation which outlines our expectations of suppliers in the areas of legal compliance, labour and human rights, health and safety, environmental protection and ethical conduct. The Group gives preference to suppliers currently working towards responsible and sustainable operation.

All active suppliers of the Group's department stores operation are required to conduct a self-assessment questionnaire periodically. The questionnaire evaluates the suppliers regarding 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 557 suppliers. This represented 43% of all active suppliers. All suppliers who responded indicated that they had complied with the relevant laws and regulations. 57% of the respondents indicated they had policies and control systems in all environmental and social responsibility areas, while 5% of the respondents had none.

We seek to make our procurement process responsible, fair and impartial. For the Group's property investment operation, 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 operation, 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 optimise our merchandise mix and services.

The outbreak of COVID-19 disrupted transportation and business activities which caused logistics movement restrictions and supply chain disruptions. The Group employed alternative sourcing strategies to maintain a stable supply of merchandise. The Group also closely monitored the adverse impact of COVID-19 on our business associates.

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

(b) Product responsibility

Quality and safety are always our top priority. To ensure reliable 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 of 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. Merchandise is then returned to department stores only when the issues are resolved with the suppliers. During the Year, there were 4 incidents of merchandise sold subject to recalls for labels non-compliant reasons and merchandise safety concerns.

The Group's department stores operation value every comment from our customers and proactively reach out to our customers through various channels, such as feedback forms, our website 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 337 customer compliments and 46 customer complaints were received regarding the department stores' merchandise or services. All of these complaints were settled with the relevant customers amicably. Compared with 2019, the number of compliments decreased by 44% and the number of complaints increased by 18%. The compliments received generally related to good customer service delivered by our staff. The increase in number of complaints mainly covered merchandise quality and returns. To enhance our customers' satisfaction in shopping experience, we will review all customers' suggestions, complaints and compliments to improve our services and operating practices.

The Group complies with the Personal Data (Privacy) Ordinance (Cap. 486 of Laws of Hong Kong) and the 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 the customers.

To ensure our marketing practices are in full compliance with the Trade Descriptions Ordinance, guidelines have been 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 unauthorised 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 its department stores operation.

(c) Anti-corruption

To safeguard the interests of stakeholders, the Group is committed to maintaining good corporate governance, the highest standard of ethics and integrity in the workplace. A Code of Conduct and policies have been established to provide guidelines on handling issues relating to conflict of interest, anti-corruption and whistle-blowing to prevent bribery, extortion, fraud, money laundering and other malpractices in the Group. All employees are required to adhere fully to the Code of Conduct and will be subject to disciplinary action for any contravention. The Group's whistle-blowing policy provides an official channel for employees to raise concerns confidentially about any misconduct, malpractice or irregularity in the Group's business operations. 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.

To promote integrity and anti-corruption awareness of employees, the Group continuously updates employees with the latest news on the anti-corruption. Company policies and guidelines on anti-corruption and conflict of interest are clearly communicated to all staff.

Community investment

The Group continues to develop links between its business and the community by contributing to various fund raising events. The Group does not have a specific focus area for its contribution in community investment and donations. The Group also encourages employees to participate in community services. However, due to the COVID-19 pandemic, many community activities and volunteering services were cancelled. A total amount of HK\$21,300 was donated to different charitable organisations during the Year.

Community activities and events the Group and/or its employees participated in sponsoring during the Year included:

- Placement of donation boxes from different charitable organisations (such as TREATS, Children's Heart Foundation, YMCA and Yan Oi Tong) in department stores
- Lai See Reuse and Recycle Program of Greeners Action
- Love Teeth Day, Green Low Carbon Day and Skip Lunch Day of The Community Chest
- Red Packets Campaign - Care for the Vulnerable Elderly of The Hong Kong Society for the Aged
- World Sight Day: All Eyes On 2020 of Orbis

During the Year, the Group received several community focused recognitions from different organisations, including Caring Company launched by The Hong Kong Council of Social Service and the Heart to Heart Company organised 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		2020	2019
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 19)	
KPI A1.1	The types of emissions and respective emission data.	Nitrogen Oxides: 396,760 g Sulphur Oxides: 559 g Particulate Matter: 28,548 g	Nitrogen Oxides: 405,096 g Sulphur Oxides: 608 g Particulate Matter: 28,030 g
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11,570 tCO ₂ e 9.93 tCO ₂ e/HK\$1m revenue	12,319 tCO ₂ e 9.13 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).	14 pieces of uninterruptible power supply units for server	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: -9.9 tonnes, -0.008 tonne/HK\$1m revenue Electrical appliances/accessories for recycling: 146 pieces of computers and equipment 29 pieces of empty toner cartridges	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
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		2020	2019
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: 35,116 litres, 30.1 litres/HK\$1m revenue Electricity: 17,744 Mwh, 15.23 Mwh/HK\$1m revenue	Fuel: 38,384 litres, 28.4 litres/HK\$1m revenue Electricity: 18,958 Mwh, 14.04 Mwh/HK\$1m revenue
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	23,162 m ³ 19.88 m ³ /HK\$1m revenue	23,025 m ³ 17.06 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) 1,915 2.70 pieces/HK\$1m revenue (Department stores operation only)	Shopping bags (in '000 pieces) 1,959 2.23 pieces/HK\$1m revenue (Department stores operation 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)		2020		2019	
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 19)			
KPI B1.1	Total workforce by gender. - All staff - Corporate manager	Male 26% 60%	Female 74% 40%	Male 26% 61%	Female 74% 39%
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% 14% 26% 45% 9%		6% 15% 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 1.58%	Female 3.48%	Male 2.28%	Female 5.96%
KPI B1.2	Employee turnover rate by age group. - Below 31 - 31 – 40 - 41 – 50 - 51 – 60 - 60 above	0.48% 1.42% 1.58% 1.26% 0.32%		1.52% 1.84% 3.18% 1.7% 0%	
KPI B1.2	Employee turnover rate by geographical region. - Hong Kong - China	5.06% 0%		8.24% 0%	

B. Social – Employment and Labour Practices		2020		2019	
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, 13 and 19)			
KPI B2.1	Number and rate of work-related fatalities.	Nil		Nil	
KPI B2.2 ^(Note 5)	Lost days due to work injury.	21 cases, 373 lost days		31 cases, 57 lost days	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety (Page 12 and 13)			
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 (Pages 13 and 14)			
KPI B3.1	Percentage of employees trained by gender.	Male 17%	Female 83%	Male 28%	Female 72%
KPI B3.1	Percentage of employees trained by employee category. - Corporate manager - General staff - Temporary & part-time	1.3% 52.5% 46.2%		2.5% 81.4% 16.1%	
KPI B3.2 ^(Note 6)	Average training hours completed per employee by gender.	Male 1.73 hours	Female 1.45 hours	Male 2.98 hours	Female 2.17 hours
KPI B3.2	Average training hours completed per employee by employee category (internal training). - Frontline staff (Frontline staff of department stores operation only)	1.90 hours		1.45 hours	
KPI B3.2	Average training hours completed per employee by employee category (external training). - All levels - Corporate manager - General staff	0.34 hours 3.59 hours 0.24 hours		2.35 hours 2.89 hours 0.78 hours	

B. Social – Employment and Labour Practices		2020	2019
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 14 and 19)	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards (Page 14)	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards (Page 14)	

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 operation and property investment operation in Hong Kong, except the KPI of average training hours completed per employee by employee category (internal training) covers frontline staff of department stores operation only.
3. The total number of employees (permanent staff versus temporary and part-time staff) employed by the Group's department stores operation and property investment operation in Hong Kong as at 31 December of 2019 and 2020 was 707 (642:65) and 752 (627:125) 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 employees.

B. Social – Operating Practices		2020	2019
B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management (Page 15)	
KPI B5.1	Number of suppliers by geographical region.	Majority of our merchandise suppliers are located in Hong Kong and European countries (Department stores operation 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 15)	
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 16, 17 and 19)	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4 incidents (Department stores operation only)	2 incidents (Department stores operation only)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	46 cases, 100% settled (Department stores operation only)	39 cases, 100% settled (Department stores operation only)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility (Page 17)	
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility (Page 16)	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility (Page 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 17 and 19)	
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 17)	

B. Social – Community		2020	2019
B8 Community General Disclosure		Community Investment (Page 18)	
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 2021