



Stock Code: 1150

米蘭站控股有限公司

MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**

2021 環境、社會及管治報告

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

ABOUT THE GROUP

Milan Station Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is principally engaged in the retail of fashion accessories. Our competitive strength is the ability to provide timely and reliable products to consumers. Over the years, our solid track record and experienced management team have established an excellent reputation within the industry.

The Group understands that the Board of Directors (“the Board”) has overall responsibility for decision making with respect to ESG management and reporting. The Board has reviewed the material environmental, social and governance issues, and will manage and monitor these issues and take them into consideration in determining the Group’s business directions and strategies. The Group will actively undertake social responsibility in pursuing a better environment.

ABOUT THIS REPORT

The Group is pleased to present its Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) for the year ended 31 December 2021 (the “Reporting Period”). This report provides an annual update on the sustainability performance, accomplishments and challenges faced over the past years. It has been updated to reflect the interest of various stakeholders.

Reporting Principles

The ESG Report is prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”). According to the guideline, the following principles are underpinned:

1. **Materiality:** Environmental, social and governance issues that have major impacts on investors and other stakeholders must be set out in this ESG Report.
2. **Quantitative:** If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.
3. **Balance:** This ESG Report must provide an unbiased picture of the environment, social governance performance of the Group. It should avoid selecting, omitting, or presenting formats that may inappropriately influence a decision or judgement by the reader.
4. **Consistency:** This ESG Report should use consistent and statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the ESG Report.

Environmental, Social and Governance Report

Confirmation

The information documented in this ESG Report is sourced from official documents, statistical data, management and operation information and collected by the Group in accordance with relevant internal policies. The Group has established internal controls and a formal review process to ensure that any information presented in this ESG Report is as accurate and reliable as possible.

Feedback

The Group discloses the latest business information regularly to investors and the public. We also welcome investors and shareholders to share their views with the board of directors of the Company by emailing info@milanstation.net.

STAKEHOLDER ENGAGEMENT

As part of our business strategies, the Group communicates with the stakeholders in an open, honest and proactive way. To achieve this objective and improve transparency, we take active measures to promote investor relations and communication. In addition, we have developed the investor relations policy to ensure that investors have fair and timely access to the information of the Group.

Stakeholder participation helps the Group review potential risks and business opportunities and also facilitates the mitigation of these risks as well as the identification of opportunities. Understanding stakeholders' views allow the Group to better fulfil their needs and expectations with the Group's business practices and also to manage different stakeholders' opinions. The Group prioritizes the ESG topics in the social aspects specified in the ESG Reporting Guide to be the material focus of this report, including Employment, Health and Safety, Development and Training, Labour Standards, Product Responsibility, Anti-Corruption and Community Investment. The topics with the highest priority are occupational health and safety, protection of intellectual property rights, customer satisfaction and anti-corruption.

ENVIRONMENTAL ASPECTS

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

Environmental, Social and Governance Report

Emissions

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

During the Reporting Period, the Group has indirectly, via the use of electricity (“Scope 2 emissions”) and the paper waste disposed at landfills (“Scope 3 emissions”), generated 100.1 tonnes of greenhouse gases in total (2020: 116.2 tonnes), with an intensity of 0.41 tonnes CO₂ emissions per million revenues in Hong Kong Dollar (2020: 0.66 tonnes per million revenues in HKD).

Greenhouse gas emissions	2021	2020	Unit
Scope 1 emissions	–	–	tonnes CO ₂ -e
Scope 2 emissions	96.5	116.2	tonnes CO ₂ -e
Scope 3 emissions	3.6	–	tonnes CO ₂ -e
Total greenhouse gas emissions	100.1	116.2	tonnes CO ₂ -e
Intensity (by revenue)	0.41	0.66	tonnes CO ₂ -e/HKD Million

Hazardous and Non-hazardous Wastes

The Group did not generate any hazardous waste and a significant amount of non-hazardous waste during the daily operation. Non-hazardous wastes are generally gathered at a designated place as required by the property management office of the buildings or the shopping malls. Attention should be paid to waste utilization, reuse and recycling of the waste generated. Waste that cannot be further utilized is either sold to waste recycling companies or disposed of through the property management office.

During the Reporting Period, our administrative headquarters and retail locations did not have any record of any material non-compliance with relevant laws and regulations related to air, water or waste pollution and discharge from any environmental department or alerts from any environmental agencies.

Use of Resources

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

Environmental, Social and Governance Report

Energy Consumption

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

To reduce energy consumption, the Group regularly monitors its electricity consumption in our headquarters and retail locations. During the Reporting Period, the Group consumed an aggregate of 213.7 MWh of electricity (2020: 196.3 MWh) of which 154.4 MWh was for the Milan Station operations and 59.3 MWh was for the Thann operations.

Direct and indirect energy consumption by type	2021	2020	Unit
Direct energy consumption	–	–	GJ
Indirect energy consumption	213.7	196.3	MWh
Total energy consumption	213.7	196.3	MWh-e
Intensity (by revenue)	0.9	1.0	MWh-e/HKD Million

Water Consumption

The Group does not consume material amounts of water in its operations and encourages water saving during the operation. Water is mainly used by revenues for drinking and hygiene needs and is supplied from and discharged into the city's water supply and treatment network. The Group, therefore, has no water supply problem nor any impact on the water resources.

Water consumption in total and intensity	2021	2020	Unit
Total water consumption	2.02	2.38	m ³
Intensity (by revenue)	0.008	0.014	m ³ /HKD Million

Paper Consumption

Paper is one of the resources consumed in the daily operation and the Group is dedicated to the utilization of online communication and a paperless office. During work, drafts and non-approved reports should be circulated on the intranet, e-mail, etc., as much as possible. Manuscripts should be printed on both sides to save paper. Paper that has been used on one side should be reused for internal use or draft.

Environmental, Social and Governance Report

Packaging Materials Used

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

Packaging material used for finished products	2021	2020	Unit
Total packaging material used	0.64	0.59	tonnes
Intensity (by revenue)	2.62	3.33	kg/HKD Million

The Environment and Natural Resources

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

Climate Change

The Group recognizes that the emissions of greenhouse gases through business activities contribute to climate change, which affects our livelihood and business operation. Extreme weather events, such as typhoons and rainstorms, have become more frequent due to climate change. To safeguard the safety of employees and reduce property loss, the Group has established an internal guideline on working arrangements in times of typhoons, rainstorms and extreme conditions after super typhoons. The Group would stay alert to any announcements by the local governments on weather conditions and prepare for emergency actions. Therefore, we are committed to lowering the greenhouse gas emissions level and reviewing the current practices on energy-saving and resource utilization.

SOCIAL ASPECT

Employment and Labour Practices

Employment

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

In Hong Kong, the Group complied with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Cap. 485) by participating in the Mandatory Provident Fund retirement benefit scheme for our eligible employees, Minimum Wage Ordinance (Cap. 608), Employment Ordinance (Cap. 57) and Employees' Compensation Ordinance (Cap. 282). During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of employment.

Environmental, Social and Governance Report

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

The Group values the career development of the employee and promotes the most qualified employees from within the company, to take over vacancies with higher grades and greater responsibility. Employees' remuneration is determined with reference to the prevailing market level as well as their competence, qualifications and experience. The Group also provides a range of incentives to staff including best staff awards, promotions, pay raises, annual bonuses and commissions based on the Employee Performance Review Report. Salary is credited to the bank account of the employee within five business days after the end of each month.

Employee leaves are divided into the following categories: annual leave, menstrual leave, sick leave, birthday leave, maternity leave, marriage leave, paternity leave and bereavement leave/compassionate leave.

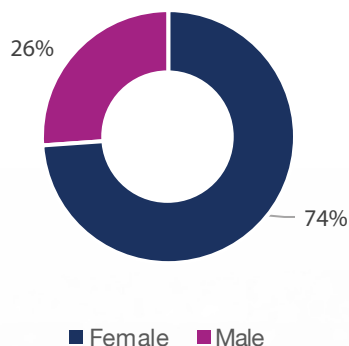
Any employee who resigns must notify the division manager/department head in writing. The division manager/department head will then submit the resignation letter to the Human Resources and Administration Department. Resignation interviews will be conducted with the resigned employees.

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

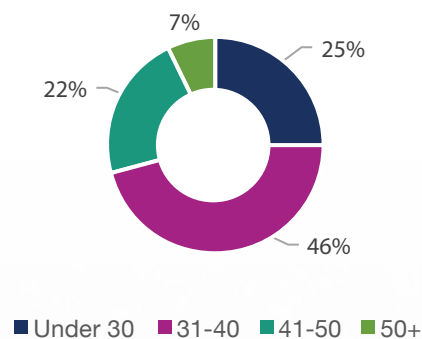
Our Employee Handbook requires that all management and employees actively ensure that the Group's working environment is not subject to any form of discrimination and harassment. The Group's Employment Handbook refers to the Sex Discrimination Ordinance (Cap. 480), the Disability Discrimination Ordinance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

An "Employment Data" KPI with the breakdown of the total number of employees, gender ratio and age distribution has been set up to review the Group's employment status regularly. In 2021, we employed a total of 69 staff (2020: 54) in Hong Kong and China, of which 18 are male (2020: 11) and 51 are female (2020: 43). The majority of our employees being female employees was mainly due to the nature of our retailing business which is predominantly the sale of female-centric products.

No. of employees by Gender



No. of employees by Age Group



Environmental, Social and Governance Report

Health and Safety

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

During the past three years, including the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and did not identify any material non-compliance with laws and regulations relevant to the health and safety of employees.

	2019	2020	2021
Number of work-related fatalities	0	0	0
Rate of work-related fatalities			0%
Lost days due to work injury			0

Development and Training

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

For the improvement and job satisfaction of its employees, the Group provides an education allowance for the course fees of approved courses for its staff in service for over 4 years. The maximum entitlement of such allowance ranges from HK\$10,000 to HK\$30,000 per year depending on the staff's position.

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

The Group has established a "Staff Training Record" showing the number of staff, their positions and the amount of education allowance paid for the management's review regularly. During the Reporting Period, we provided education training to a total of 19 staff members with an average of 13.2 training hours per employee from operational and retailing divisions.

Labour Standards

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

The Group strictly complied with the Labour Laws of Hong Kong and provided the required labour protection, safety and health conditions to ensure employees' safety during their services. The Group also paid wages and salaries, benefits and compensations on schedule. During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant laws related to forced or child labour.

Environmental, Social and Governance Report

Operating Practices and Social Investment

Supply Chain Management

The Group strives to manage risks in its supply chain through an established set of procedures. For its handbags, fashion accessories and embellishments products, the Group follows such procedures to determine whether its products are unused or second-hand and to ensure the products sold and distributed through the Group's retail shops are genuine and authentic products. All international luxury branded products sold by the Group undergo at least two product examinations before being sold at the Group's retail locations. The Group prepares a set of product examination guidelines and organizes in-house training sessions for relevant staff. For the Reporting Period, there was 1 major supplier from Thailand and there were no environmental or social risks identified with the supplier.

Product Responsibility

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

Since 2002, Milan Station has maintained its status as an accredited establishment under the Quality Tourism Services Scheme and has appeared in the Scheme's dedicated shopping directory on the Hong Kong Tourism Board's website. We also strictly comply with the Product Quality Law of the People's Republic of China (the "PRC") (中國產品質量法), the PRC Law on Protection of the Rights and Interests of Consumers (中國消費者權益保護法) and other relevant laws and regulations for our operations in the PRC. During the Reporting Period, the Group did not identify any material non-compliance with the laws and regulations related to the quality of products and services.

Product and Service Quality

Our handbags and fashion accessories are sold with a product quality warranty to our customers to assure they have confidence in our products, which are often second-hand items. Our spa and wellness products are also sold with an exchange policy in the case of any defective products.

In order to properly handle complaints from customers, the Group has established the mechanism and handling procedures for complaints. The colleagues of the Human Resources and Administrative Department are responsible for handling, recording, and filing the customer's complaints. The case will be referred to the relevant area manager and department head/store manager for investigation on the same day or the next day. The store manager needs to fill in a detailed investigation report within two days after receiving the case to explain the relevant matter to the regional manager. Within one day of receiving the store manager's report, the regional manager shall comment on the relevant report and suggest actions to be taken. The report will be referred to the Complaints Sub-Committee for decision.

The Group strongly believes that this practice preserves our brand image as a retailer of quality products our customers can trust. The Group did not receive any customers' complaints and sales returns during the Reporting Period.

Environmental, Social and Governance Report

Intellectual Property Rights

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

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

Consumer Data Protection

The Group’s business operation has generated large volumes of private and confidential information of buyers and suppliers. We morally and legally treat these types of information and data seriously and safely and have committed to abiding by the requirements of the Personal Data (Privacy) Ordinance of Hong Kong and other relevant laws, regulations and requirements. The data of our customers and suppliers are kept under a secure system by our senior management, and employees have been warned not to access or use this information without approval. Directors and employees who have access to or manage internal information must take adequate precautions to prevent disclosure or misuse of information. The Group did not experience any private information leakage during the Reporting Period.

Anti-corruption

The Group strictly prohibits all bribery and corruption, and all staff are required to comply with relevant laws and regulations in their place of employment which are laid out in our Employee Handbook. Directors and employees are required to comply with the Group’s policy on the acceptance of benefits, and in any case, are required to discharge their duties with integrity and comply with relevant laws and regulations.

An ethical culture will become the basis for employees to make business decisions, which will help us win the trust of our stakeholders, build long-term customer relationships, improve the overall operating efficiency of the Group, promote mutual respect among employees, and naturally increase the company’s profits.

Under the Prevention of Bribery Ordinance, it is an offence for any director or employee to solicit or accept any advantage without the permission of the Company as an inducement or reward for him/her to give any favourable treatment in relation to the principal’s affairs or business. Any person who provides such benefits will also be in breach of the Prevention of Bribery Ordinance. Employees working in Mainland China or overseas must also comply with local laws on the prevention of bribery.

Environmental, Social and Governance Report

Under no circumstances shall a director or employee use bribes or similar payments to influence any person or other company in order to win, maintain or solicit business for the company. When any director or employee is required to pay any commission, money, or provide any preferential or other benefits during the handling of the company's business, they must comply with the company's current relevant policies and obtain written permission from the department heads or the board in advance. Department heads are required to keep records of any commissions or payments made for review purposes.

The company strictly prohibits all bribery and corruption activities. Directors and employees are required to abide by the company's policy on accepting benefits, and under no circumstances should they use the company's inside information for personal gain. During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant laws and regulations that had a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

Community Investment

The Group is committed to improving our community and the lives of our stakeholders. The Group encourages its staff to participate in voluntary and charitable events to serve the community and society, and staff may apply for paid leave for volunteer work. During the Reporting Period, the Group has provided luxury good examination services for a charity function.

Besides, the Group has been awarded the "Social Enterprise Supporter Award 2021" by the Fullness Social Enterprises Society. The Group works closely with the social enterprises and supports the needs of the community to fulfil the corporate social responsibilities. We highly encourage ethical consumption and changing the world by donating to social enterprises with positive impacts on underprivileged people. The Group will make additional provisions for donations to charity in the future.

Environmental, Social and Governance Report

SUMMARY OF KEY PERFORMANCE INDICATORS

Key Environmental Performance Indicators	2021	2020	Unit
Aspect A1: Emissions			
A1.2 Greenhouse gas emissions in total and intensity			
Scope 1 emissions	–	–	tonnes CO2-e
Scope 2 emissions	96.5	116.2	tonnes CO2-e
Scope 3 emissions	3.6	–	tonnes CO2-e
Total greenhouse gas emissions	100.1	116.2	tonnes CO2-e
Intensity (by revenue)	0.41	0.66	tonnes CO2-e/HKD Million
Aspect A2: Use of Resources			
A2.1 Direct and/or indirect energy consumption by type			
Direct energy consumption	–	–	GJ
Indirect energy consumption	213.7	196.3	MWh
Total energy consumption	213.7	196.3	MWh-e
Intensity (by revenue)	0.87	1.1	MWh-e/HKD Million
A2.2 Water consumption in total and intensity			
Total water consumption	2.02	2.38	m ³
Intensity (by revenue)	0.008	0.014	m ³ /HKD Million
A2.5 Packaging material used for finished products			
Total packaging material used	0.64	0.59	tonnes
Intensity (by revenue)	2.62	3.33	kg/HKD Million

Environmental, Social and Governance Report

Social Aspects		2021	2020
Aspect B1: Employment			
B1.1 Total workforce			
Total number of employees		69	54
By gender	Female	51	43*
	Male	18	11*
By employment type	Full-time	66	51
	Part-time	3	3
By age group	30 years old or below	17	10
	31-40 years old	32	28
	41-50 years old	15	15
	Over 50 years old	5	1
By level	Management	11	–
	Senior	24	–
	Middle	18	–
	Junior	16	–
By function	Executive	5	–
	Sales	41	–
	Administrative	23	–
By geographical region	Hong Kong	57	–
	China	12	–
B1.2 Employee turnover rate			
Total employee turnover rate		7%	53.7%
By gender	Female	10%	53.5%
	Male	0%	54.5%
By employment type	Full-time	8%	51%
	Part-time	0%	100%
By age group	30 years old or below	12%	100%
	31 – 40 years old	9%	53.6%
	41 – 50 years old	0%	20%
	Over 50 years old	0%	100%
By geographical region	Hong Kong	9%	–
	China	0%	–

Environmental, Social and Governance Report

Social Aspects		2021	2020
Aspect B2: Health and Safety			
B2.1	Number of work-related fatalities	0	0
	Rate of work-related fatalities	0%	0%
B2.2	Lost days due to work injury	0	0
Aspect B3: Development and Training			
B3.1	Number of trained employees		
	Total number of trained employees	19	12
	Percentage of total employees trained	28%	22%
By gender	Female	84%	75%*
	Male	16%	25%*
By level	Management	21%	0%
	Senior	11%	0%
	Middle	11%	0%
	Junior	58%	100%
By function	Executive	16%	–
	Sales	47%	–
	Administrative	37%	–
B3.2	Average training hours completed		
	Average training hours per employee	13.2	–
By gender	Female	17.1	20.4
	Male	2.0	15.6
By level	Management	4.4	0
	Senior	1.0	0
	Middle	1.3	0
	Junior	50.9	105
By function	Executive	7.2	–
	Sales	19.3	–
	Administrative	3.7	–

Environmental, Social and Governance Report

Social Aspects	2021	2020
Aspect B5: Supply Chain Management		
B5.1 Number of suppliers by geographical region		
Total number of suppliers	1	–
By geographical region		
Thailand	1	–
Aspect B6: Product Responsibility		
B6.1 Percentage of total products sold or shipped subject to recalls	0%	–
B6.2 Number of products and service-related complaints received	0	–
Aspect B7: Anti-corruption		
B7.1 Number of concluded legal cases	0	0

* The figures for the number of employees by gender and the percentage of trained employees by gender in 2020 have been restated.



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