

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the requirements set forth in the ESG Guide under Appendix 27 of the Listing Rules, the Group hereby presents the Environmental, Social and Governance (“ESG”) report for the year ended 31 December 2019 (“Reporting Period”).

SCOPE OF REPORT

This report covers the Group’s principal businesses of subsidiaries in Hong Kong, which represent the major investment and income sources of the Group, including retail management business including sales of furniture, household items and electrical appliances through chain stores under the multiple brand names, including “Pricerite”, “TMF” and “SECO” in Hong Kong.

The ESG data that the Group has direct access to and is under the Group’s direct operational control has been included in this report.

MATERIALITY ASSESSMENT

To identify the ESG issues relevant to the Group, we engaged our Management and staff to review our operations. Subsequently, the identified ESG issues have been assessed by considering their importance to our stakeholders as well as our Group. The ESG issues considered to be material are listed below:

ESG aspects as set forth in ESG Guide

Material ESG issues for the Group

A. Environmental

- A1 Emissions
- A2 Use of resources
- A3 The environment and natural resources

- Waste management and carbon emissions
- Use of electricity and packaging material
- Light pollution

B. Social

- B1 Employment
- B2 Health and safety
- B3 Development and training
- B4 Labour standards
- B5 Supply chain management
- B6 Product responsibility

- B7 Anti-corruption
- B8 Community investment

- Equal opportunity and diversity
- Health and safety workplace
- Staff development and training
- Anti-child and forced labour
- Supply chain management
- Customer service, quality assurance, safeguarding customer assets, and handling of personal data
- Anti-corruption and money laundering
- Supporting local community

The Group has complied with the “comply or explain” provisions set out in the ESG Guide for the Reporting Period.

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A. Environmental

The Group upholds the belief of “Green CASH” in our business activities. The purpose of “Green CASH” is to promote the practice of minimising the depletion of natural resources (i.e. timber, electricity, etc.), while saving part of the operating cost of the Group. The Group advocates the corporate social responsibility to be aware of environmental protection and natural resources conservation, and bring mutual advantages to both the society and the Group.

In 2019, Pricerite received Bronze Award in Shops and Retailers sector at 2018 Hong Kong Awards for Environmental Excellence, Hong Kong Green Organisation Certificate and 2018 Hong Kong Green Organisation Certification – Wastewiŕe Certificate (Excellence level) from Environmental Campaign Committee, as well as the Bronze Award of HSBC Living Business SDG Awards 2018 (Goal 10: Reduced Inequalities) and the Certificate of Merit at HSBC Living Business ESG Awards 2018. CASH was granted HSBC Living Business Sustainable Supply Chain Leaders and the Certificate of Merit at HSBC Living Business ESG Awards 2018 by Business Environment Council, as well as 2018 Hong Kong Green Organisation Certification – Wastewiŕe Certificate (Excellence level). The awards recognised our efforts on environmental management, with continuously improving the performance on environmental protection.

During the Reporting Period, the Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong.

A1 Emissions

Waste management

Considering the principal business activities of the Group (i.e. retail management business), we have not produced a notable level of air or water pollutants.

We established environmental policies that introduce the desired environmental practices, and measurable objectives to our employees. To mitigate the impact of waste, the principles “reduce”, “reuse” and “recycle” are applied. We are committed to promoting waste reduction at source, in the offices and retail stores. Waste should be properly handled and disposed by an authorised party to central waste processing facilities. Categorisation of waste is encouraged to facilitate efficient recycling.

Paper is considered the major form of waste generated by our offices and retail stores, of which, we consumed approximately 10,565.15 kg¹ (2018: 14,796.04 kg) during the Reporting Period.

To enhance our waste management techniques, we always monitor the latest environmental regulations, as well as market trends on new environmental practices. We continuously seek opportunities on improving the effectiveness of our current practices.

In our offices, we have set up waste separation facilities. We place recycle bags and tailor-made recycle bins designated for the collection of scrap paper, plastic bottles, aluminium cans, and recyclable toner cartridges. All of which, is later delivered to the recycling agents for further processing.

¹ Paper consumption intensity is not considered as an applicable performance indicator due to our nature of business.

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In Pricerite retail stores, recycling bins are implemented to facilitate recycling for customers, and we have engaged qualified service providers for the collection and recycling on a regular basis. Pallets used in logistics' activities are collected and reused by our non-governmental organisation partner.

The amount of recycling at our collection points in the Reporting Period is summarised as follows:

Issue	Amount		Unit
	2019	2018	
Paper	14,810	9,618	Kg
Aluminium cans	921	1,182	Pieces
Plastic bottles	623	663	Pieces
Toner cartridges	276	245	Pieces
Battery	247	225	Kg
Lighting tube	1,386	1,539	Pieces
Light bulb	497	2,830	Pieces
Pallet	0	11,600	Kg

Apart from recycling, a series of programmes and activities have been launched to encourage the participation of our stakeholders towards waste management, which include:

- Implementing Green Information and Communication Technology (ICT) Platform including systems such as E-workflow and CASHARE (Group's intranet) to build a highly efficient "paperless, IT-driven and systematic" working environment;
- Achieving waste reduction goals set under Wastewiše Certificate recognition scheme;
- Purchasing paper made from the Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) certified plantations to minimise logging in natural forest;
- Posting a "Green message" as a reminder around the office;
- Using e-channels to disseminate corporate information;
- Installing electronic product catalogues and promotions in retail stores;
- Providing reusable utensils to office staff to reduce the use of disposable utensils;
- Recommending duplex or 2-on-1 page copying on recycled paper; and
- Applying used envelopes for internal document circulation.

No particular hazardous waste was noted in our business activities during the Reporting Period.

In recognising our achievement in waste reduction, the Group and its subsidiary, including Pricerite, were awarded the Wastewiše Certificate (Excellence Level) by Environmental Campaign Committee.

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Carbon emissions

The major source of our carbon emissions is the use of electricity. There were 2,607.99 tonnes (2018: 2,966.42 tonnes) of carbon dioxide equivalent (CO₂e) generated¹ from our operations during the Reporting Period². In order to reduce our carbon footprint, we have launched a series of programmes and activities. Please refer to the "A2 Use of resources" section below.

In the retail management business, transportation and deliveries of products are provided by external transportation service providers. To reduce the carbon emissions from the mobile transportation activities of our business partners, we aim to optimise the number of deliveries, which includes:

- Working closely with logistic partners in developing a better fuel-efficient transportation practice;
- Packing and loading products more efficiently to reduce the number of delivery journeys; and
- Continuously improving our transportation management system to achieve more efficient journey planning.

¹ The carbon emission was calculated with reference to the Greenhouse Gas Protocol, and the carbon conversion factors published by CLP Holdings Limited and HK Electric Investment Limited.

² Carbon emission intensity is not considered as an applicable performance indicator due to our nature of business.

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A2 Use of resources

Use of electricity

Electricity is consumed during daily business operations in our offices and retail stores, through the use of indoor lighting, air-conditioning, functioning of office equipment, etc. During the Reporting Period, the total electricity consumption of the Group was 4,738,659 kWh¹ (2018: 5,532,577 kWh).

The Group has established guidelines on implementing green measures towards energy conservation:

1) Lighting

- T5 energy-efficient lighting tubes have been installed in offices and retail stores;
- Staff are encouraged to switch off lighting while they are off duty;
- “Light-out” during lunch hour is highly recommended;
- A lighting and energy conservation programme is implemented in retail stores, which strictly switches off all power after business or operating hours; and
- Indoor lighting should be switched off if sufficient sunlight is available.

2) Office equipment

- Computers and other electronic equipment should be switched off while they are not in use for energy conservation; and
- Security guards patrol the offices at night to ensure all non-use equipment is switched off.

In addition to the aforesaid measures, Caring Committee sends messages related to “Green information” to staff with the aim to raise the consciousness of environmental protection. Furthermore, green posters have been framed along the corridor/pantries through which, the “green theme” of the environmental friendly atmosphere is promoted throughout the working space.

To enhance employee’s awareness on low-carbon office and energy saving practices, we participated in “Earth Hour” events by turning off all non-essential lights for one hour at our retail stores and encouraged all staff to adopt the same practice at home.

¹ Energy intensity is not considered as an applicable performance indicator due to our nature of business.

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Use of water

We do not consume significant amounts of water through our business activities. The majority of the water supply facilities are provided and managed by property managers on our rental premises, and the usage have been included in the management fees.

Although the water consumption is considered minimal, we also encourage saving by driving behavioural changes in the workplace. Green messages are posted in pantries and washrooms as reminders for using water efficiently.

Use of packaging material

In the retail management business (i.e. Pricerite), packaging material is used for delivery of goods. The major packaging material used in the business is plastic bag, which is offered to customers upon request.

We strictly implement the Plastic Shopping Bag Charging enforced by the Government. Customers are required to pay a levy in requesting a plastic bag, hence restricting the consumption of plastic bags. Furthermore, promotion material of BYOB – Bring Your Own Bag is displayed in our retail stores to raise customer awareness in order to reduce plastic bag usage.

A3 The environment and natural resources

The Group is committed to controlling its operations' impact on the environment and natural resources. In addition to complying with environment-related laws and incorporating the concept of environmental protection into internal management and daily operation activities, we continuously assess and control the potential impacts of our business activities on the environment.

Light pollution

Due to the high building density in Hong Kong, external lighting at night may disturb nearby residents.

To reduce the impact of light pollution, Pricerite strictly follows the "Charter on External Lighting" which has been in effect since April 2016. Certain Pricerite's stores are committed to switching off decorative, promotional or advertising lighting, which affects the outdoor environment during the preset time (i.e. midnight to 7 am). This measure also helps reduce energy wastage.

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B. Social

B1 Employment

Respect for the rights of everyone who works for us is fundamental to the sustainability of the Group and the communities in which we operate. Our commitment to operating with respect for individuals is reflected in all aspects of the Group's business operations and is integrated in our policies and relevant procedures. We are committed to providing a happy and family-friendly workplace.

The Employee Handbook is formulated to stipulate general practices and policies related to employment, compensation and benefits. To stay competitive, our base salaries are within industry norms, contributing to our ability to attract and retain highly skilled and motivated staff.

The Group is committed to developing, maintaining and supporting a culture of equality and diversity in employment, on the basis of age, race, colour, nationality, religious belief, disability, sexual orientation, political opinion and any other status protected by applicable legislations and ordinances. We believe that the diversity can enrich all employees by providing a more rewarding and less stressful environment. No one shall be discriminated at recruitment, selection, employment, compensation, transfers, promotion, training or development. Qualified individuals are employed to carry out our fiduciary duties based on their education, experience, and ability without discrimination.

Meanwhile, the Group introduces family-friendly employment practices, including offering family leave benefits and employee support schemes, providing fresh fruits, and organising health talks and jogging classes to promote employee well-being.

There were no non-compliance cases noted in relation to employment laws and regulations during the Reporting Period.

The total workforce of the Group is summarised as follows:

Gender	No. of staff	
	2019	2018
Male	359	489
Female	438	435
Total	797	924

Employment type	No. of staff	
	2019	2018
Full-time	668	738
Part-time	126	143
Temporary and contract	3	43
Total	797	924

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Age	No. of staff	
	2019	2018
<30	189	259
30–50	470	515
>50	138	150
Total	797	924

Note: The above statistics represents the number of employees at the end of the Reporting Period.

B2 Health and safety

Ensuring the health and safety of our employees is an integral part of our business activities. Therefore, we are dedicated to maintaining a safe, hygienic and productive workplace by minimising the potential risk of accidents, injuries and exposure in relation to health risks. We ensure all employees are competent at work, and are given adequate training to comply with all local legislations and ordinances with regard to health and safety.

The Group did not violate any health and safety laws and regulations of Hong Kong during the Reporting Period.

Occupational health and safety record is maintained to ensure that a healthy and safe workplace is provided for our employees at all times. Preventive measures were undertaken with the use of appropriate office equipment as well as performing periodic office risk assessment to enhance workplace safety. We also regularly arrange flu vaccination, and free medical and dental check-ups for our employees.

B3 Development and training

We are committed to ensuring that the talents, skills and abilities of our employees are recognised and are utilised to their full capacity. The Group has implemented various training policies and organised a number of training programmes aiming specifically at improving the skills and developing the talents of our employees and generally increasing the competitiveness, productivity and efficiency of the Group.

Our training programmes are developed based on business needs and competencies of employees. During the Reporting Period, we organised more than a hundred of in-house classes including training in areas such as language proficiency, knowledge on products, customer service, operational and selling techniques, career orientation, presentation, team building, communication, coaching, quality management, graduate development, leadership transformation, Continuous Professional Training (CPT) of professional qualifications, and professional license examinations preparation.

B4 Labour standards

Our Group prohibits the use of all forms of forced labour. All legal regulations regarding employment of young persons whose age ranged between 15 and 18 shall be followed by the Group.

There were no material non-compliance issues noted regarding labour standards as required by related laws and regulations during the Reporting Period.

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B5 Supply chain management

To support sustainability, our Green Supply Chain initiative applies strict environmental, social and ethical criteria to the suppliers of our business. We place high demands on suppliers and request them to comply with the same standards that have been set by the Group.

We have incorporated sustainability considerations into our sourcing and outsourcing practices, requiring suppliers to meet the basic standards. For example, all suppliers are expected to adhere to these basic principles:

- Operating as an equal opportunity employer, and recognising the right to collective bargaining, minimum and prevailing wages and benefits;
- Maintaining probity and accountability standards;
- Minimising discrimination against small and medium-sized enterprises and local vendors;
- Providing a healthy and safe working environment, not employing forced or child labour, and refraining from harassment or abuse of employees; and
- Supporting sustainable development, acting responsibly with regard to the environment, observing environmental criteria to conserve resources, minimising the negative environmental impact of production, application and disposal of products, and reducing the use of hazardous products as much as possible.

In the procurement process, we communicate with suppliers on their environmental and social responsibilities. The environmental friendliness of suppliers' practices and products are examined. Selected suppliers' performance is monitored through onsite factory assessments, quality reviews of products and customer feedback. Areas that do not adhere to the standard set forth by the Group are evaluated with the suppliers to identify opportunities to improve their current environmental and social practices.

B6 Product responsibility

The Group is committed to providing reliable products and services, while acting responsibly and protecting the interests of various stakeholder groups. We take responsibility in offering reliable products and services, through our principal activity of retail management business, and in meeting stakeholders' expectations on quality and sustainability.

Customer service

Satisfying our clients is our central focus. This principle guides all our activities and applies to all business divisions. The key elements are transparency and high-quality advice, which enable us to improve client satisfaction and achieve customer loyalty in the long term.

We aim to customise our solutions based on the unique needs of customers, in delivering sustainable value and fostering long-term relationship with our customers. During advertising, we ensure information and marketing materials are easily understood and provide all relevant information in facilitating the decision making of customers.

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Quality assurance

In the sales of furniture and household items, we strive to achieve the highest standard in terms of quality, safety, and consistency. To safeguard our baseline, we involve an independent Quality Assurance Team in assuring product quality and safety. The team assures the satisfaction of customer expectations by the following means:

- Product development – review of new designs, examination of product specifications, analysis of customer expectation conformance;
- Supplier assessment – inspection of suppliers' capability in satisfying quality requirements, solving supply problem by establishing communication channels with suppliers;
- Pre-shipment inspection – inspection of functionality and safety of finished goods to ensure conformance to required specifications; and
- Complaint handling – review of product defects and mismatches against customer expectation, provision of improvement plans on product quality.

Pricerite has received Q-Mark Service Certification from Hong Kong Q-Mark Council since 2006, and TMF has received the certification since 2018. The certification recognises our competency on providing high standards of service to customers.

Handling of personal data

The Group strictly adheres to regulatory requirements of data privacy, through fulfilling high security and confidentiality. We are committed to maintaining and protecting personal data.

Internal policy has been established to govern the collection and handling of personal data received from a data subject. Under our data protection principles, a Privacy Policy Statement ("PPS") is acknowledged to enable the public to ascertain the data user's general policies and practices in relation to the collection, holding and use of individual personal data.

Furthermore, in accordance with our data protection principles, a Personal Information Collection Statement ("PICS") is acknowledged whenever there is collection of personally identifiable information from individuals to notify data subjects of certain matters in relation to specific collections of personal information from them. The Group will not use or provide personal data to any person for use in direct marketing unless we have obtained the data subject's consent in writing. Meanwhile, the Group maintains a sound safety system and protective measures to prevent unauthorised use of personal data.

There were no material non-compliance issues noted regarding product responsibility as required by related laws and regulations during the Reporting Period.

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B7 Anti-corruption

The Group strives to promote and maintain the highest standard of honesty, integrity and fairness. All of our staff must ensure that the Group's reputation is not tarnished by dishonesty, disloyalty or corruption.

Apart from the internal guidelines for monitoring anti-money laundering, counter-terrorist financing as well as gifts or advantages received from or given to clients or suppliers, the Group has established an assessment form to evaluate high risk customers and whistle-blowing channels to enable staff to report on suspicious transactions. Any reporting suspicious transactions will be followed up timely and investigated by independent personnel.

During the Reporting Period, no legal case regarding corruption was brought against the Group or its employees. In addition, the Group was not aware of any cases of non-compliance with laws and regulations relating to anti-money laundering.

B8 Community investment

People-centric is one of our core corporate values that guide our business and day-to-day operation. We therefore care about the interests of the communities and people that we serve. We and our employees are dedicated to working hand-in-hand with the local communities in a variety of initiatives ranging from job creation to youth education and disaster reliefs.

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 27 March 2020