

## 1. About This Report

### a. Reporting Standard & Scope

This Environmental, Social and Governance (“ESG”) Report has been prepared with reference to the ESG Reporting Guide (2012) of the Hong Kong Exchanges and Clearing Limited (“HKEX”), which is in line with the recommended best practice for listed companies. This Report covers the ESG impacts, policies and initiatives for the period from 1 January 2015 to 31 December 2015. Future ESG disclosure will follow the revised HKEX ESG Reporting Guide released in December 2015.

The following entities were selected to be included in this ESG Report due to their significant contributions to the Company, thus making them an ideal proxy for the Company’s overall business:

<b>Department Store</b>	Citistore
<b>Specialty Store</b>	id:c / needle & line

A detailed ESG content index is included at the end of this Report to aid navigation and facilitate greater transparency. Additional ESG performance information including financial data and corporate governance structures can be found in other sections of this Annual Report.

### b. Materiality Assessment

In order to provide a concise, balanced and clear view of the Company’s ESG performance, this Report focuses only on the sustainability issues that are material to the Company, as well as highlighting the successes and challenges faced over the year.

To determine material issues for disclosure, a third-party consultant was commissioned to perform a structured, three-step materiality assessment:

<b>Step 1: Identification</b> <ul style="list-style-type: none"><li>Material aspects and Key Performance Indicators (KPIs) for disclosure were identified by reviewing the ESG reports of five local and international peers (Four department stores and one local fashion retailer).</li><li>KPIs reported by the peers were mapped to ascertain the rate of disclosure of different KPIs</li><li>The materiality of the KPIs was determined based on the rate of disclosure.</li></ul>	<b>Step 2: Prioritisation</b> <ul style="list-style-type: none"><li>Summary rankings from the peer benchmarking were compiled to determine the importance of each KPI.</li><li>The KPIs were then ranked as high-priority and medium-priority in relation to their relevance to the operations of the Company.</li></ul>
<b>Step 3: Validation of Material Issues</b> <ul style="list-style-type: none"><li>Material KPIs for disclosure were finally confirmed and validated by the Company’s senior management, in line with potential business impact.</li></ul>	

## 2. Human Capital

The Company values its employees as its greatest asset and believes that human capital is the cornerstone of its operations. By investing in the workplace and in enhancing the skills and qualities of its employees, mutual progression and growth can be achieved.

### a. Working Conditions

The Company strives to provide a harmonious working environment that is conducive to the development and well-being of its employees. Equitable policies and guidelines have been established to ensure there are equal opportunities for employment and career advancement and the Company does not tolerate any form of discrimination. Fair and structured recruitment guidelines are also in place for talent acquisition.

*Table 1 – Total Workforce by Age Group & Employment Type*

	Workforce by Age Group & Employment Type		
	Below 30	30 – 50	Over 50
Full-time	89	387	162
Part-time	26	66	57

*Table 2 – Employee Turnover Rate by Age Group*

	Turnover Rate by Age Group (Both Full & Part-Time)		
	Below 30	30 – 50	Over 50
Turnover Rate	28.7%	29.6%	10.4%

With the aim of boosting employee morale as well as enhancing their sense of belonging, three staff activities were arranged in the reporting period. The signature Staff Annual Party was attended by full-time employees and drew together colleagues from the Corporate Office, all six Citistore branches and id:c in a lively and fun atmosphere. Everyone's spirits were lifted by the event's rich programme which included a lucky draw, entertainment performances, a competition between different Citistore branches and the presentation of various achievement-related awards.



*Staff Annual Party*

## b. Development & Training

The professional skills and capabilities of the Company's employees are vital to its long-term success. Customised training programmes are arranged for staff members at different levels and from across its divisions. Orientation training and mentoring were offered to new joiners to help them adapt to the new working environment. Customer services and language training were also provided to staff working in different Citistore branches. To stay abreast of best practice in the retailing industry, the Company also invited professional training organisations to deliver training to sales associates and shop managers on the latest trends in fashion and electronics. Middle and senior management staff attended courses organised by Hong Kong Retail Management Association to explore topics such as customer relationship management and changes in consumption patterns due to social media.

*Table 3 – Percentage of Employees Trained by Employee Category*

General Staff	7.4%
Middle Managers	73.4%
Senior Managers	88.1%

*Table 4 – Average Training Hours Completed per Employee by Employee Category*

	Number of Staff <sup>1</sup>	Average Training Hours Completed
General Staff	631	0.2
Middle Managers	128	1.3
Senior Managers	42	2.1

<sup>1</sup> This captures the number of staff who participated in training courses throughout the year of 2015. The total number of employees in Table 4 is 801. This figure is different from Table 1 where it is indicated that the total number of employees is 787, which is the total number of employees as of 31 December 2015.

The Company takes a progressive view to training opportunities. Upon recommendation from a department manager and with approval from a director, a subsidy is provided to staff members who wish to attend a course relevant to their job. During the reporting period, a staff member was also subsidised to attend a specialised training course on SAP Advanced Business Application Programming, after which the valuable skills acquired could be utilised to enhance the Company's current Point-of-Sale (POS) system.

## c. Health & Safety

The Company seeks to eliminate any potential occupational hazards and health risks by raising the safety awareness of employees. Ergonomic workstations are provided to staff members in the Corporate Office and safety notices and memos are posted in respective Citistore branches and id:c stores. The Company generates awareness among its frontline staff members by holding discussion sessions on preventive measures for back pain. It also conducted occupational health and safety (OHS) related training courses for employees on topics such as First Aid in the Workplace. Four internal site inspections were conducted in Citistore and at id:c in Mira Mall by the internal OHS team during the reporting period. Representatives from the Labour Department also undertook four safety inspections. No cases of non-compliance were reported during the reporting period.

**d. Anti-corruption**

The Company upholds high standards of business ethics and has strict anti-corruption policies that employees at all levels have to follow to rule out any incidences of bribery, extortion, fraud or money laundering. The Staff Handbook details a set of anti-corruption rules which employees must strictly adhere to. Acceptance of any form of benefits from suppliers by staff members is strictly forbidden. To heighten the anti-corruption awareness of its employees, the Company invited representatives from the Independent Commission Against Corruption (ICAC) to hold an anti-corruption seminar, which was attended by over 150 staff. During the reporting period, the Company fully complied with all local regulations related to anti-corruption including the *Prevention of Bribery Ordinance* (Cap 201 of the laws of Hong Kong) and there were no confirmed cases of corruption. To further its anti-corruption efforts, the Company is exploring the feasibility of formulating a whistle-blowing policy.

### 3. Environmental Protection

The Company seeks to achieve energy efficiency and effective waste management to minimise negative environmental impacts arising from its business operations.

Citistore (Hong Kong) Limited is committed to minimising pollution and harmful emissions. In line with this commitment, a comprehensive Environmental Policy has been established. This policy affirms compliance with all applicable legal and regulatory requirements on corporate social responsibility matters, whilst paying due consideration to environmental impacts in the supply chain management and operation management processes. The Company has taken steps to make employees aware of the necessity of reducing consumption of resources such as paper, water and fuel. Staff are also encouraged to mitigate energy consumption and carbon emissions by using energy-efficient electrical appliances. The Company remains committed to providing a safe, healthy and environmentally friendly working environment in compliance with all applicable legal requirements. It also promotes environmental awareness externally, to its business partners and customers and supports corporate social responsibility (CSR) initiatives in relation to environmental protection and sustainability in general. The Environmental Policy is reviewed on a regular basis or as required to ensure its relevancy and effectiveness.

**a. Emissions & Energy Use**

The Company works towards a goal of reducing its energy consumption in the Corporate Office and different branches of Citistore. A number of energy conservation measures such as light zoning and maintaining the indoor temperature between 25°C and 26°C are in place. Energy saving reminder notices are posted at the Corporate Office and at the retail sites, where digital timers have also been installed to ensure more efficient use of energy. During the reporting period, the ground floor of Tsuen Wan Citistore was renovated, with about 95% of the area being installed with LED lighting. In addition, the Company is also supportive of external environmental initiatives, as demonstrated by its annual participation in the “Earth Hour” initiative organised by World Wide Fund for Nature (WWF).



Tsuen Wan Citistore

Table 5 – Greenhouse Gas Emissions<sup>2</sup> Data in Total & Intensity

	Greenhouse Gas Emissions (in tonnes)	Emission Intensity <sup>3</sup> (Per FTE in tonnes)
Scope 1 <sup>4</sup>	61.4	0.1
Scope 2 <sup>5</sup>	6,202.0	9.7
Total	6,263.4	9.8

<sup>2</sup> Total Greenhouse gas emissions refer to CO<sub>2</sub> emissions and exclude other greenhouse gases such CH<sub>4</sub>, N<sub>2</sub>O and fugitive emissions such as refrigerants. Greenhouse gas emissions are calculated based on electricity consumption by adopting default emission factors provided on [www.epd.gov.hk](http://www.epd.gov.hk).

<sup>3</sup> The calculation of emission intensity was calculated with the Full-Time Equivalent (FTE) employees. Only full-time employees were included; whilst part-time employees with seasonal fluctuations were excluded.

<sup>4</sup> Scope 1 emissions arose from consumption of unleaded petrol and diesel oil of the company fleet.

<sup>5</sup> Scope 2 emissions arose solely from the consumption of electricity.

Table 6 – Direct &amp; Indirect Energy Consumption &amp; Intensity

	Energy Consumption (in 1,000 kWh)	Energy Consumption Intensity (Per FTE in 1,000 kWh)
Direct (Unleaded petrol & diesel of company fleet)	235.9	0.4
Indirect (Electricity)	8,859.9	13.9

## b. Waste Management

In the Corporate Office, staff members reduce their paper usage through double-sided printing. From Citistore and id:c, a total of about 410,000 kg of cardboard boxes was recycled and diverted from landfills during the reporting period. Some of the cardboard boxes were also reused for document storage in the Corporate Office and delivery services for customers.

## 4. Value Chain

### a. Product Responsibility

The Company strives to achieve a high level of customer satisfaction by providing customers with high-quality products and services. Feedback and suggestions from customers are sought to actively improve the Company's product and service offerings. Designated hotlines have been established and rigorous mechanisms are in place to address any complaints. Any complaint will be treated confidentially and thoroughly investigated, and a formal written reply will be issued via email which sets out how the complaint will be resolved. The Company treats each and every complaint seriously and attempts to rule out complaints of a similar nature from arising again. During the reporting year, a total of 31 written customer complaints were received for sold products and services, which were all resolved according to the established guidelines and procedures. There were no reported incidents of non-compliance with laws and regulations governing health and safety or the labelling of products and services.

### b. Relationship with Suppliers

The Company's extensive network of suppliers consists of 1,200 direct merchandise suppliers, consignment and concessionaire counters, as well as product and service providers in the fields of information technology, administration and marketing, amongst others. The Company strives to cultivate a mutually beneficial and trusting relationship with its suppliers so that it is able to deliver products and services of the highest standard in an efficient manner. All suppliers are required to abide by the Company's anti-bribery and anti-corruption policies and comply with all applicable laws and regulations.

## 5. Community Care

The Company seeks to impact positively on local communities by focusing its efforts on environmental protection and community care.

### a. Environmental Protection

In line with the Government's Environmental Levy Scheme on Plastic Shopping Bags ("PSB Levy Scheme") in July 2009 and its full implementation in April 2015, Citistore has been supporting the PSB Charge Collaborative Platform established by local green groups, namely, The Conservancy Association, Greeners Action and Green Power. During the year, a total of HK\$78,627 being part of the sum collected from the PSB Levy Scheme was donated to Green Power to promote waste reduction environmental projects. Since the implementation of the Scheme in April 2015, the consumption of plastic bags had been reduced by 90%, equivalent to about 4 million plastic bags taken out of use as compared with 2014.

### b. Community Care

The Company's employees actively participate in various community initiatives, providing pro-bono services to the community. The Management Information Systems (MIS) team has set up and provided continuous technical support for the Point of Sale (POS) system of a pioneering poverty relief initiative named "Home Market", which was launched by Henderson Land Group's Vice Chairman, Dr Lee Ka Kit. Home Market is a chain of not-for-profit convenience stores selling food and daily necessities at substantially discounted prices to underprivileged people including senior citizens, the physically challenged and low-income families. The MIS team dedicated approximately 135 volunteer hours during 2015 and derived an immense sense of fulfilment from putting their technical expertise to good use for a meaningful cause..

Citistore offered an alternative educational experience for kindergarten students who visited Tsuen Wan Citistore in March 2015 and learnt about retailing. The Tsuen Wan staff members volunteered for about three hours in this meaningful community engagement event.



*Student visit to Citistore*



## HKEX ESG Content Index

Aspect	KPI	Description	Page Number	Remarks
<b>A. Workplace Quality</b>				
A1 Working Conditions	A1	General Disclosure	19	–
	A1.1	Total workforce by employment type, age group & geographical region	19	–
	A1.2	Employee turnover rate by age group and geographical region	19	–
A2 Health and Safety	A2	General Disclosure	20	–
	A2.3	Occupational health & safety measures	20	–
A3 Development and Training	A3	General Disclosure	20	–
	A3.1	Percentage of employees trained by employee category	20	–
	A3.2	Average training hours completed per employee by employee category	20	–
<b>B. Environmental Protection</b>				
B1 Emissions	B1	General Disclosure	21-22	–
	B1.2	Greenhouse gas emissions in total	22	–
	B1.6	Description of how hazardous & non- hazardous wastes are handled, reduction initiatives & results achieved	22	–
B2 Use of Resources	B2	General Disclosure	21-22	–
	B2.1	Direct &/or indirect energy consumption by type	22	–
	B2.3	Energy use efficiency initiatives and results achieved	21	–
<b>C. Operating Practices</b>				
C2 Product Responsibility	C2	General Disclosure	23	–
	C2.2	Number of products and services related complaints received and how they are dealt with	23	–
C3 Anti-corruption	C3	General Disclosure	21&23	–
	C3.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored	21&23	–
<b>D. Community Investment</b>				
D1 Community Investment	D1	General Disclosure	23-24	–
	D1.1	Focus areas of contribution	23-24	–
	D1.2	Resources contributed to the focus area	23-24	–