

Sustainability and CSR

1 About This Section

(a) Reporting Standard and Scope

This Environmental, Social and Governance (“ESG”) Report has been prepared in accordance with the requirements of the ESG Reporting Guide issued by the Hong Kong Exchanges and Clearing Limited (“HKEX”). This Report covers the ESG impacts, policies and initiatives for the period from 1 January 2016 to 31 December 2016.

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

Department store	Citistore
Specialty store	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

This ESG Report focuses only on sustainability issues that are material to the Company. An independent consultant was appointed to conduct a three-step materiality assessment to determine material issues for disclosure.

Step 1: Identification – Peer Benchmarking <ul style="list-style-type: none">Material aspects and Key Performance Indicators (KPIs) for disclosure were identified by reviewing the ESG reports of six regional and international peers (four department stores and two fashion retailers).KPIs reported by the peers were mapped to ascertain the disclosure rate of different KPIsThe materiality of the KPIs was determined based on the rate of disclosure.	Step 2: Prioritisation <ul style="list-style-type: none">The results from the peer benchmarking were compiled to determine the importance of each KPI.The KPIs were then ranked as high-priority and medium-priority in relation to their relevance to the operations of the Company.
Step 3: Validation of Material Issues <ul style="list-style-type: none">The findings of steps 1 and 2 were brought forward for discussion with the Company’s senior management, who confirmed the list of material KPIs to be disclosed in the 2016 ESG Report.	

2 Environmental Protection

The Company is fully aware of the impacts of its operations on the environment. The Company seeks to minimise its impacts by reducing energy consumption, waste generation and harmful emissions. An Environmental Policy was implemented in 2015, specifying that environmental protection is the responsibility of each employee and subcontractor. This policy affirms compliance with all applicable legal and regulatory requirements on corporate social responsibility matters, whilst paying due consideration to environmental impacts in supply chain and operational management processes. In this policy, the Company also pledges to reduce its consumption of electricity as well as resources such as paper, water, and fuel. The Company remains committed to providing a safe, healthy and environmentally friendly workplace in compliance with all applicable legal requirements. It also promotes environmental awareness externally to 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 relevance and effectiveness.

(a) Emissions

The Company is constantly working on reducing its emissions, mainly through energy reduction initiatives. Compared to last year, the Company has reduced its total greenhouse gas (“GHG”) emissions by 3.4 %.

Table 1: GHG Emissions Data in Total & Intensity

	GHG Emissions (in tonnes)		Emissions Intensity ¹ (per FTE in tonnes)	
	2015	2016	2015	2016
Total GHG emissions	6,263.4	6,052.9	9.8	9.7
Scope 1 emissions	61.4	62.5	0.1	0.1
Scope 2 emissions	6,202.0	5,990.4	9.7	9.6

The reduction was made possible through a variety of means. During the renovation of the Ma On Shan Citistore, approximately 99% of the sales area was fitted with LED lighting, a more energy-efficient alternative to conventional lighting options. Moreover, an impressive 5.2% reduction in the Tsuen Wan Citistore’s total electricity consumption was achieved with the replacement of its air handling unit by a central chiller plant air conditioning system on the third floor.

The Company was also active in its efforts to establish closed loop recycling in its everyday operations. The practice of re-using paper and double-sided printing was continued. In 2016, more than 416,000 kg of cardboard boxes and 120 electronic items such as UPS units, servers and printers were diverted to a recycling company.

The Company also enthusiastically participated in the annual World Wide Fund for Nature Hong Kong (WWF – Hong Kong) Earth Hour on 19 March 2016.

Note:

(1) The calculation of emission intensity was calculated with the Full-time Equivalent (FTE) employees. Only full-time employee were included; whilst part-time employees with seasonal fluctuations were excluded.

(b) Use of Resources

Our Energy Reduction Efforts

The Company takes steps to closely monitor and reduce its energy consumption at the Corporate Office and at all branches of Citistore.

Major energy conservation measures, such as light zoning and indoor temperature maintenance between 25°C and 26°C, have been implemented. Smaller initiatives such as the installation of digital timers and posting of energy-saving reminder notices have also been effective in ensuring a more efficient use of energy.

A noteworthy investment was made during the renovation of the Tsuen Wan Citistore to upgrade the lighting so that now about 95% of the ground floor area is installed with LED lighting. Moreover, the Company's annual participation in the "Earth Hour" organised by WWF – Hong Kong also underscores its support to external environmental initiatives.

The Company worked hard to reduce its energy consumption (both direct and indirect), achieving a 3.3% decrease from last year's figures.

Electricity consumption was reduced from 8,859.9 1000kWh in 2015 to 8,557.7 1000kWh in 2016.

Table 2: Direct & Indirect Energy Consumption & Intensity

	Energy Consumption (in 1,000 kWh)		Energy Consumption Intensity (per FTE in 1,000 kWh)	
	2015	2016	2015	2016
Total direct energy consumption ¹ (Unleaded petrol & diesel of company fleet)	235.9	236.8	0.4	0.4
Total indirect energy consumption ² (Consumption from the use of electricity)	8,859.9	8,557.7	13.9	13.7

Waste Management

The typical waste produced at the Corporate Office is paper, while at Citistore and id:c it is cardboard boxes.

At the Corporate Office, staff members continue to make efforts to reduce paper consumption through paper-reuse and double-sided printing.

In 2016, a total of about 416,000 kg of cardboard boxes from Citistore and id:c were recycled and diverted from landfills, representing an increase of 6,000 kg or 1.5% as compared to 2015. Some of the cardboard boxes were also reused for document storage at the Corporate Office and for customer delivery services.

A total of 517,201 shopping bags were used for goods sold from April to December 2016³. From April to December 2015, the total number of shopping bags used were 504,322. We estimated that the shopping bag consumption trend is increasing owing to the fact that the levy scheme effect is weakened gradually.

Notes:

(1) From diesel consumption for company trucks.

(2) From electricity consumption for all stores.

(3) The period considered is April to December to make the comparison possible between 2015 and 2016.

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Citistore customers are encouraged to recycle their red packets, which otherwise end up in Hong Kong's overburdened landfills every Chinese New Year season.



Paper box for collection of re-used red packets near our cashier counters

3 Our People

The Company recognises that employees are its main asset and it aims to provide a rewarding and harmonious work environment. The Company also attempts to enhance staff skills by providing training and development opportunities.

(a) Employment

The well-being of all employees is a priority and the Company strives to build a collaborative and harmonious work environment, free from discrimination with equal opportunities for employment as stipulated in its equitable policies and guidelines. Fair and structured recruitment guidelines are also in place for talent acquisition.



Staff Annual Party



The Company held its Annual Staff Party in June 2016. Over 630 full-time employees enjoyed the Banquet and the Grand Lucky Draw. A Store Competition (Talent Show and Games) was also organised, as well as the Staff Service Award ceremony.

In December 2016, a Christmas party was held at each branch with company and management staff sponsors.

Table 3: Total Workforce by Gender, Employment Type and Age Group

		Workforce by Age Group and Gender				
		Below 30	30 – 50	Over 50	Male	Female
2015	Full-time	89	387	162	107	531
	Part-time	26	66	57	9	140
2016	Full-time	90	364	169	109	514
	Part-time	27	56	55	7	131

Table 4: Total Workforce by Employee Category in 2016

	Number of staff
General	606
Middle managers	121
Senior managers	34

Table 5: Employee Turnover Rate by Gender and Age Group

		Turnover Rate by Age Group and Gender (Both Full-time and Part-time)				
		Below 30	30 – 50	Over 50	Male	Female
2015		28.7%	29.6%	10.4%	8.1%	50.1%
2016		21.3%	23.5%	8.7%	7.9%	45.6%

(b) Health and Safety

The Company is committed to providing a safe working environment for its employees, free from any potential occupational hazards. Many health and safety-related initiatives and measures have been rolled out at our operations. Safety notices and memos were posted in respective Citistore branches and id:c stores.

The Company also generated awareness among its frontline staff members by holding discussion sessions on preventive measures for back pain. Safety training courses on various topics such as First Aid in the Workplace were organised and related information pamphlets were circulated amongst staff members.

Three site inspections were conducted by the Occupational Health and Safety (OHS) team of Labour Department during the reporting year.

There were no cases of non-compliance during the reporting year.

(c) Development and Training

The Company recognises the long-term benefits of enhancing its employees' professional skills and capabilities. The Company developed customised training programmes for staff members at different levels and from across its divisions.

Description of training activities

The Company provided a number of training and development opportunities to staff during the year. These included courses that strengthen soft skills such as customer service abilities, leadership and coaching training, and DISC (Dominance, Influence, Steadiness and Compliance) personality testing. Staff were also provided with opportunities to develop knowledge through Microsoft office skills training, OHS and first aid courses, product training on fashion trends, and social media training.



Customer Service Enhancement Training



Table 6: Percentage of Employees Trained by Gender and Employee Category

	% of total employees trained by gender		% of total employees trained by employee category	
	2016		2015	2016
Female	43.3%	General	7.4%	32.8%
Male	25.9%	Middle managers	73.4%	69.4%
		Senior managers	88.1%	76.5%

Table 7: Average Training Hours Completed per Employee by Gender in 2016

	Number of staff participating in training courses	Total hours trained	Average training hours completed
Female	279	1,953.5	7.0
Male	30	201.8	6.7

Table 8: Average Training Hours Completed per Employee by Employee Category

		Number of staff participating in training courses	Total hours trained	Average training hours completed
2015 (Restated)	General	48	96.8	2.0
	Middle managers	109	164.2	1.5
	Senior managers	50	89.5	1.8
2016	General	199	1,142.8	5.7
	Middle managers	84	790.3	9.4
	Senior managers	26	222.3	8.6

(d) Labour Standards

The Company strictly adheres to local regulations and standards concerning the prevention of child and forced labour.

There were no compliance issues with local regulations and standards during the reporting year.

4 Our Value Chain

The Company has over 1,400 suppliers including direct merchandise suppliers, consignment and concessionaire counters, as well as those providing products and services in relation to information technology, administration and marketing. The Company believes a coherent working relationship with all suppliers is essential to operational efficiency and helps to alleviate any possible supply chain risks. Therefore, the Company strives to develop and maintain an effective and mutually beneficial working relationship with our suppliers.

To qualify as a supplier, entities are required to conform to the Company's guidelines concerning anti-corruption and bribery. The Company attaches great importance to product quality, and in particular that all of its suppliers comply with relevant laws when supplying food, toys and children's products to Citistore.

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(a) Product Responsibility

The Company is committed to product and service excellence and strives to achieve a high level of customer satisfaction.

The Company strives to provide quality products to customers by requiring its suppliers to adhere to all laws and regulations when supplying products to the Company, and particularly:

- (i) Trade Descriptions Ordinance (Chapter 362 of The Laws of Hong Kong) for ensuring all products shall not contain any false trade descriptions, forged trademarks, false representations or otherwise contravene the provisions of this ordinance; and
- (ii) Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of The Laws of Hong Kong) for ensuring pre-packaged food products must adhere to and comply with this regulation; and
- (iii) Consumer Goods Safety Regulation (Chapter 456A of The Laws of Hong Kong) and Toys and Children's Products Safety Regulation (Chapter 424B of The Laws of Hong Kong) for ensuring toys and children's products must adhere to and comply with these regulations.

To continuously enhance performance, the Company collects feedback and suggestions from customers. Designated hotlines and rigorous mechanisms are in place to address any complaint received. Complaints are treated confidentially and are thoroughly investigated. A formal written reply will be issued via email, which sets out how the complaint will be resolved.

During the reporting year, a total of 58 written customer complaints were received via e-mail for sold products and services, which were all resolved according to the established guidelines and procedures. Last year, there were 31 customer complaints.

During 2016, the Company also received 13 letters of appreciation from customers.

There were no reported incidents of non-compliance with laws and regulations governing health and safety or the labelling of products and services.

(b) Anti-corruption

The Company adheres to high standards of business ethics and integrity. All employees are expected to abide by the Staff Handbook as well as anti-corruption policies which prevent any incidences of bribery, extortion, fraud or money laundering. Acceptance of any gifts from suppliers by staff members is strictly prohibited.

During the reporting year, 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.

5 Our Community

The Company is strongly engaged in a broad array of community and charitable activities focusing on recycling and charitable donations. During the reporting year, the Company contributed a total of HK\$284,584 and 108 service hours.

Table 9: Resources Contributed to the Focus Areas

Organisation/ Beneficiaries	Programme	Donation
Green Power	Plastic Shopping Bags Charge Collaborative Platform	\$184,584
Greeners Action	Recycle use of red packets campaign	\$100,000
Greeners Action	Red packets collection	Collected and delivered a total of 516.8 kg of red packets for re-use
Home Market	Technical support to the POS system given by the MIS team of the Company	108 service hours
Other NGOs (Church, School, Salvation Army etc.)	Donations	Donated 3,500 pieces of clothing, household goods and accessories

The Company believes investments in sustainability initiatives are crucial to ensuring a bright future. A donation of \$184,584 was made to Green Power in support of its PSG Charge Collaborative Platform, while a donation of \$100,000 was made to the Greeners Action in support of their red packets recycling campaign. As a participant of the latter initiative, the Company managed to collect and deliver a total of 516.8 kg red packets. The Company also donated 3,500 items of clothing, household goods and accessories to various NGOs, including the Salvation Army, churches and schools. Besides material and financial donations, 108 hours of skilled labour were provided by the Company to the non-profit organisation, Home Market, to assist with the technical support of its Point-Of-Sale system. On a lighter note, the Company's Tsuen Wan and Tseung Kwan O stores also served as venues for experiential learning, when they hosted kindergarten students to their first retailing experiences.



Student visit to Citistore

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