



Convenience Retail Asia Limited
利亞零售有限公司

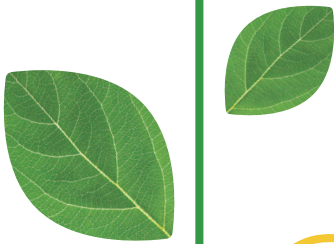
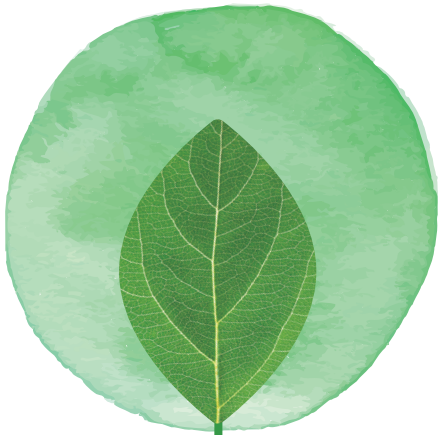
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00831



2020

Environmental, Social and Governance Report

馮氏



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FRAMEWORK

Convenience Retail Asia Limited (the “Company”) and its subsidiaries (together “CRA” or the “Group”) is listed and a member of the Fung Group, engaging in the operation of bakeries and fast-fashion eyewear. The Group owns Saint Honore Holdings Limited and its bakery chain Saint Honore Cake Shop, a household name for bakery products in Hong Kong, Macau and the Pearl River Delta. It has obtained the exclusive license of Japan’s premium cake shop Mon cher in Hong Kong and Macau. Besides, the Group is also running the franchise of the leading fast-fashion eyewear Zoff for Hong Kong, Macau and Southern China. The Group’s convenience stores operation under the brand name of Circle K was sold in December.

As of 31 December 2020, the Group operates a total of 131 self-operated stores under the Saint Honore, Mon cher and Zoff brands:

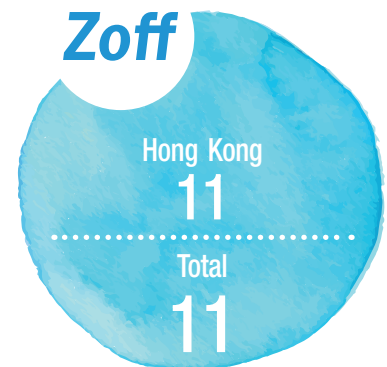
Saint Honore



Mon cher



Zoff





Prior to the disposal of Circle K business in December, there were 341 convenience stores operated by the Group in Hong Kong and their activities were also covered in this Environmental, Social and Governance (“ESG”) report.

The Board of Directors (the “Board”), the Group’s highest governing body, is ultimately accountable for leading and overseeing our operations towards sustainable development and according to the expectations of our stakeholders. The Board is supported by the Group’s Corporate Social Responsibility (“CSR”) Steering Committee (the “Committee”) which is set up to oversees our strategy and track performance in sustainability matters. Please refer to Sustainability Governance P.7 for details. Our CSR Policy underlines our commitment to building a sustainable development platform by reducing the impact of our business activities on the environment, promoting charitable volunteering and community development, respecting human rights and complying with all laws and regulations related to good corporate governance.

In 2020, a year marked by challenges brought about by the Coronavirus pandemic, we seek to navigate an economically and socially viable path towards a “next normal”. Aligned with our previous year, this report highlights our contributions to sustainability and provides information about our ESG issues, impacts and achievements for the financial year ended 31 December 2020. In addition, this report provides case studies of how we make a difference, strengthening our governance capability and creating value for the society at large. Here are the two spotlight case studies and progress in various areas:



Spotlight Case #1

Building organisational change capability

p.5



Spotlight Case #2

Connecting with stakeholders in times of pandemic

p.6



Product Responsibility

The long-term viability of a business is built on fair and responsible operations and supply chains. Our approach is underpinned by a commitment to acting as a responsible and reliable producer and retailer along our value chain.

We strive to ensure our products are safe to consume and we treasure a long term relationship with our customers and business partners.

- p.14** Product safety
- p.17** Customer satisfaction
- p.19** Business ethics



Employment

We believe that a robust, talented and engaged workforce is the core pillar for our future growth and sustainability. We are committed to cultivating a fair, diverse, empowering and safe work environment, where all of our employees are respected, valued and nurtured.

To cultivate such culture and support our employees' performance, we have a framework of clear policies, structured employment system, health and well-being initiatives, and training and development opportunities.

- p.26** Employee wellness
- p.28** Employee relations
- p.30** Training and development
- p.31** Labour standards



Environment

Recognising climate change as one of the causes to long-term risks, we are committed to reducing our environmental impact associated with our operations, products and services.

We strive to reduce carbon emissions, enhance energy efficiency, reduce waste disposal and increase sustainable and efficient use of resources. We focus our efforts on three core pillars: reinforcing awareness and participation, reducing carbon footprint, and collaborating with business partners.

- p.21** Waste management
- p.23** Resource management
- p.24** Carbon and energy management



Community Investment

Supporting the communities where we operate is one of our opportunities to create value. With this mission in mind, we strive to build an inclusive community through encouraging our employees to care for and contribute to the communities.

We strive to connect and build a long-term relationship with the communities through understanding their needs and minimising the impacts of our operations brought to our neighbourhoods. We encourage our employees to care for and contribute to the communities by deploying their skills and knowledge.

- p.32** Community engagement



2020 HIGHLIGHTS

The global challenges of our time are diverse and multifaceted, but so are the solutions. With this in mind, we are exploring new sustainability strategies and further examining how sustainability trends and they will impact our business environment and value chain. In 2020, we stepped up efforts to promote sustainability across every part of our operations in face of the challenging environment and are pleased to have achieved the following success:



Fighting against the virus **P.15**



Engagement success with our customers **P.18**



Corporate governance award **P.20**



Collaborate to recycle **P.22**



Reduce use of packaging and single-use plastics **P.23**



Reduction in carbon emissions **P.24**



Talent development achievement **P.31**



Connecting with our community **P.33**

SPOTLIGHT — BUILDING ORGANISATIONAL CHANGE CAPABILITY

The Convenience Store Business of the Group (the “CVS Business”) was sold back to the brand owner during the year. The Group commenced the CVS Business in Hong Kong in 1985 under the brand name of Circle K pursuant to a licensing arrangement. As the licensing agreement approached its expiry, the management team had considered various strategic alternatives. In the meantime, the Group had received a favourable proposal from the license owner to buy back the CVS Business. Having considered the proposal, the management team agreed that it was a good opportunity for the Group to re-strategise its existing businesses.

The disposal would be an all-win transaction for CRA's shareholders, employees and the license owner. Thus the disposal proposal was put forward for the Company's shareholders to consider and vote in the Extraordinary General Meeting (the “EGM”).

Understanding that the disposal would also arouse concern from our employees and business partners, once the public announcement about the disposal proposal was released on November 5, the Company organised two townhall meetings with its employees within the same day. Communications were also sent to all business partners to inform them of the proposed change.

In the townhall meetings, employees had a direct dialogue with the management team who explained the details of the proposal. A video prepared by license owner was shown to allow the employees to gain better understanding on the background, culture and value of the license owner. During the Q&A sessions, management answered wide range of questions raised, including job retention, remuneration package, fringe benefits, secondment opportunity, etc.

At the EGM held on December 7, the disposal was approved by 99.99% of the shareholders who had casted their votes. And further on December 21, as all the conditions in the disposal were satisfied, the transaction was announced completed.

During the transition, a taskforce comprising heads of different divisions was set up. The taskforce proactively connected with different stakeholders including our suppliers, landlords, all level of staff, company shareholders of both continuing business and discontinued business to assure seamless change and their continual success.





SPOTLIGHT — CONNECTING WITH STAKEHOLDERS IN TIMES OF PANDEMIC

The pandemic has disrupted the lives of everyone in our society, while the elderly and the underprivileged were the ones affected the most. As a local Hong Kong company, we are always looking for ways to offer a helping hand to the underprivileged communities and to continue our effort to bring more positive impact to our community.

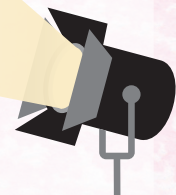
During the year, the Group initiated several give-back actions to offer assistance to those in need and also joined force with other organisations for a caring society. In February, while face masks were in widespread shortage, Circle K gave away 100,000 free masks to elderly in Hong Kong. Later on, additional 10,000 masks were given to Community Chest to form part of the care kits for the elderly and deprived families. At the same time, a total of 10,000 hand sanitisers were donated to Tung Wah Group, Helping Hand and St. James' Settlement as part of supplies that these charities were giving out to the elderly community.



In December, Circle K, partnered with Community Chest again to donate 450,000 cash vouchers and 100,000 meal vouchers to low-income families, with a total value of HK\$11 million. More than 200,000 individuals in the local community were benefited. With charitable giving in decline during the pandemic, Circle K further donated HK\$1 million to four charitable organisations including Tung Wah Group of Hospitals, St James' Settlement, New Life Psychiatric Rehabilitation Association and Helping Hand. Meanwhile, Saint Honore donated 200,000 bread vouchers, worth HK\$2 million, through local NGO Feeding Hong Kong who worked hand in hand with 84 local charities on the distribution of the vouchers, benefiting more than 60,000 elderlies and underprivileged families in Hong Kong.

While the impact of this pandemic to our Group was manageable, we understood family members of our employees might have been affected to various extent. In order to express our care and also gratitude to all of them for their persistent services during these difficult times, special cash allowances were released in July and November to all our full time and part time staff.

As a Group deeply rooted in Hong Kong, the Group is determined not only to provide reliable services and products to our customers but to walk hand-in-hand with our society in challenging times.





SUSTAINABILITY GOVERNANCE

Sustainability governance helps companies develop and implement sustainability strategy, manage reporting processes and goal-setting, and formulate action plans. With this in mind, the Group has always been looking for ways to advance sustainability governance to ensure successful management of sustainability matters across the organisation.

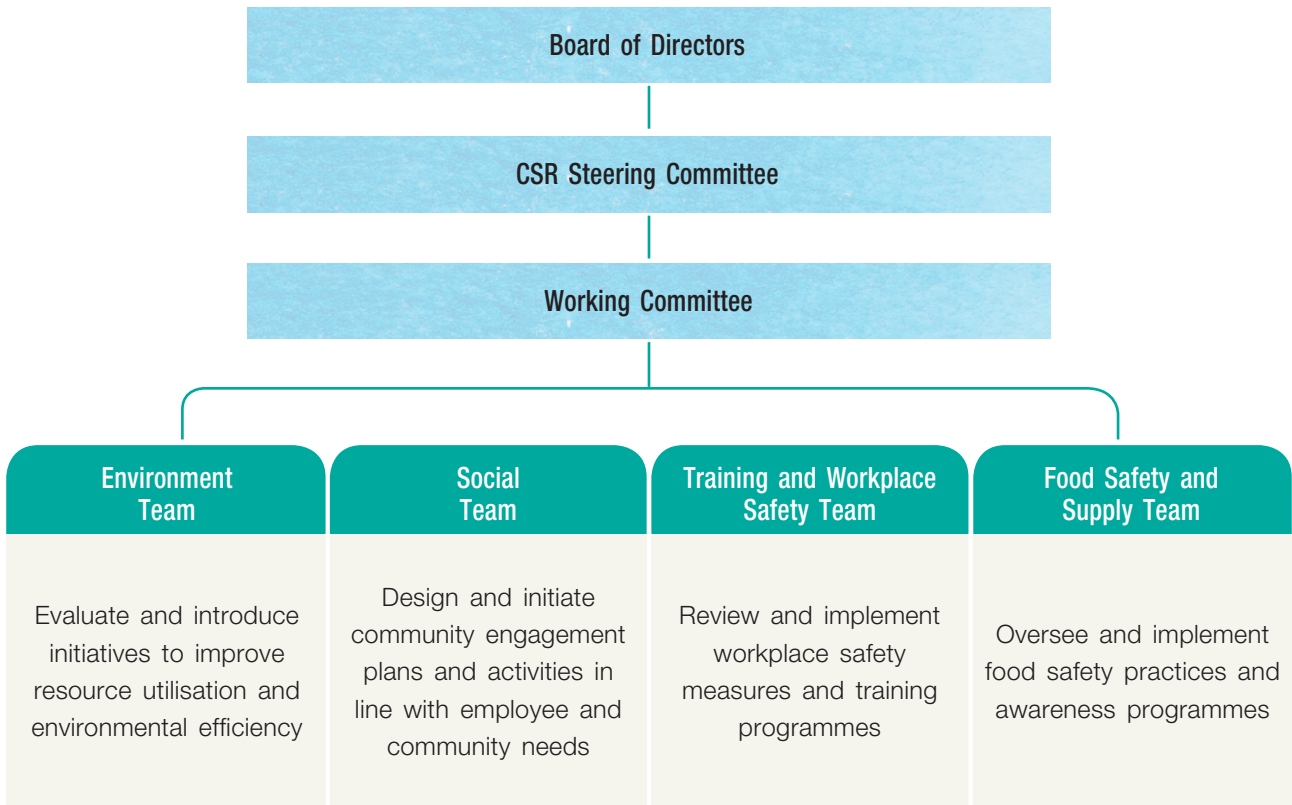
Strengthening governance of sustainability issues

With leadership by the Board, the Group's CSR Steering Committee (the "Committee"), headed by the Chief Executive Officer, has been set up to oversee the Group's strategies, policies, initiatives and performance on sustainability matters, principally in the areas of employment, community involvement, product responsibility and environmental protection.

The Committee is responsible for identifying and reviewing sustainability matters, tracking sustainability performance and recommending improvement actions, setting objectives and targets, and reporting to the Board on the relevant sustainability matters.

Our Working Committee coordinates sustainability activities across the Group, supported by four working teams formed within various business units, namely the Environment Team, the Social Team, the Training and Workplace Safety Team, and the Food Safety and Supply Team. It reports to the Committee on a regular basis its actions, performance and achievements. The Committee is thus able to make relevant recommendations to the Board and facilitate the decision-making process.

Sustainability performance through various key performance indicators ("KPIs") are monitored and evaluated across business units and reported to the Working Committee and the Committee through regular meetings.



Managing sustainability risks and unlocking opportunities

Effective risk management that takes into account risks and opportunities is crucial to the long-term growth of our business. As a result, the Group’s risk management process is integrated into its business processes, including strategy formulation, business planning, investment decisions, internal controls and day-to-day operations.

The Board provides oversight of our risk management, including our management of ESG related risks. Empowered by the Board, the Audit Committee reviews risk management and internal control systems and makes relevant recommendations to the Board, while the management oversees the implementation and ensures ESG and compliance controls.



Managing sustainability risks through appropriate policies and systems

The governance of material sustainability topics is an important element of our corporate governance. Environmental and social risks were included as part of the enterprise risk management programme. In 2020, the Group conducted an annual review on the risk management and internal control systems, and considered the systems and procedures effective and adequate with no significant weakness being identified.

ESG Issues	The Group's Responses
Climate change	<p>The global warming over the next decade is unavoidable, and with that reality comes an increased risk of physical and economic hazards. The Group has started an assessment to study the impact of climate change on its various operations and any measures required to mitigate them. The assessment result, which will be issued in first half of 2021, will be incorporated to our strategic business plan, where appropriate.</p>
Sustainable supply chain	<p>In line with our commitment to upholding responsible, fair and ethical business practices, we take a risk-based approach for ingredients and packaging materials, which is an integral part of our business activities. Key suppliers are evaluated through audits conducted by the Vendor Compliance Team of the Fung Group. To guide our suppliers to embed sustainability into their business practices, we present our principles for responsible and ethical operations in the Supplier Code of Conduct.</p> <p>In the face of the ever-changing social, economic and political environment, how to ensure a sustainable supply chain has become a topic with high priority for the Group. We believe a sustainable supply chain can only be achieved by greater knowledge sharing and transparency on best practices across the sector. Looking forward, we will continue to nurture long-term business relationships with our suppliers to build a fair and responsible supply chain.</p>



As part of our risk management, we uphold a very high standard of accountability and business integrity by implementing effective policies, guidelines and practices. We comply with all laws and regulations that are relevant to our business operations and closely monitor the changes. Our performance against legal non-compliance is summarised below:

Reportable cases of breaches in legal or regulatory compliance in 2020*		
Aspect	Number of Cases	Supplementary Information
Business Practices (relating to anti-corruption and anti-competitive behaviour)	No reported cases	
Employees and Contractors (relating to employment practices, labour standards, and occupational health and safety)	No reported cases	
Product Responsibilities (relating to client privacy, production and service information, and customer health and safety)	No reported cases	HK Government has launched a 3 month public consultation on “Proposed Amendments to the Harmful Substances in Food Regulations” in December 2020. Our Food Safety and Supply Team is closely following up on any impact to our products.
Environment (relating to air and GHG emissions, discharges into water and land, and waste generation)	No reported cases	

* cases of non-compliance with relevant laws and regulations that have a significant impact on the Group



Identifying our latest sustainability priorities

We define our stakeholders as internal or external individuals, groups and organisations who have a considerable influence on our business, and whom our business has a significant impact on. Communicating with our stakeholders is of paramount importance for us to move forward on the sustainability path. It enables us to understand their needs and expectations and to identify material ESG issues and manage the associated risks and opportunities.

We engage our key stakeholders through multiple channels to gather their feedback and strive for continuous improvement. Meetings, workshops and other communication events are held across daily operations for internal and external stakeholder groups.

Employees

A wide range of initiatives to promote safe and healthy workplace, living and well-being amongst our employees, including new staff orientation, training sessions for frontline/supervisors and managers, as well as various team building activities.

Suppliers

Our Supplier Code of Conduct and regular audits guide our suppliers to operate in a safe, responsible and ethical way, while respecting their employees, society and the environment.

Communities

Engaging and supporting the community through encouraging employees to volunteer in charitable activities and voluntary services.

Customers

Regular activities to engage customers such as Customer Relationship Management programme, and various feedback channels such as hotlines and social media platforms.



Along with feedback received from various engagement channels, the Committee has reexamined the results of the previous materiality assessment, considering our contributions, level of control and their relationship with our strategic business objectives. The list of top tier issues not only provides us with an overview of the relative importance of selected sustainability topics to our stakeholders and business, but also enables us to identify priority areas and guides our future actions.



Environment		Employment and Labour Standards		Product Responsibility		Community Investment	
	Electricity consumption and efficiency <i>p.25</i>		A safe and healthy workplace <i>p.27</i>		Product quality assurance and recall procedures <i>p.17</i>		Contribution to communities <i>p.33</i>
	Packaging material consumption and efficiency <i>p.23</i>		Employment system <i>p.26</i>		Customer data and privacy <i>p.19</i>		
					Products and service related complaints <i>p.19</i>		
					Intellectual property rights <i>p.19</i>		

Reaffirming our commitment to a sustainable future

The Group aims to create shared value for our stakeholders and the communities where we operate, by integrating considerations relating to environmental and social sustainability into decision-making and day-to-day practices across our businesses. This commitment is outlined in our CSR Policy, which establishes a focus on four pillars.

Each of the four pillars is intricately linked to the fulfillment of the Sustainability Development Goals (“SDGs”). To focus on areas of greatest influence and support the SDGs, we are going to identify and embed priority SDGs in our sustainability strategy in the future.





PRODUCT RESPONSIBILITY

Product safety

As a business servicing the communities, it has always been our top priority to offer products which are safe and of consistent quality to all our consumers. We, therefore, apply stringent product safety policies and requirements to ensure compliance with local rules and regulations.

Management approach

Assessing and mitigating safety risks is the first step in ensuring product safety. We have a set of guidelines and proper measures in place across our entire supply chain, from procurement, storage, manufacturing, to distribution to customers.

Saint Honore factories have been accredited for a number of quality management and food safety systems, including ISO 9001:2015 Quality Management System, Hazard Analysis and Critical Control Points (HACCP). The food safety laboratory at factory in Shenzhen has been accredited to a newer version of China National Accreditation Services for Conformity Assessment (CNAS) for its competence of laboratory testing.

Major quality management and food safety systems implemented at Saint Honore

ISO 9001:2015 Quality Management System	Hazard Analysis and Critical Control Points (HACCP)	China National Accreditation Services for Conformity Assessment (CNAS)
Factories in Shenzhen and Hong Kong	Factory in Shenzhen	Microbiological laboratory at factory in Shenzhen

These systems focus on risk-based approach through which factories identify potential risks that may be encountered in the business processes. This is to prevent latent incidents and support implementation of our food safety measures from field to plate.

Circle K has also implemented an End-To-End Quality Management (EQM) system to align the quality standards across different participants in the supply chain. Driven by the Merchandising Team, regular meetings involving senior management and various participants in the supply chain are held to review stakeholders' feedbacks regarding product quality. In the event of any quality issues, responsible departments will investigate the cause and offer rectification.

Progress areas

Fighting against the virus

In response to the Coronavirus (COVID-19) outbreak, our Food Safety and Supply Team had focused on promoting preventive measures on hygiene, safety and wellness across the whole supply chain. In Saint Honore, inside our factories, staff members' body temperature was measured before work and regular change of surgical face mask was implemented to eliminate any cross-contamination risk. Uniform cabinet with UV light and HEPA-filter sanitization function were acquired to further scale up the hygiene level in production. During regular intervals, professional sanitization company was hired to sanitise the entire production area, warehouse and trucks. At Saint Honore stores, hand sanitiser were provided for use by customers. Buns freshly baked would be wrapped up to avoid contamination.



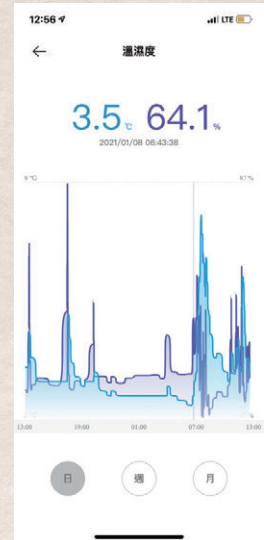
For Circle K, to ensure the top hygiene environment, sanitizing corner was set up at each store and hourly cleaning was conducted with record taken. Consumable supplies like stirrers, spoons and straws were now stored in covered containers.



Safe materials and suppliers

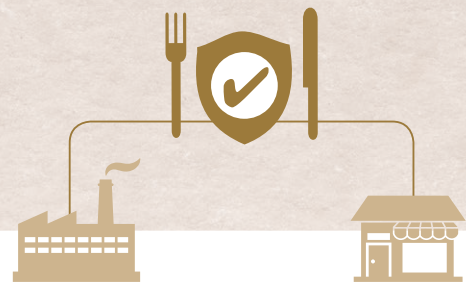
Assuring the quality and safety of incoming ingredients and packaging materials to meet or exceed our specifications is an integral part of the food safety management. At Saint Honore, we consider a set of factors such as product supply, purchase volume, food safety risk, and impacts of safety and quality incident. The risk level of raw materials is categorised into three classes, allowing us to implement proper control measures based on the risk categorisation. For materials with higher risk, supplier audit, annual due diligence test and in-coming material quality test are required in addition to the basic requirements. These allow us to identify and minimise risks that could potentially cause issues with our supply.

In 2020, we evaluated supplier qualification, material specification and supplier and material conformity, and performed material testing and in-coming material quality check, as basic management processes in line with our standard procedures. In the Hong Kong factory, to upgrade the quality assurance in our frozen supply chain, automatic cold room temperature logger with alert system was newly installed to monitor changes in temperature and humidity.



Systematic audits and follow up

Periodic internal audits are conducted both in factories and stores to ensure the working environment and products comply with our food safety standards. To align working methods across business units, we have also established a common food safety assessment guideline for factories and stores of Circle K and Saint Honore.



Food safety culture

To integrate food safety culture across our operations, our Food Safety and Supply Team takes the lead to promote employee awareness and food safety measures through internal communications, training and monitoring. These are essential to helping employees understand the importance of food safety and be trained in the correct procedures, such as management systems and guidelines, personal hygiene, hygiene practices for food, tools and equipment and pest control.

In 2020, we organised hygiene refresher training to Production Supervisors (about 50 employees), covering topics in personal hygiene, environmental hygiene, proper food storage, food safety control, etc.



Customer satisfaction

To maintain customers' trust, the Group strives to market its products and services responsibly and in line with relevant regulatory requirements.

Management approach

To help customers make informed choices and correctly use the products, we truthfully describe product related information, such as allergens, product shelf life and consumption advice, in the product labels. Our customers can also access information regarding our products and services through a number of communication channels, such as leaflets, advertising media, mobile applications, social media platforms, webpages and emails.

In addition to providing clear and reliable information, we have a Customer Service Team to gather and respond to customer feedback. Customers can raise their concerns or provide feedback through various channels, such as email and phone. All customer feedback are distributed and handled by relevant divisions, parties or management team.

In the event of product recall, we ensure our customers have the right to seek redress where their health and safety are affected. Our Rapid Response Team is responsible for handling the recall procedures and ensuring adequate resources being allocated to implement immediate corrective actions.



Progress areas

Engagement success with our customers

CAKE EASY 2.0

To improve customer experience, Saint Honore had upgraded its mobile application Cake Easy in November. In addition to a fresher and more modern look, various new features were upgraded with customer's ease of use in mind. For example, sharing function was added to allow members to share with their friends offers or rewards given by the company. As at end of 2020, Cake Easy membership has grown by more than 30% and reached another milestone of over 800,000 membership. Our e-commerce platform was once again recognised as a "Quality E-shop" by the Hong Kong Retail Management Association and for the first time, it was awarded the Bronze prize in the "2020 Top 10 Quality E-Shop Awards".

OK STAMP IT

Our "OK Stamp It" received two regional awards that recognised our innovation in engaging with the customers. The "Public Transport Fare Subsidy Campaign" has won the Silver Award for "Best Engagement Campaign – Mass Audience" and Bronze Award in "Best Use of Rewards & Incentives" categories under the "Loyalty & Engagement Awards" organised by the Marketing Magazine.





Business ethics

Operating with honesty, integrity and fairness has always been the core of our business and the Group is committed to upholding the highest standard of corporate governance.

Management approach

Our Code of Conduct and Business Ethics defines business principles and serves as a guide for a set of standards and practices to govern employee behaviour. To ensure our suppliers understand our standards and practices when doing business with us, we maintain the Supplier Code of Conduct as a guidance. Suppliers of the Group are required to acknowledge the Code in writing.

Anti-corruption and whistleblowing measures

The Group has zero tolerance for bribery, extortion, fraud and money laundering. The policies and guidelines provide guidance to our employees on appropriate conduct with regard to anti-bribery and anti-corruption.

We also have a Whistleblowing Policy in place that enables employees to raise concerns on any actual or potential misconducts, possible improprieties or frauds to either senior management or the Group Chief Compliance and Risk Management Officer. Any related third-parties, such as shareholders, customers and suppliers, can also report to the Group Chief Compliance and Risk Management Officer. The process is kept confidential and all reports will be handled with care and fairness. In 2020, no complaint was reported.

Protection of customer and intellectual property rights

The Group respects customer privacy and confidential information of third parties and defines its practices to protect personal and third party information in the Code of Conduct and Business Ethics. Employees are expected to follow the policies and guidelines on handling and securing such information.

To preserve the confidentiality of the personal data, we only collect personal data that is necessary in our business activities, such as our customer relationship management programmes. All personal data are managed by a designated team to prevent unauthorised or accidental access, handling, deletion, loss or use of such data.

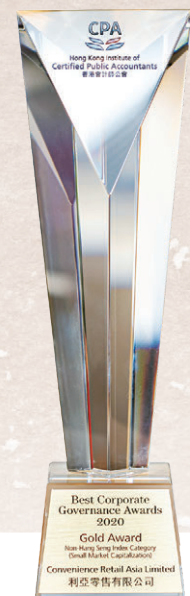


To safeguard third party information, such as intellectual property rights, patent rights, copyrighted material and product information, applications for access to such information are reviewed and approved by the department head or senior management. Suppliers are also required to warrant that the supplied products do not infringe or violate any patents, trademarks, copyrights or intellectual property rights of any third parties. In the reporting year, no complaints in relation to customer privacy and intellectual property rights was reported.

Progress areas

Corporate governance award

In the 2020 Best Corporate Governance Award presented by the Hong Kong Institute of Certified Public Accountants, CRA was awarded a Gold Award in the Non-Hang Seng Index (Small Market Capitalisation) Category. According to the judges, CRA is in “full compliance with the code provisions set out in the Corporate Governance Code” and the company has introduced a board evaluation process since 2013 which “indicated that the board and its committees continued to function satisfactorily and the committees fulfilled their duties as set out in their terms of reference.” The judges also applauded CRA for the detailed outline of its “strategy to complete the transformation of the business from a traditional bricks-and-mortar retail company into a more agile, digitally-centric operation” as well as the “opportunities for the group to fortify its business for medium-and long-term growth” in its annual report. The judges concluded that “this has no doubt stood CRA in good stead in a challenging economic environment.”





ENVIRONMENTAL

Our approach to waste management is twofold — we aim to minimise our environmental impacts from our activities and work in partnership with stakeholders to contribute to a resilient environment. The CSR Policy demonstrates our commitment to preserving the natural environment and reducing operational footprint. This guides us on waste minimization, carbon reduction, and responsible use of energy, water and other natural resources.

Waste management

Management approach

CRA generates certain amount of food waste and other waste such as packaging materials day-to-day due to our business nature. Therefore, it is our responsibility to properly manage and reduce the amount of waste throughout the entire production chain. General non-hazardous waste was sent to public refuse stations, while recyclable waste was sent to recyclers for further handling. Disposal of hazardous waste, if any, is carried out by licensed handlers according to local rules and regulations. Wastewater produced in operations mainly includes domestic wastewater discharged to municipal sewage treatment plant.

Considering plastics, particularly plastic packaging, as a critical global crisis that requires immediate attention, we have set up a cross-business unit team to explore sustainability packaging solutions and actions to reduce plastic packaging and consumables in factory and store.



Progress areas

Collaborate to recycle

CRA has partnered with non-governmental organisations and business partners to promote sustainable packaging and food rescue. In 2020, Circle K joined force with Lane Crawford and started from April to recycle carton boxes, cardboard and shrink wrap collected from its distribution centre. About 2800 kg of paper and 1500 kg of plastic were collected monthly. Besides, Saint Honore joined force with Food for Good and have its food wastes delivered to O.Park1 for generating electricity. About 5 tonnes of food waste were recycled each month.



Reduce use of packaging and single-use plastics

In order to encourage customers to use less single-use plastic products, during the year, Saint Honore had redesigned the birthday cake candle pack to reduce the plastic content and replaced all plastic straws with ones made from papers. Besides, the “Less Plastic Day” was now made a monthly event to promote green initiative. In Circle K, following on the “No Straw Day” in 2019, it had taken a further step to redesign its product packaging and removed the plastic tray inside its popular UFO sandwich pack.

In the office, to encourage our staff to reduce the use of single-use utensils, we launched a series of “7 Days Challenge” to encourage them to use reusable cups, reusable mealboxes and reusable bags. All participants who shared their 7-day photos were given an appreciation gift. And further to promote it as a lasting habit, the colleagues who shared the most number of photos was awarded a special prize.



Resource management

Management approach

Our operations consume a significant amount of water, raw materials and packaging materials. Therefore, using resources in an efficient and sustainable manner has been a priority in our business strategy. Our Environment Team works hard throughout the year to work with our line managers to identify opportunities to improve resources utilisation through improved process, improved equipment and new technology.

In 2020, the Group sourced water from municipal supply and faced no issue in sourcing water fit for purpose.



Progress areas

Improve process to reduce resource consumption

Cleaning our baking utensils and containers consumes vast amount of clean water. We had carefully selected auto-washing machines that are both energy and water efficient and gradually replaced them into our production lines in Hong Kong and Shenzhen factories. Besides, production of cake base had been centralised this year to achieve higher production efficiency and more effective use of resources.

Carbon and energy management

Management approach

Climate change has become one of the most pressing issues of our time that present all businesses with physical and transition risks. Recognising the impending impacts that carbon emissions have brought to climate change, the Group has a role to play in helping society to tackle it by means of carbon reduction, as underlined in the CSR Policy. Measuring and disclosing our carbon footprint as a first step helps us understand and manage our performance by developing reduction actions and targets. Energy reduction target is set in our annual plan. Through our Environment Team, each business unit is responsible for formulating execution plans and monitoring performance against the reduction target.

Progress areas

Reduction in carbon emissions

In 2020, our total carbon emissions were 41,773 tonnes of CO₂ equivalent (“CO₂-e”). The primary source of carbon emissions was retail stores, accounting for about 65% of the Group’s total. Scope 2 energy indirect emissions from purchased electricity was the largest source of emissions, contributing to approximately 89% of the reporting operations’ total emissions.

Total carbon emissions decreased by 5.6% compared to the preceding year. The change in the group’s overall consumption was due to the improved usage of refrigerants in our factories and energy reduction actions at our retail outlets.

Carbon emissions	2020	2019
Scope 1 emissions (in tonnes of CO ₂ -e)*	4,420	5,898
Scope 2 emissions (in tonnes of CO ₂ -e)^	37,353	38,353
Total carbon emissions (in tonnes of CO ₂ -e)	41,773	44,251

* Scope 1 includes direct emissions from stationary and mobile sources by combustion of fossil fuel (including Towngas, natural gas, petrol and diesel) and fugitive emission releases from equipment and system.

^ Scope 2 includes energy indirect emissions by consumption of resources such as electricity and Towngas.

Hardware upgrade and improved maintenance program

Energy efficiency is one of the factors which we considered when upgrading our hardware and equipment. In Saint Honore stores, we have been gradually replacing our lighting with LED lighting and in 2020, we have also started to install automatic doors to better preserve the indoor temperature. In our factories, with the increasing proportion of supply under frozen environment, additional resources were allocated to ensure the proper maintenance of related equipment and to avoid incidents of refrigerant leakage.

Circle K was awarded with the Smart Energy Award which was given by CLP for the successful energy saving practices.



To reduce air emissions from diesel consumption of our own logistics team (not including outsourced delivery fleets), we have been replacing aging trucks with more environment-friendly models. And considering the environmental impacts of the outsourced logistics operation, we will explore enhancing the data collection process and disclosing the relevant information when they become available.



EMPLOYMENT

As a retailer, our operations are about people and employees are our most valuable asset. Our HEARTS culture summarises our commitment to our employees which are: Happy, Energised, Achievements, Respect, Training and Success. Our human resources policies and initiatives are formulated around these values.

Employment wellness

Management approach

Employee health and safety is a priority at all times across all our business operations. In line with its commitment stated in the CSR Policy, the Group seeks to ensure a healthy and safe working environment by means of risk management and systematic measures.

Progress areas



Safety practices

In 2020, we have invested in different automation, equipment and machines to reduce the physical burden of employees. In Saint Honore factories, automatic door were installed for frequently used freezer to reduce strain on hands. In Circle K, autonomous mobile robots were installed in our new warehouse to reduce manual handling and risk of sprained backbone.





Occupational safety training

Training is key to sharing and refreshing safety knowledge of employees. Regular training covers workplace health and safety at factory, distribution centre, store and office, such as 5S quality management, proper handling of production equipment, personal protective equipment, storage safety, electricity safety, road safety, fire safety, prevention of work-related pain and first aid.

In 2020, we launched the module of occupational health safety on our internal e-learning platform Ho2Hok. It is now more convenient for our colleagues to attend courses anywhere and anytime.



Employee well-being programme

To promote mental and physical well-being, an employee assistance programme is designed to provide support for employees encountering stress or difficulties. Employees can approach our third-party counsellors either face-to-face or through hotline counselling services in confidentiality.

COVID-19 prevention was a top priority in our workplace. A series of precautionary measures were adopted in our stores, warehouse, logistics fleet, factories as well as our office. For details, please refer to the case highlight on p.15.



Emergency management

We have emergency procedures in place to manage risks brought by a range of ad-hoc incidents. The emergency guideline sets out proper procedures in handling emergencies for employees. A series of first-aid training was also rolled out to factory staff at Shenzhen.



Injury and follow-up

Where there are any injury incidents, our Training and Workplace Safety Team is responsible for performing a thorough investigation of root causes and implementing follow-up course of actions and preventive measures.

In 2020, the work injury rate recorded in Hong Kong and Shenzhen was 1.6% and 1.5% respectively. Common work injury incidents were sprain, cut, slip and fall, and burn. The Team conducted investigations and implemented follow-up course of actions to prevent reoccurrence, such as refreshing employee knowledge of proper operation procedures and safety guidelines, improving the working environment and providing appropriate personal protective equipment to employees with guidance to increase their safety awareness.

Employee relations

Management approach

The Group strives to ensure a fair, trusting, respectful, inclusive and diverse culture. We list our employment practices such as recruitment, employee development and other benefits and welfare in the Employee Handbook, so that employees can understand the employment policies and terms.

To promote equal opportunities and diversity across the Group, we have an Equal Employment Opportunity Policy and a Code of Conduct and Business Ethics in place. Employee are treated with fairness irrespective of their individual differences such as ethnicity, gender, marital status, age, and disability. Our recruitment, rewards and compensation policies are based on employees' ability and performance, while we offer fair remuneration based on employees' roles and responsibilities, which are reviewed annually.

To enhance employees' well-being, we deliver comprehensive welfare and benefits schemes. Our remuneration packages provide eligible employees with a number of benefits in addition to the statutory requirements. For example, eligible employees receive extra one-day family-friendly leave every year, as a pro-family initiative, including child-care leave, parent-care leave and birthday leave.

Progress areas

Activities to energise our colleagues

In 2020, due to the COVID-19 social distancing measures, there were many restrictions to the variety of activities we could organise. Despite the limitation, our Activity Organising Board was still able to engage our employees through a wide variety of fun activities.

- Mother's Day giving of fresh carnations for all colleagues in office, distribution centre and stores to express love to all the mums.
- Father's Day online leather workshop where participants learnt to DIY keychains using handmade material package to sew their own leather crafts with special message for their heroes.
- Wellness Wednesday where various types of fresh fruit were distributed to the colleagues at work, nurturing healthy lifestyle and giving them energy to enjoy the day.





Training and development

Management approach

We believe that investing in employee learning and development is a key driver for building a talented and engaged workforce. Through learning and development opportunities, our employees are able to acquire professional knowledge and skills to enhance competencies in terms of career growth and development.

Our Competency Model sets out a clear framework for our employee development approach. It defines the knowledge, skills and attributes needed for different positions, which help us make informed decisions about talent recruitment, retention, succession, and career development strategies. We consistently communicate these competencies to our employees through our Employee Handbook.

Performance management is an essential part of promoting engaged and high-potential employees. There is a performance management and career development process for our employees. We evaluate employees' performance, provide continuous feedback and assess and identify training needs during annual performance appraisal.

Progress areas

Talent development achievement

To cultivate our talents in product development and continuously uplift ourselves in bakery skill to stay competitive, our chefs in Saint Honore are sponsored by the company to participate in various bakery competitions. In 2020, two chefs from Shenzhen factory participated in the International Bakery Competition (South China Territory) and won four awards, including two first runner-ups in Whole Bread category and Artistic Bread category, the Best Japanese Bread and the Best Danish Pastry. Both Chefs were qualified for the next round of national level competition to be held in 2021.



Labour standards

The Group strictly upholds best practices in labour and human rights standards and strives for maintaining a respectful workplace, free from discrimination and harassment of any form and with equal employment opportunities, training, performance assessment, disciplinary and grievance processes, etc.

We prohibit the employment of child labour and eliminate all forms of forced and compulsory labour in any of our operations. Policies and guidelines regarding overtime work, allowances and compensation leave are communicated to our employees through the Employee Handbook and the related human resource policies as well as the Equal Employment Opportunity Policy.



COMMUNITY INVESTMENT

Our business is closely linked to the community we operate in. A thriving community is the base for our sustainable success and its engagement initiatives are core factors when we determine our business priorities.

Community engagement

Management approach

The Group underlines its commitment to engaging and supporting communities in the CSR Policy. Our Social Team takes the initiative to learn about the needs of our employees and the communities, which forms the basis for developing engagement plans aligned with their expectations and our strategy. Employees are invited to share their ideas on designing community initiatives, as we believe that active employee volunteerism delivers more meaningful impact when engaging with our communities. We have integrated their feedback and ideas into our engagement plans and some of them have been put into practice.

There is a Volunteer Leave Policy in place to encourage employees to participate in voluntary activities so as to contribute to society.

Progress areas

In 2020, our Social Team rolled out a range of engagement activities with the focus on promoting employee contribution to the environment and society, caring for the elderly and collaborating with the communities on engagement initiatives.

50
activities held and
volunteered

3,200
volunteer hours
by employees

Circle K and Saint Honore have once again received the “15 Years Plus Caring Company Logo” and “10 Years Plus Caring Company Logo” respectively from the Hong Kong Council of Social Service (HKCSS). In addition, Zoff has been awarded its 1st “Caring Company Logo”. These awards recognised our companies’ efforts to promote corporate social responsibility.

Connecting with our community

CRA x TWGHs — Chinese New Year Celebration with the Elderly

Stepping into 2020, CRA joined hands with TWGHs Wilson T.S. Wang District Elderly Community Centre and organised an elderly visit to celebrate Chinese New Year.

Colleagues gathered with the elderly for making Chinese New Year decorations as well as jointly singing songs. The event was filled with warm greetings and laughter. In the end, our colleagues presented gift bags to the elderly.



Circle K — Carnations to Helping Hand elderly

On the eve of Mother's Day, Circle K donated around 4,000 carnations to all Helping Hand Elderly Centres to show our care and to wish all the elderly longevity and good health!



Saint Honore Cake Shop Shenzhen Factory — “Hearts” Donation

During the summer, our Shenzhen Factory distributed food, moon cakes and necessities to “太陽村兒童救助中心”, a Children's Relief Centre which is a social welfare organisation that adopts children who are orphan, abandoned or whose parents are in prison. Having received the food and materials, hundreds of children were very happy and we will continue connecting with the centre to give a helping hand.





DATA AND REPORTING

This report is the fifth ESG Report published by the Company. By reporting the policies, practices and performances of the Group in ESG aspects, it allows all stakeholders to understand the progress and development direction of the Group.

The report is available in both Chinese and English. It is to be read in conjunction with the Company's 2020 Annual Report, in particular the Corporate Governance Report contained therein.

Key figures

Environmental performance

Carbon emissions	2020	2019
Scope 1 emissions (in tonnes of CO ₂ -e)	4,420	5,898
Scope 2 emissions (in tonnes of CO ₂ -e)	37,353	38,353
Total carbon emissions (in tonnes of CO ₂ -e)	41,773	44,251
Intensity of carbon emissions by Circle K and Saint Honore stores in Hong Kong (tonnes of CO ₂ -e/number of store day)	0.18	0.18
Intensity of carbon emissions by Saint Honore factories in Hong Kong and Shenzhen (tonnes of CO ₂ -e/finished products produced in kg)	0.0010	0.0010
Intensity of carbon emissions by our own logistics team (tonnes of CO ₂ -e/travel distance in km)	0.0007	0.0008

Air emissions [^]	2020	2019
Nitrogen oxides (NOx) (in tonnes)	4	4
Sulphur oxides (SOx) (in tonnes)	—	—
Respiratory suspended particles (RSP) (in tonnes)	—	—

[^] Air emissions refer to those emitted by our own logistics team.

Use of energy	2020	2019
Petrol (in MWh-e)	40	112
Diesel (in MWh-e)	3,886	3,759
Towngas (in MWh-e)	379	400
Natural Gas (in MWh-e)	5,612	4,087
Electricity (in MWh-e)	65,018	66,326
Total energy consumption (in MWh-e)	74,935	74,684
Intensity of energy consumption by Circle K and Saint Honore stores in Hong Kong (MWh-e/number of store days)	0.32	0.32
Intensity of energy consumption by Saint Honore factories in Hong Kong and Shenzhen (MWh-e/finished products produced in kg)	0.0016	0.0015
Intensity of energy consumption by own logistics team (MWh-e/travel distance in km)	0.0029	0.0030

Water [^]	2020	2019
Total water consumption (in cubic metres)	184,907	181,140
Intensity of water consumption by Circle K and Saint Honore stores in Hong Kong (cubic metres/number of store days)	0.27	0.31
Intensity of water consumption by Saint Honore factories in Hong Kong and Shenzhen (cubic metres/finished products produced in kg)	0.0103	0.0093

[^] No issue in sourcing water.



Waste	2020	2019
Total hazardous waste produced (in tonnes)^	—	—
Total non-hazardous waste produced (in tonnes)^	1,759	1,630
Intensity of non-hazardous waste produced of Saint Honore factories in Hong Kong and Shenzhen (tonnes/finished products produced in kg)	0.0001	0.0001

^ Amount of waste produced only covers Saint Honore factories in Hong Kong and Shenzhen.

Packaging materials^	2020	2019
Total packaging materials used (in tonnes)	1,221	1,193
Packaging materials used per unit produced of Saint Honore factories in Hong Kong and Shenzhen (tonnes/finished products produced in kg)	0.0001	0.0001

^ Amount of packaging materials used only covers Saint Honore factories in Hong Kong and Shenzhen.

Social performance

Work force ratio by gender (by geographical region)		2020	2019
Hong Kong	Female to male	2.3:1	2.2:1
Shenzhen	Female to male	0.9:1	0.8:1

Work-related injury (by geographical region)		2020	2019
Hong Kong	Work-related injury rate	1.6%	1.6%
Shenzhen	Work-related injury rate	1.5%	1.8%

Reporting standard and principles

This report complies with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this report.

Reporting Principles	Implementation
Materiality	This report covers aspects that reflect significant environmental and social topics identified through stakeholder engagement. Internal and external factors such as business strategy and stakeholder concerns are taken into account during the process.
Quantitative	Information is presented with quantitative measures whenever feasible. By doing so, it enables a transparent comparison of trends over years.
Consistency	This report presents information on a consistent basis so that stakeholders can analyse and evaluate changes in performance over time. A due diligence process is conducted to ensure quality and accuracy of information disclosed.
Balance	Both achievements and challenges faced by the Group are presented in this report, ensuring a comprehensive picture of performance is reasonably reflected.

Report boundary

The reporting scope is aligned with our previous report. This report principally covers the sustainability performance of the Group’s Circle K store operations in Hong Kong, Saint Honore store operations in Hong Kong, as well as Saint Honore factories in Hong Kong and Shenzhen for the financial year ended 31 December 2020. The relevant businesses account for 94% of the Group’s total revenue.

Report approval

The report has been approved by the Committee and the Board on 23 March 2021.