



Convenience Retail Asia Limited 利亞零售有限公司

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



Environmental, Social and Governance Report 2018

A Fung Retailing Company





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ABOUT THE COMPANY

Convenience Retail Asia Limited (the “Company”) and its subsidiaries (together “CRA” or the “Group”) is a member of the Fung Group and has the exclusive right to use the Circle K brand name, one of the fastest-growing convenience store brands worldwide, for convenience store retailing in Hong Kong, Macau and the Chinese Mainland.

In addition, 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.

In 2017, the Group obtained the franchise of Japan’s leading fast-fashion eyewear chain Zoff for Hong Kong, Macau and Southern China.

As of 31 December 2018, there were a total of 580 self-operated and franchised stores under CRA in the above-mentioned areas:

	Circle K	Saint Honore	Zoff
Hong Kong	337	91	6
Macau and the Chinese Mainland	106	40	–
Total	443	131	6



ABOUT THIS REPORT

This report is the third Environmental, Social and Governance (“ESG”) Report published by the Company. By reporting the policies, measures 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 2018 Annual Report, in particular the Corporate Governance Report contained therein.

REPORTING BOUNDARY

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 2018. The reporting scope is aligned with our previous report.

REPORTING STANDARD

This report is prepared in accordance with Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as contained 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.

To provide stakeholders with an overview of the Group’s performance in ESG aspects, the report not only discloses environmental key performance indicators (“KPIs”) under the “comply or explain” provisions but also reports additional social KPIs under the “recommended disclosures” as set out in the ESG Reporting Guide.

DATA PREPARATION

The Group has established internal controls and a formal review process to ensure that any information presented in this report is as accurate and reliable as possible.

REPORT APPROVAL

The report has been approved by the Group’s Corporate Social Responsibility (“CSR”) Steering Committee and the Board of Directors (the “Board”) on 13 March 2019.



MANAGEMENT STATEMENT

As a sustainability-conscious corporation, CRA is committed to helping society transition to a low-carbon and inclusive economy. As a member of the Fung Group, the Group supports the principles of the United Nations Global Compact. With respect to our primary retail businesses, we are dedicated to making positive contribution particularly to Goal 12 of the United Nations Sustainable Development Goals, by upholding responsible consumption and production patterns. To us, the adoption of sustainable business practices is not an option but a duty of responsible citizenship.

Chaired by the Chief Executive Officer and Chief Operating Officer, the Group's CSR Steering Committee sits at the top of a systematic governance structure to make sure all branches of our business are heading for the same goal.

The Board of Directors has overall responsibility for the Group's sustainability strategy, risk management and sustainability reporting. Identification and management of risks in relation to sustainability issues helps the Group sail through unprecedented market and environmental challenges. Stability of merchandise supply and public sentiment towards environmental and social issues, such as plastic pollution, climate change and deforestation, are factors that can potentially impair our operation. An overarching risk management structure allows us to effectively oversee the potential risks and opportunities brought by the unstoppable wave of sustainability.

Our retail business is closely related to the issue of plastic pollution which has made international headlines last year. While the Group does not have total control over the use of packaging in the products sold in most of our stores, we have plans to explore ways to reduce the use of plastics and packaging in our retail network and together with our business partners.

Effective engagement with stakeholders is key to our maintenance of sound sustainability practices and policies. We have conducted a series of stakeholder engagement activities to collect the opinion of internal stakeholders. In response, we identified issues considered to be material in our daily operations and addressed the stakeholders' concerns accordingly.

Overall, the Group acknowledges the need to develop a sustainable supply chain. We believe that retail business plays a key role in nurturing sustainability-conscious habits in consumers and we will continue to work towards this direction.



SUSTAINABILITY GOVERNANCE

Our CSR Steering Committee, chaired by the Chief Executive Officer and the Chief Operating Officer, is responsible for overseeing the Group's policies, initiatives and performance on sustainability matters, principally in respect of employment, community involvement, product responsibility and environmental protection. It also defines the Group's sustainability strategies, sets objectives and approves targets. The CSR Steering Committee reports to the Board on a regular basis.

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 CSR Steering Committee on a regular basis its actions, performance and achievements.



SUSTAINABILITY GOVERNANCE

Our Commitments			
Environmental	Employment	Product Responsibility	Community Investment
<p>Emissions</p> <p>We make every effort to reduce air and greenhouse gas emissions, as well as waste disposals through the implementation of environmental policies and measures.</p>	<p>Employment</p> <p>We are committed to creating a culture of highly engaged employees across the Group.</p>	<p>Product Safety</p> <p>We are committed to delivering products which are safe and of consistent quality.</p>	<p>Community Involvement</p> <p>We place high priority in creating value for the communities we serve, with a strong commitment to improve their well-being.</p>
	<p>Health and Safety</p> <p>Health and safety is a priority at all times and for all business operations. We are determined to provide and maintain a safe and healthy workplace for all our people.</p>	<p>Customer Service</p> <p>High quality customer service is one of the keys for long-term success in the retail industry. We are dedicated to providing the best-quality services to our customers.</p>	
<p>Use of Resources</p> <p>We are committed to promoting efficient use of resources.</p>	<p>Development and Training</p> <p>We ensure that all our people have access to development and training opportunities.</p>	<p>Supply Chain Management</p> <p>We are committed to developing long-term relationships with our suppliers, and to working together for a better living environment.</p>	
	<p>Labour Standards</p> <p>We strictly uphold best practices in labour and human rights standards.</p>		



SUSTAINABILITY GOVERNANCE

During the year, we have received a Special Mention in the Non-Hang Seng Index (Small Market Capitalisation) Category of the Best Corporate Governance Awards 2018 from the Hong Kong Institute of Certified Public Accountants to acknowledge our commitment to upholding principles of good corporate governance.



OUR STAKEHOLDERS

Understanding and meeting the needs of our stakeholders is of paramount importance for us to move forward on the sustainability path. Every feedback will eventually lead the Group to identify material ESG issues and manage relevant risks and opportunities.

Our stakeholders are those who have a considerable influence on our business, and whom our business has a significant impact on. We engage our key stakeholders via multiple channels to gather their feedback and strive for continuous improvement. Meetings, workshops and other communicative events are held across daily operations for internal and external stakeholder groups.



In 2018, we explored ways to further engage our employees in various ESG aspects and conducted a survey to collect their views on the Group's sustainability path.



OUR STAKEHOLDERS

The survey was conducted with key representatives of internal stakeholders to collect their opinions for determining the relative materiality on various ESG issues. We greatly appreciate feedback from our employees, which enabled us to identify issues material to the Group. In 2019, we will continue to look into other forms of engagement exercise, such as workshop and focus group, to gain an in-depth understanding of the expectations of our stakeholders in guiding our strategies in pursuit of sustainability.

MATERIALITY ASSESSMENT

In the survey, participants were requested to rate 54 issues in accordance with their relevance and materiality to the Group. Issues were organised based on their average ratings and issues above the ratings threshold were defined as material issues. Results were presented to the CSR Steering Committee and top-tier issues were validated to be priority issues for us to address and report on.

Priority Issues



Product Responsibility

- Product quality assurance and recall procedures
- Customer data and privacy
- Products and service related complaints
- Intellectual property rights



Employment and Labour Standards

- A safe and healthy workplace
- Employment system
- Child and forced labour



Environment

- Electricity consumption and efficiency
- Packaging material consumption and efficiency



OUR OPERATIONS

Achieving fair and responsible operations

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.

2018 PERFORMANCE HIGHLIGHTS



Upgrade of Quality Management System



Food safety awareness programme



Seminar on customer data privacy

PRODUCT RESPONSIBILITY

As a business servicing the communities, it is our goal to offer products which are safe and of consistent quality to all of our consumers. The Group has in place a set of policies and various management systems to ensure that products we sold are in compliance with local rules and regulations related to product health and safety.

Product and ingredient safety

Ensuring safety of our products has always been the top priority in our business. We identify and mitigate food safety risks, and implement proper measures across our entire supply chain, including procurement, storage, manufacturing, and distribution to customers. To embed food safety culture throughout our operations, our Food Safety and Supply Team takes the lead to promote employee awareness and adoption of food safety measures through internal communications, training and monitoring.



OUR OPERATIONS

In addition to regular training, the Food Safety and Supply Team organised two major activities, including quiz and competition, in 2018. These activities were to promote food safety concepts, such as keeping food at optimal temperature and preventing cross-contamination, among employees. We also conducted internal audits in factories and stores to ensure the working environment and products comply with our food safety standards. Following the audits, factories and stores have implemented improvement measures, such as restructuring the racking of bakery products to optimise air ventilation and temperature control.

At Saint Honore factories, we have quality management and food safety systems in place to prevent latent incidents and support implementation of our food safety measures from field to plate.

MAJOR QUALITY MANAGEMENT AND FOOD SAFETY SYSTEMS ADOPTED AT SAINT HONORE

ISO 9001 Quality Management System

Updated to 2015 version

Factories in Shenzhen and Hong Kong



Hazard Analysis and Critical Control Points (HACCP)

Factory in Shenzhen



China National Accreditation Services for Conformity Assessment (CNAS)

Microbiological laboratory at factory in Shenzhen

These systems focus on risk-based thinking through which factories analyse potential risks that may be encountered in their business processes. This begins with making sure all ingredients and packaging materials in our supply chain meet or exceed our specifications.

Our material risk assessment is designed to guide procurement category risk mapping for ingredients and packaging materials. This enables us to identify and minimise potential risks that could potentially cause issues with our supply. The assessment evaluates product supply, purchase volume, food safety risk, and impacts of safety and quality incident for existing raw materials. For new raw materials, it also considers product type, seasonal/promotional item and food safety risk. The risk level of raw materials is classified into three categories, enabling us to articulate corresponding control measures in response to the risk categorisation.



OUR OPERATIONS

As basic management processes, we conduct review of supplier qualification and material specification, material testing, evaluation of supplier and material conformity, and in-coming material quality check. On top of these, we conduct supplier audit, annual due diligence test and in-coming material quality test for materials with higher risk.

ENSURING SAFETY AND QUALITY OF SNOWY MOON CAKES AT SAINT HONORE

Procurement of raw materials



- Pre-qualification of suppliers regarding relevant food manufacturing permits, quality and safety certificates and third-party testing reports
- Internal quality control check on incoming materials against sensory, microbiology, chemical and hygiene related aspects

Production



- Sanitisation of inner packing to avoid cross-contamination
- Production takes place in a highly sanitised area with proper air-exchange, daily cleaning and hygiene control

Testing



- Testing of moon cakes to ensure the compliance with all microbiological and sensory requirements before distribution to sales

At Circle K, we have implemented monitoring system to keep track of the indoor temperature of store storage areas, particularly those storing frozen products. We conduct inspections on selected stores on a weekly basis to check against their entire operations, including delivery, distribution and storage. In 2018, we organised a series of food safety classes, training employees on the importance of food safety and maintaining optimal temperature, relevant control measures and how to handle food safety complaints.

An End-To-End Quality Management (EQM) system was implemented to align the quality standards along the supply chain and across different participants. Driven by our Merchandising team, periodic meetings involving senior management and various participants in the supply chain are held to review all feedbacks collected from stakeholders about product quality. Where quality issues are identified, EQM will trace down to the cause and offer rectification.



OUR OPERATIONS

Customer health and safety

In addition to upholding high standards of product safety and quality during production, we attach importance to safeguarding the health and safety of our customers. In the event of any need to recall a product, our Rapid Response Team is responsible for handling the recall procedures and ensuring adequate resources being allocated to implement immediate corrective actions.

Where their health and safety are affected, we ensure our customers have the right to seek redress. All customers can raise their concerns or provide feedbacks to our Customer Service Team through various channels such as email and phone, etc. All concerns and feedbacks will be distributed to relevant divisions, parties or management team for handling when necessary.

The Group acts in accordance with the laws and regulations in relation to customer health and safety, including but not limited to the Public Health and Municipal Services Ordinance of Hong Kong. In the reporting year, there were no significant product and food safety incidents within the Group, and no product was subjected to recall for health and safety reasons.

FAIR OPERATING PRACTICES

The Group is committed to upholding the highest standard of corporate governance and business integrity in its business activities. A set of corporate policies provides the Group's objectives and requirements regarding customer privacy, advertising, labelling, intellectual property rights and anti-corruption.

Protection of personal data and customer privacy

The Group holds personal data about employees and customers. We, therefore, place high priority to securing personal data and protecting privacy. We have a series of data privacy and security measures designed to protect all such personal information that we handle across our operations.

Our Code of Conduct and Business Ethics provides guidance for employees to follow in relation to protection of personal data. We only collect personal data that is necessary in our business activities, such as our customer relationship management programmes, and the data is handled by designated team with restricted access, which strictly limits the scope of information disclosure.



OUR OPERATIONS

To reinforce the understanding of our employees of this issue, we invited relevant business units, such as marketing team, operation team and human resources team, to a seminar on the Personal Data (Privacy) Ordinance conducted by the Office of the Privacy Commissioner for Personal Data in 2018. This seminar shared the knowledge of how to protect and respect personal data, as well as the best practices among organisational data users beyond meeting minimum regulatory requirements.

The Group abides by the laws and regulations in relation to customer privacy, including but not limited to the Personal Data (Privacy) Ordinance of Hong Kong. During the reporting year, no case of non-compliance in relation to customer privacy was reported.

Responsible marketing communications

The Group provides clear and reliable information regarding our products and services both on our printed communication materials and digital platforms, such as leaflets, product labels, advertising media, mobile applications, social media platforms, webpage and email. These communication channels help customers make informed choices. We are dedicated to marketing our products and services responsibly in line with relevant regulatory requirements and providing information consumers can trust.

The Group abides by regulatory requirements on pre-packaged food labelling and the Trade Descriptions Ordinance of Hong Kong. Product labels provide customers with information on allergens, product shelf life dates, and storage and consumption advice. There were no cases of non-compliance or complaints in relation to advertising and labelling during the reporting year.

Protection of intellectual property rights

The Group has in place a Code of Conduct and Business Ethics crystallising its business principles and practices with regard to protection of copyrights. We require our suppliers 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 case of non-compliance or complaints in relation to intellectual property rights was reported.



OUR OPERATIONS

Anti-corruption and whistleblowing measures

Operating with honesty, integrity and fairness has always been essential to our business. We have zero tolerance for bribery, extortion, fraud and money laundering. Our Code of Conduct and Business Ethics sets the standards and practices for what is expected of our employees with regard to anti-bribery and anti-corruption. Suppliers of the Group are also required to acknowledge in writing the Supplier Code of Conduct to ensure they understand our principles and practices when doing business with us.

The Group has a Whistleblowing Policy in place which enables employees to raise concerns on possible improprieties or frauds with either senior management or the Group Chief Compliance and Risk Management Officer. Any shareholders or stakeholders, including customers and suppliers, can also report similar concerns by writing in confidence to the Group Chief Compliance and Risk Management Officer. The Group will handle such reports with care, and will treat any whistleblowing cases fairly and properly.

The Group follows the relevant laws and regulations in relation to corruption, including but not limited to the Prevention of Bribery Ordinance of Hong Kong. During the reporting year, there was no case of non-compliance or legal case in relation to corruption.

SUPPLY CHAIN MANAGEMENT

By committing to responsible, fair and ethical business practices, we continue to nurture long-term business relationships with suppliers to build a fair and responsible supply chain. In addition to having material risk assessment in place as control system, our Supplier Code of Conduct sets out principles for responsible and ethical operations in support of supplier evaluation. These principles guide our suppliers to incorporate sustainability into their business practices and respect their employees, society and the environment. We also conducted audits on key suppliers during the year, supported by the Vendor Compliance team of the Fung Group.



OUR ENVIRONMENT

Reducing our environmental impact

Recognising climate change as one of the medium to both long-term risks and opportunities, 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.

2018 PERFORMANCE HIGHLIGHTS

Total Carbon Emissions ("CO₂")



39,911 in tonnes of CO₂-equivalent ("CO₂-e")

Total Energy Consumption



72,454 MWh

Total Water Consumption



209,886 m³

Total Waste Generated



1,664 tonnes

Total Packaging Materials Used



1,370 tonnes

CRA has a set of policies and KPIs in place to assess, manage and improve our environmental performance. Our environmental strategy and initiatives are guided by our Corporate Social Responsibility Policy. The Environment Team is responsible for setting proactive sustainability goals, embedding sustainable practices into our operations and promoting sustainable actions.



OUR ENVIRONMENT

ENERGY AND CARBON MANAGEMENT

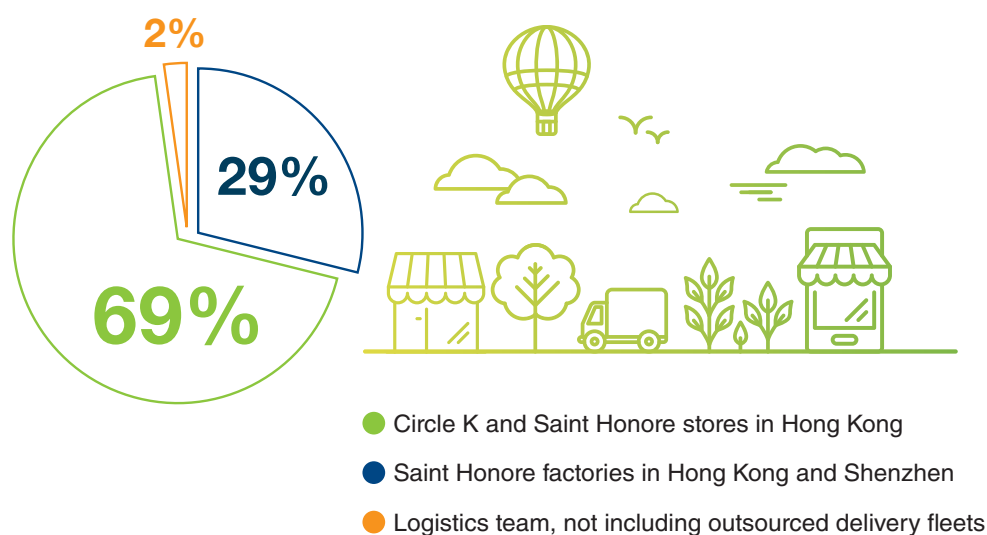
Recognising that carbon emissions have impending impacts on climate change and global warming, companies around the globe have been aligning their strategies and operations in reducing carbon footprint.

Carbon emissions	Scope 1 emissions (in tonnes of CO ₂ -e)*	Scope 2 emissions (in tonnes of CO ₂ -e)^	Total carbon emissions (in tonnes of CO ₂ -e)
2018	4,206	35,705	39,911
2017	2,888	36,157	39,045

* 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.

Distribution of carbon emissions across business units in 2018:



OUR ENVIRONMENT

The primary source of carbon emissions was retail stores, accounting for nearly 70% of 2018 carbon emissions. Total carbon emissions recorded a slight increase compared to the preceding year. This was mainly due to an increase of refrigerant consumption by air-conditioning systems and cold storage facilities in Saint Honore factories, leading to a rise in fugitive emissions under Scope 1 direct emissions in 2018. Actions had been taken in second half of 2018 to curtail the rise and consumption back to satisfactory level.

Scope 2 energy indirect emissions, mainly contributed by electricity consumption, continued to be the largest source of the Group's carbon emissions, accounting for about 90% of the Group's total. In spite of growing energy demand accompanied by new air-conditioning systems and facilities, Scope 2 emissions dropped by 1.25% in 2018 from the preceding year which was contributed by implementation of energy-saving measures.

In 2018, we have continued our efforts in improving energy efficiency, particularly in factory and retail sectors through a series of energy-saving initiatives, including replacement of aging lighted-signage and sign-wings to LED models, upgrade of bakery rack lighting, centralisation of bread production, and introducing more energy efficient models for fermentation tanks and ovenware.

During the year, Circle K Hong Kong received the "Joint Energy Saving Award" of CLP Smart Energy Award programme 2018 in recognition of our efforts in promoting energy-efficient applications. In addition, Saint Honore Hong Kong received the Platinum Award of the Charter on External Lighting Awards from the Environment Bureau of the HKSAR Government for switching off external lighting during the preset times in accordance with the pledge.



OUR ENVIRONMENT

Air emissions by own logistics team	2018	2017
Types of emissions	Quantity (in tonnes)	Quantity (in tonnes)
Nitrogen oxides (NOx)	4	4
Sulphur oxides (SOx)	—	—
Respiratory suspended particles (RSP)	—	—

Remark: Air emissions in 2017 ESG Report were restated here in unit of and rounded up to tonnes for consistent presentation.

The major source of air emissions was diesel consumption of the logistics team (not including outsourced delivery fleets).

To reduce air emissions at source, we have been starting to replace several aging trucks with more environment-friendly models at EURO 5 standards in 2018, and gradually replacing the existing aging trucks to EURO 6 standards as planned in 2019. In addition to installing a GPS monitoring system at all trucks to provide driver the optimum drive route plan since 2017, we continued to promote eco-driving such as avoiding unnecessary acceleration and deceleration, and switching off idling engines. This enabled us to better manage fuel consumption and enhance environmental efficiency of our logistics team.

Considering the environmental impacts of the outsourced logistics operation for delivery to Circle K and Saint Honore stores in Hong Kong, we will explore the possibilities of enhancing data collection process and disclosing the relevant information as long as they are readily available.

RESOURCE AND WASTE MANAGEMENT

We understand that the ingredients, energy and water we consume, and the air and land around our operations and supply chain are all shared natural resources. Using resources in an efficient and sustainable manner has been a priority in our business strategy.



OUR ENVIRONMENT

Beyond energy conservation, we have a series of on-going environmental initiatives to reduce the use of water and paper. These contribute to continual improvement of our business processes and protect the environment we operate in. In 2018, we implemented automatic washing machine for cleaning kitchenware and tools at Saint Honore factory in Hong Kong as a move to save more water.

Behind our operations, we consume a significant amount of raw materials and packaging materials. To avoid wastage, we constantly monitor our consumption patterns, enabling us to make informed decisions on purchasing.

We are clear on our responsibility of managing the waste we produce and where impacts are significant. Food waste and packaging waste are our strategic priority. To reduce potential food waste during production process, we constantly monitor the amount of spare products and adjust production pattern. For products reaching shelf life, such as breads and festive products, we donate them to a number of charities, including Foodlink Foundation, Feeding Hong Kong and Food for Good. In 2018, a monthly average of 25,300 pieces of bread were donated.

Mindful of the packaging waste, we have been looking for ways to reduce the use of packaging materials during our manufacturing processes while upholding our quality and safety standards. In addition to reducing single-use plastic packaging where possible, we are evaluating the use of packaging materials made of biodegradable plastic or recycled content across all business units.

The Group acts in accordance with relevant laws and regulations on emissions, including but not limited to the Air Pollution Control Ordinance, the Ozone Layer Protection Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong. In the reporting year, there was no non-compliance case in relation to emissions reported.

THE ENVIRONMENT AND NATURAL RESOURCES

We believe that by reducing carbon emissions and using resources efficiently, we are able to impact our supply chain and communities in a positive way. Apart from emissions and the use of resources, we are not aware of other significant impacts on the environment or the natural resources.



OUR EMPLOYEES

Ensuring a fair, inclusive, empowering and safe workplace

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.

EMPLOYEE HEALTH AND SAFETY

Employee health and safety is a priority at all times across all our business operations. Our Corporate Social Responsibility Policy underlines our commitment to creating and maintaining a safe and healthy workplace for our employees. To help them understand our measures, we have a set of clear guidelines regarding occupational safety outlined in our Employee Handbook.

We have specialised teams dedicated to anticipating and mitigating the risks that may lead to incidents. As preventive measures, regular safety inspections are carried out across different business units, and suitable safety equipment are provided to employees whose work are exposed to higher level of safety risk. We also have emergency procedures in place to manage risks brought by a range of ad-hoc incidents.

In 2018, we have trained our employees on workplace safety at factory, distribution centre, store and office, such as electricity safety, road safety, fire safety, prevention of work-related pain, acupuncture treatment and 5-S quality management.

In addition to workplace safety, we place emphasis on the mental health and well-being of our employees. Our employee assistance programme is designed to provide support for employees encountering any stress or difficulties. Employees can be assured of confidentiality when they approach our third-party counsellors who provide both face-to-face and hotline counselling services.



OUR EMPLOYEES

2018 PERFORMANCE HIGHLIGHTS

1.4%
Work injury rate in Hong Kong
2.2%
Work injury rate in Shenzhen

The Group abides by relevant laws and regulations, including but not limited to the Occupational Safety and Health Ordinance of Hong Kong. Each injury incident is reported to our Training and Workplace Safety Team where the causes are thoroughly investigated and preventive measures are considered and implemented.

EMPLOYMENT MANAGEMENT SYSTEM

We strive to ensure a fair, trusting, respectful, inclusive and diverse culture where, from recruitment onwards, people are allowed to access every opportunity irrespective of their ethnicity, gender, marital status, age, and disability.

We communicate our employment practices through the Employee Handbook which covers the key areas including but not limited to recruitment, employee development and other benefits and welfare. Our recruitment, rewards and compensation policies are fairly based on employees' ability and performance, while our remuneration packages are based on employees' expected roles and responsibilities, and are reviewed annually.

In addition, we take care of our employees through comprehensive welfare and benefits schemes. As a pro-family initiative, eligible employees enjoy extra one-day family-friendly leave every year, including for child care, parent care and birthday. As an employer creating a family-friendly workplace, Circle K and Saint Honore have received the "Meritorious Family-Friendly Employers", "Special Mention (Gold)" and "Breastfeeding Support" in the corporations category of



OUR EMPLOYEES

the Family-Friendly Employers Award Scheme 2017/18 from the Family Council of Hong Kong.

In 2018, we have engaged our employees through a variety of health and well-being initiatives, such as Mother's Day interest class, Fruits Day for the Mid-Autumn Festival and HEARTS Marketplace.



The Group acts in accordance with regulatory requirements on employment, including but not limited to the Employment Ordinance, the Employees' Compensation Ordinance and the Personal Data (Privacy) Ordinance of Hong Kong. In the reporting year, there was no case of non-compliance in relation to employment.

In line with our practices to creating a workplace with equal opportunities and non-discrimination, there is an Equal Employment Opportunity Policy to promote equity and diversity across the Group.

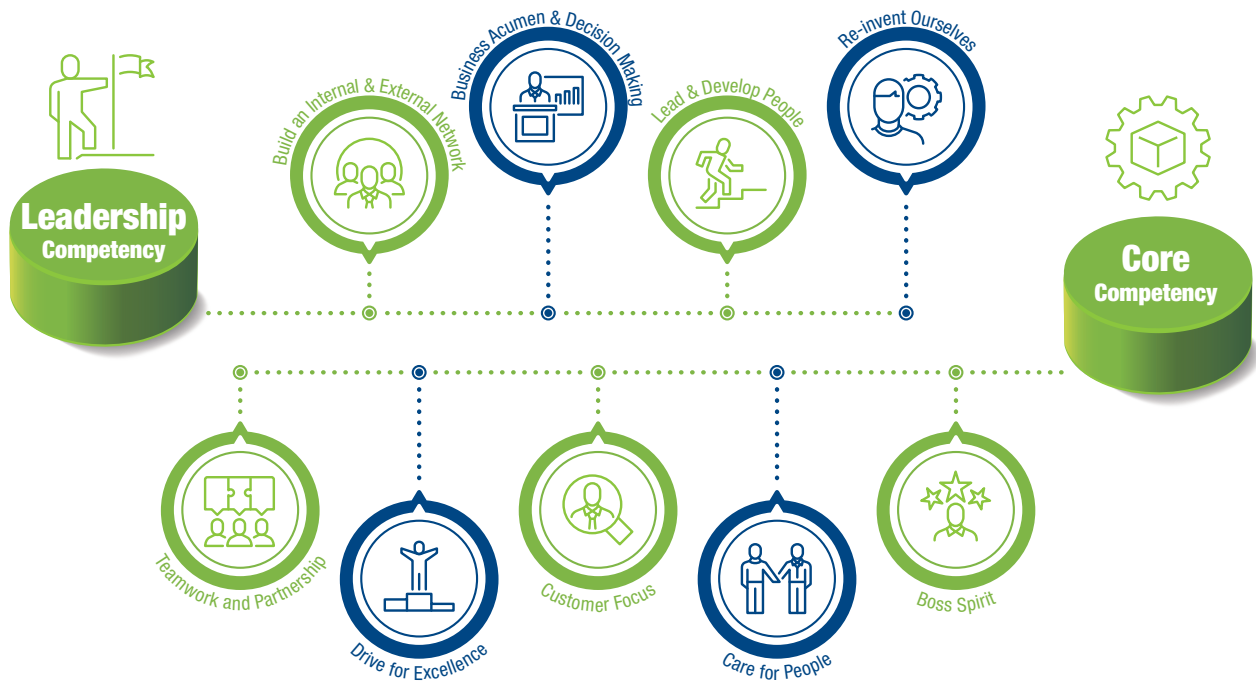
TRAINING AND DEVELOPMENT

We believe 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.

The cornerstone of our employee development approach is built on our Competency Model, which defines the knowledge, skills and attributes needed for different positions. This also provides a clear framework for making informed decisions about talent recruitment, retention, succession, and career development strategies. We consistently communicate these competencies to our employees through our Employee Handbook.



OUR EMPLOYEES



We have performance management and career development process in place for all employees. Our annual performance appraisal system is designed to evaluate employees' performance, encourage two-way feedback, and assess and identify training needs.

In 2018, our development programme was supported by a variety of internal and external training opportunities, alongside performance management and career planning, ranging from enhancing skills of sales and customer service to imparting knowledge of compliance requirements.

We also launched an e-Learning platform to provide easy-to-access training opportunities to employees at different locations. The platform enables colleagues to attend course and learn in a more interactive and interesting way, and record their learning progress. Following the introduction of first trial e-course on basic operation knowledge at Circle K stores, we plan to extend and promote such platform to other business units in 2019.



OUR EMPLOYEES

2018 TRAINING HIGHLIGHTS

Circle K — “We Make Our Customers’ Lives Easier” service training

We believe it is important to connect our frontline employees to our values and strategy on customer service excellence, and motivate them to perform at their best as advocates of our brands. To expand their understanding of better customer experience and service, we provided a series of training classes to over 1300 employees in 2018. The trainings equipped our employees with the skills and knowledge to serve our customers with “A+” customer service and make our customers’ lives easier.



Saint Honore — Total Quality Culture training activity

The Total Quality Culture programme is one of our key initiatives with the aim to create and promote the business culture with teamwork, common goal, right attitude and appropriate tools. To enrich such culture, the key members wearing different hats were invited to a two-day training camp in 2018. The training camp successfully brought all functions with same goal together and promoted the messages about the importance and practices of the Total Quality Culture.



OUR EMPLOYEES

To create and promote a culture of continuous learning, we encourage and support our employees to participate in the Recognition of Prior Learning (RPL) programme provided by the Qualifications Framework where they can obtain recognition of their experience in industry. Currently, we have more than 400 colleagues from Circle K and Saint Honore being awarded RPL Level 2 to Level 4, receiving over 700 certificates from the Vocational Training Council.



We were delighted to receive a number of external awards in recognition of our continuous efforts in employee coaching and development. In 2018, Circle K and Saint Honore received RPL commendation amongst 42 retail businesses from the Retail Industry Training Advisory Committee, Vocational Training Council and the Hong Kong Retail Management Association. Circle K was honored to receive the commendation of “QF Top Employer”.

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 with equal employment opportunities, training, performance assessment, disciplinary and grievance processes, etc.

All forms of forced and compulsory labour are eliminated whilst child labour is strictly forbidden in any workplace. Guidelines regarding overtime work, allowances and compensation leave are available in the Employee Handbook and the related human resource policies as well as the Equal Employment Opportunity Policy.



OUR COMMUNITY

Building thriving communities

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 to 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.



OUR COMMUNITY

Our commitment to engaging and supporting communities is set out in our Corporate Social Responsibility Policy. Our community initiatives are designed to support the three main strands of our community strategy:

Engaging in community and charitable activities to support those in need



Encouraging our employees to care for and contribute to our communities



Fostering innovation and value ideas and support the economic development of our communities



Our Social Team takes the lead to understand the needs of our employees and the communities, as well as to initiate and roll out a range of engagement plans and actions in line with their needs and our strategy. In 2018, we focused on three areas — promoting employee contribution to society, caring for the elderly and collaborating with the communities on engagement initiatives.

Active employee volunteerism delivers more meaningful impact when engaging our communities. To boost volunteerism, we invited employees to innovate and share their ideas on designing community engagement initiatives. Since 2017, we have integrated a range of suggestions collected into our engagement plans with some of them have been put into action.

Selling flags outside our retail stores to provide chance for frontline employees to take part in voluntary service is one of the ideas put into practice in 2017. Riding on its positive impact on volunteerism on the Tung Wah Flag Day last year, we continued to support Tung Wah Flag Day Fundraising in 2018, with over 200 employees, and their families and friends volunteered. What made it even more meaningful was that Circle K worked with a bottled water supplier to sponsor every volunteer with a free bottle of water for the event.



OUR COMMUNITY



To encourage our employees to contribute more time and effort to support voluntary service, we have a Volunteer Leave Policy in place to provide employees with extra leave when volunteering for charitable activities held on working days. In 2018, we involved our employees to volunteer in a number of voluntary services we organised, such as Tung Wah Flag Day Fundraising, Volunteer Visits to Nursery Schools and Christmas Party with the Elderly. We also supported the fund raising event organised by Food for Good.



OUR COMMUNITY



To enrich art and public bonding with the community, Circle K partnered with Art Boundless invited artists in a variety of creative fields to undertake “residency” at its flagship store at Causeway Bay. At the Simply Great Coffee seating area, artists and the public sat and created together artworks that are made from general wastes such as used cups, tableware and sales receipts.

Our continuing efforts in community investment have received a number of external recognitions. Circle K and Saint Honore received “15 Years Plus Caring Company” and “5 Years Plus Caring Company”, respectively, for 2017/2018 from the Hong Kong Council of Social Service.



ESG PERFORMANCE AT A GLANCE

ENVIRONMENTAL PERFORMANCE

Carbon emissions	2018	2017
Types of emissions	Quantity	Quantity
Scope 1 emissions (in tonnes of CO ₂ -e)	4,206	2,888
Scope 2 emissions (in tonnes of CO ₂ -e)	35,705	36,157
Total carbon emissions (in tonnes of CO ₂ -e)	39,911	39,045
Intensity of carbon emissions by Circle K and Saint Honore stores in Hong Kong (tonnes of CO ₂ -e/number of store days)	0.18	0.19
Intensity of carbon emissions by Saint Honore factories in Hong Kong and Shenzhen (tonnes of CO ₂ -e/finished products produced in kg)	0.0007	0.0007
Intensity of carbon emissions by own logistics team (tonnes of CO ₂ -e/travel distance in km)	0.0008	0.0008

Air emissions[^]	2018	2017
Types of emissions	Quantity	Quantity
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. Air emissions in 2017 ESG Report were restated here in unit of and rounded up to tonnes for consistent presentation.



ESG PERFORMANCE AT A GLANCE

Use of energy	2018	2017
Types of consumption	Quantity	Quantity
Petrol (in MWh)	147	150
Diesel (in MWh)	3,560	3,359
Towngas (in MWh)	453	479
Natural gas (in MWh)	4,383	3,607
Electricity (in MWh)	63,911	62,682
Total energy consumption (in MWh)	72,454	70,277
Intensity of energy consumption by Circle K and Saint Honore stores in Hong Kong (MWh/number of store days)	0.31	0.31
Intensity of energy consumption by Saint Honore factories in Hong Kong and Shenzhen (MWh/finished products produced in kg)	0.0013	0.0013
Intensity of energy consumption by own logistics team (MWh/travel distance in km)	0.0030	0.0031

Water	2018	2017
Types of consumption	Quantity	Quantity
Total water consumption (in cubic metres)	209,886	188,737
Intensity of water consumption by Circle K and Saint Honore stores in Hong Kong (cubic metres/number of store days)	0.32	0.30
Intensity of water consumption by Saint Honore factories in Hong Kong and Shenzhen (cubic metres/finished products produced in kg)	0.0104	0.0095



ESG PERFORMANCE AT A GLANCE

Waste	2018	2017
Types of waste	Quantity	Quantity
Total hazardous waste produced (in tonnes)^	—	—
Total non-hazardous waste produced (in tonnes)^	1,664	1,363
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^^	2018	2017
Types of consumption	Quantity	Quantity
Total packaging materials used (in tonnes)	1,370	1,376
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)	2018	2017
Hong Kong Female to male	2.2:1	2.4:1
Shenzhen Female to male	0.9:1	0.9:1

Work-related injury (by geographical region)	2018	2017
Hong Kong Work-related injury rate	1.4%	1.8%
Shenzhen Work-related injury rate	2.2%	2.5%

