



Stock Code: 00831



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A Fung Retailing Company



About this Report

This is the first Environmental, Social and Governance (“ESG”) Report of Convenience Retail Asia Limited (the “Company”) and its subsidiaries (together the “Group”) covering the calendar year of 2016. This report sets out our devotions and efforts in ESG matters, especially in the areas of environmental protection, social contribution, supply chain management and product responsibility.

In this report, we focus principally on the sustainability aspects of 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. A wider reporting scope may be adopted in the future.

We continuously review our sustainability practices and reporting process, and note that there is room for continuous improvement. We are putting efforts in enhancing the capacity for data collection and reporting across the Group.

In this report, the Company has complied with the “comply or explain” provisions set out in the ESG Reporting Guide contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.



Message from Our CEO

The Group is pleased to publish its first ESG Report. This report highlights our policies and practices over the past year in promoting the ESG principles within our Group and among our stakeholders.

The Group is highly aware of its responsibility towards society and the environment. While striving to create long term value for our shareholders, we also seek to maintain sustainable relationship with our stakeholders.

Sustainable operations make good business sense. Not only is it conducive to cost saving, but through implementation of the sustainability initiatives we are able to build a strong link with our customers and the communities in which we operate, who are becoming more and more environmentally conscious.

In the hope of promoting a culture of environmental protection and giving back to the community, the Group engaged in various environmental, social and community projects during the year to make a difference to the communities.

We will continue our efforts to promote long-term sustainability in the Group's operations so as to contribute to the economic, environmental and social well-being of the communities we serve.

Richard YEUNG Lap Bun

Chief Executive Officer

Hong Kong, 21 March 2017



About the Group

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 on 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. As at 31 December 2016, the Group operated close to 600 stores under the two brands in Hong Kong, Macau, Guangzhou, Shenzhen and Zhuhai.



The Group officially launched FingerShopping.com in 2013. FingerShopping.com is a distinctive O2O (online to offline) retailing platform featuring genuine, quality merchandise that is available via secure, convenient payment channels. It is backed by an extensive retail network of more than 300 Circle K convenience stores, excellent customer service and the Group's comprehensive logistics expertise. Customers place orders online, and more than 90% of them choose to pick up and pay for purchases offline in a selected Circle K store.

As at 31 December 2016, the Group had a total of about 6,600 employees, with 5,000 or 76%, based in Hong Kong and 1,600 or 24%, based in Guangzhou, Shenzhen and Macau. For the year of 2016, the Group's turnover was HK\$4,871 million with a net profit of HK\$140 million.



Celebration of the 110th anniversary of the Fung Group



The Group's Vision

The Group's vision is to be the most innovative convenience store and bakery store chain operator in the markets where it operates, and for Circle K and Saint Honore to be preferred brands for customers. It employs a multi-pronged strategy to accomplish this market positioning:

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- **Innovative product offerings through its “Always Something New” and “Dare to Try” operational and marketing platforms**
 - **Customer-centric business focus**
 - **Excellence in customer service**
 - **Convenient store locations**
 - **Highly motivated and engaged employees**
 - **Maximised efficiency through the adoption of the latest information technology**
 - **Synchronised supply chain management infrastructure and processes**
 - **Continuous investment in brand-building, store network, people development, IT systems and supply chain infrastructure**

CSR Policy and CSR Committee

The Group has embraced the concept of sustainability as a pillar of its corporate identity. As a member of the Fung Group, the Group supports the principles of the United Nations Global Compact, which cover human rights, labour standards, anti-corruption efforts, environmental protection and sustainability. The Group takes great care to incorporate these principles into its corporate strategies and daily business activities.

A Corporate Social Responsibility (“CSR”) Policy has been implemented, and it shows the Group’s commitment to building a sustainable development platform by reducing the impact of its business activities on the environment, promoting charitable volunteering and community development, respecting human rights and complying strictly with all laws and regulations related to corporate governance.

The Group’s CSR Steering Committee, which is led by the Chief Executive Officer and Chief Operating Officer, oversees CSR-related policies, initiatives and performance. The Steering Committee supervises a Working Committee that comprises four teams, namely the Environment Team, the Social Team, the Training and Workplace Safety Team, as well as the Food Safety and Supply Team. Each team comprises employees from different business units to spearhead various corporate initiatives throughout the organisation. The establishment of four working teams highlights the Group’s commitments and dedications towards environmental protection, social contribution, supply chain management and product responsibility.

The structure of the CSR Steering Committee is set out below:



CSR Policy and CSR Committee



The CSR Steering Committee defines the Group's CSR strategies, sets objectives and targets, as well as oversees various initiatives.

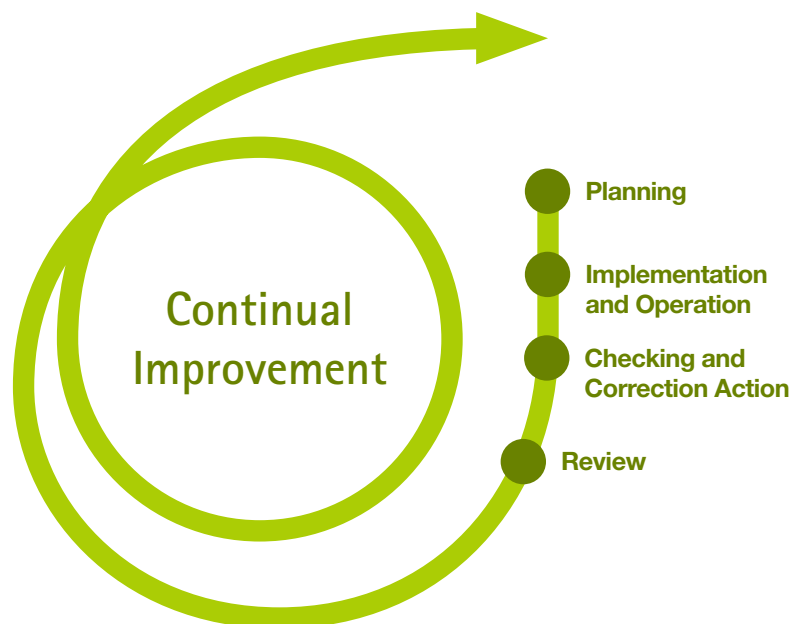
The Working Committee regularly reports its actions, performance and achievements to the CSR Steering Committee. The latter closely monitors the Group's sustainability performance and looks for areas for continuous improvement.

At the Fung Group level, a Sustainability Working Group comprises the sustainability leaders in each of the group companies, plus key functions such as information technology and compliance, and convenes regularly to share best practices and coordinate actions.

We constantly engage with our stakeholders, including but not limited to employees, customers, suppliers and shareholders, in CSR matters via various channels such as meetings, workshops, training seminars and corporate website. The abovementioned four aspects, i.e. environmental protection, social contribution, supply chain management and product responsibility, are the Group's priorities after management evaluation.

Environmental

The Group is totally committed to developing and implementing an environmental management system and to managing all aspects of its operations in an environmentally responsible manner at all times. We care about the environment by raising the level of awareness and participation and we also educate our customers to do the same with us.



The Environmental Management System Process

Environmental

Commitment from the Board of Directors and senior management is essential to drive change, to build awareness and to support the resources required when making the decisions and implementing the changes. In this process, we have incorporated sustainable environmental practices into our daily business activities.

Commitment to the process from all employees is also a key to achieving success through Total Involvement. It is important to consult with our employees before, during and after each major step. In this process, we have promoted environmental awareness among our employees and business partners.

To ensure environmentally responsible behaviour is accepted as an integral part of our operations, we specifically undertake to:

1. Establish the environmental management system in order to help systematically reduce the impacts of our business activities on the environment;
2. Prevent pollution occurring from our business activities, and promote the “4Rs” (Reduce, Reuse, Recycle and Refrain) habits;
3. Conduct operations in compliance with relevant local environmental rules and regulations;
4. Communicate ESG-related policies and practices to our employees and business partners to provide a safer, healthier and greener supply chain;
5. Educate our employees, business partners and customers on their environmental responsibilities and ensure this is integrated into their work practices, training and decision making;
6. Continuously improve the environmental performance of the Group; and
7. Leveraging on our business strengths to cascade green messages across the communities in which we operate.





Emissions

The Group makes every effort to reduce air and greenhouse gas emissions, discharges into water and land, as well as waste through the implementation of the environmental management system, the initiatives led by the Environment Team, and a cluster of key performance indicators aimed at measuring its environmental performance. Emission reduction objectives are set by each business unit and are integrated into the formal and target-based Green Performance evaluation twice a year.

The Group regularly reviews and evaluates the procedures, quantities and contents of the emissions from Saint Honore's manufacturing activities so as to comply with local laws and regulations. The Group also closely monitors and reviews Circle K and Saint Honore store activities in an attempt to minimise the emissions. The Group makes every effort to optimise the use of energy and resources to reduce its carbon footprint.

Use of Resources

Even without considering climate change, there is compelling evidence that human usage of natural resources is out of line with the planet's ability to replenish them. We are committed to promoting efficient use of resources by setting standards for reuse and recycling in partnership with our suppliers and business partners, managing our carbon footprint through applying technical upgrades and eco-design, as well as promoting behavioural change of our employees.

The Group believes that, with the effective use of resources, including energy, water and other raw materials, it has the potential to protect the environment and institute continuous improvement of business processes.



The Environment and Natural Resources

The Group is committed to the principles of sustainability throughout every facet of its business. This includes adopting sound environmental practices, promoting green thinking, and implementing changes that help conserve and protect the communities in which it operates. The Group emphasises the “4Rs” – Reduce, Reuse, Recycle and Refrain – through regular communications with its employees and customers, a wide range of green and energy-saving initiatives, and workshops covering a variety of topics on sustainability.

The Group's senior management takes into account the environmental impact of its commercial activities and business decisions, improve the environmental management system, strengthen target and responsibility assessment, and environmental supervision and management by the Environment Team, so as to minimise the negative impacts on the environment and natural resources when doing business. It makes good business sense by increasing the efficiency of operations so that the Group can “serve more communities with less resources” in the sustainability journey.

The Group ensures its compliance with all applicable environmental and related legislation, and it encourages its employees and business partners to meet their environmental obligations. The Group also identifies environmental impacts associated with its operations and sets targets to continually improve its environmental performance.

GREEN PLUS

綠倍動力

中電「環保節能機構」 齊心節能大獎



CLP 2016 Joint Energy Saving Award

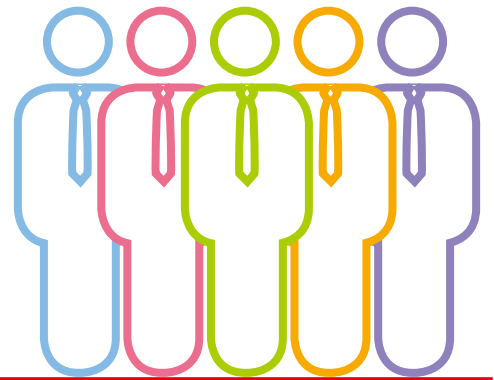


Earth Hour 2016 – Circle K Stores and Saint Honore Shops turned off non-essential store lights and signs to support the Earth Hour

Social

Employment

The Group recognises that human capital is a key asset to its sustained growth and profitability. The Group values its experienced and knowledgeable employees as they are best placed to provide excellent service to customers and help shape the experiences of thousands of customers every day.



**AN EQUAL OPPORTUNITY POLICY
IN CONNECTION WITH
ALL HUMAN RESOURCE MATTERS**

The Group adopts an equal opportunity policy in connection with all human resource matters including selection and recruitment, training and development, appraisal and promotion, transfer, compensation and benefits, discipline, redundancy and dismissal. All employees are treated equally, and their employment, remuneration and promotion will not be affected by their social identities such as ethnicity, nationality, gender, religion, age, sexual orientation, political faction and marital status.

The Group has policies and systems in place to ensure compliance with all statutory rules under the Employment Ordinance and other relevant regulations on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, other benefits and welfare etc.

Health and Safety

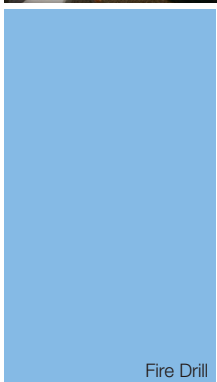
The Group is committed to maintaining a safe and healthy workplace that complies with the strictest practices, and it strives to provide this for all its employees through information sharing and comprehensive training. With the establishment of the “Occupational Safety Charter” under the Occupational Safety and Health Council, the responsibilities of both the employer and employees in creating and maintaining a safe and healthy working environment are highlighted and it also serves as a basis for building and managing a safe and healthy workplace.

The Group also strives for continuous improvement of occupational health and safety by planning, developing and improving programmes and procedures to ensure compliance with all applicable laws and regulations.

All new employees receive training on basic work safety and hygiene guidelines, and they are also provided with protection devices such as safety boots and gloves wherever necessary.



Workplace Safety and
Health Awareness
Training Workshops



Fire Drill




Development and Training

The Group believes that a strong learning and development culture is a crucial element in attracting the right talent. We are fully committed to investing in the growth and development of our people, appreciating the fact that they are a crucial interface for communicating with our customers.

The Group allocates ample resources to employee training and development with the aim of sustaining a competent, professional and ethical staff force that will contribute to the Group's success. We provide opportunities to our employees to connect, share innovative thinking and resources, and to learn and develop through a variety of programmes with flexible learning channels including digital and classroom courses, on-the-job experience, networking, coaching and mentoring, and cross-border opportunities. Educational support is also provided to our employees to enhance their knowledge and skills.

We regularly organise training from internal trainers and external professionals. The scope of our employee training and development initiatives in 2016 included the following:

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- Food safety and hygiene
 - Occupational health and safety
 - Inventory management
 - Basic management skills
 - Customer service, handling of complaints
 - Selling skills
 - Human resources including recruitment, manpower planning, and coaching
 - Product specific training
 - Effective communication
 - Performance management

The Group implements a policy of sponsoring its employees to attend job-related training and self-improvement programmes. During the year, the Group continued to participate in the staff development programme organised by the Fung Group. It was an initiative designed to develop high calibre managers and ensure smooth succession planning.



Social

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. The Group is not aware of any non-compliance with the relevant statutory rules and regulations.

Supply Chain Management

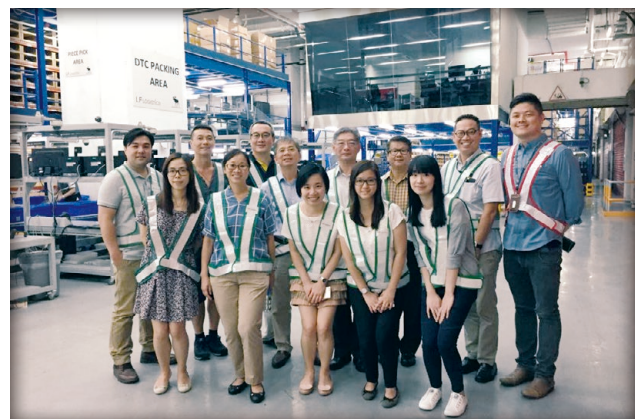
The Group promotes fair and open competition that aims to develop long-term relationships with suppliers on mutual trust. Meanwhile, we continue to seek and gain support from our suppliers to cultivate safe working conditions, to foster dignity and respect for workers and to promote responsible environmental practices.

Our Supplier Code of Conduct details the principles and practices that we expect our suppliers to uphold. The Code, which is based on universally accepted fundamental principles and local laws, represents our commitment to source goods from suppliers who value and incorporate these provisions into their operations.

Suppliers have been requested to acknowledge the Code which is focused on the following areas:

- i) Labour practices
- ii) Ethical conduct
- iii) Safe places to work
- iv) Environmental protection
- v) Responsibility, transparency and accountability

Vendor Compliance team of the Fung Group conducted audits on the factories of selected suppliers during the year.



The Group visited logistics centre of the Fung Group

Product Responsibility and Customer Privacy

With our commitment to delivering products which are safe and of consistent quality, we have policies and systems in place to ensure that products sold at our stores are in compliance with local rules and regulations related to health and safety, advertising, and labeling.

Circle K Hong Kong has established strict standards in product procurement which encompass quality and product safety. The “end-to-end quality” concept had been set up to provide our customers with safe, quality and reliable products.

As for Saint Honore, food safety and hygiene management standards are put in place to safeguard food safety and minimise food related risks throughout the entire supply chain from material assurance, storage, manufacturing, distribution to sales. This fundamental quality assurance system enables our factories in Shenzhen and Hong Kong to achieve the ISO 9001 certification. In addition, our factory in Shenzhen not only achieves the Hazard Analysis and Critical Control Points (HACCP) accreditation, but also has an in-house microbiological laboratory which has obtained the China National Accreditation Services for Conformity Assessment (CNAS) certification.



Circle K and Saint Honore representatives attending food safety seminar



In-house food safety and hygiene training



Should a specified batch of products need to be recalled due to quality, labeling or other aspects, appropriate actions will be taken to stop selling the relevant products, allocate adequate resources to manage the issue effectively and destruct the products properly.

The Group respects customer privacy. We have implemented strict data protection mechanisms to protect the confidentiality of all systems data, including customers' data collected under the customer relationship management programmes of Saint Honore Hong Kong, Macau and the Chinese Mainland, our O2O retailing platform – FingerShopping.com as well as the loyalty programme of Circle K Hong Kong. Appropriate security controls are implemented to prevent unauthorised access to these data.

We only collect personal data that we believe to be relevant and required to conduct our business. We will not disclose personal data outside the Group unless we have consent or are required by law to do so.



The Group's Code of Conduct and Business Ethics includes practices regarding protection of personal data and copyright. The code is posted on the intranet for ease of reference and as a constant reminder to all employees.

Anti-corruption

We maintain the highest standards of ethics and integrity in the way we do business. We take a zero-tolerance approach to bribery and are committed to complying with all applicable anti-bribery laws.

The Group's Code of Conduct and Business Ethics sets out the guidelines to formulate the core business ethical practices on anti-bribery and anti-corruption. All employees are strictly required to comply with the code at all times.

Under the Group's Whistleblowing Policy, employees can report any concern, including actual or potential misconduct, possible impropriety or fraud in financial reporting, accounting, risk management and internal control matters, to either senior management or the Group Chief Compliance and Risk Management Officer. Any shareholders or stakeholders 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 the whistleblower's concerns fairly and properly.



Social

Community Investment

We place high priority in creating value for the communities we serve, which is illustrated through our investment in a variety of community initiatives. We care about the well-being of the communities in which we conduct our business.

The Group always encourages its employees to actively participate in sponsorships and charitable support through direct donation or involvement in various community and charitable activities to support those in need. The Group also fosters innovation and value ideas and supports the economic development of the communities.

In order to encourage our employees to participate in voluntary charity work and contribute to the community, the Volunteer Work Leave Policy was introduced in June 2013 to provide extra leave for eligible employees who volunteer for charity activities held within working hours.

The Group, our management and employees are regular contributors to the communities in which we operate, volunteering time and resources to worthy causes. Circle K and Saint Honore were delighted to receive “10 Years Plus Caring Company Logo” and “5 Years Plus Caring Company Logo”, respectively, for 2015/2016 from the Hong Kong Council of Social Service. These logos were given to companies that demonstrate “Caring for the Community”, “Caring for Employees” and “Caring for the Environment”, as well as long-term contributions to society.





