



Convenience Retail Asia Limited 利亞零售有限公司

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



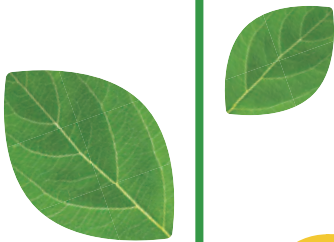
2019

Environmental, Social and Governance Report

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A Fung Retailing Company





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SUSTAINABILITY IN ACTION

1. 2019 HIGHLIGHTS

As a sustainability-conscious corporation, Convenience Retail Asia Limited (the “Company”) and its subsidiaries (together “CRA” or the “Group”) are 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. We take great care to incorporate these principles into our corporate strategies and daily business activities. With respect to our primary retail businesses, we are dedicated to making positive contribution to the United Nation’s Sustainable Development Goals, Goal 12 in particular, by upholding responsible consumption and production patterns.

We actively reduce our ecological footprint by improving the way we produce and consume goods and resources. Efficient management of natural resources and proper disposal of waste and pollutants are also crucial to achieving this goal. In particular, food waste reduction at the retailer and consumer levels plays an important role in creating more responsible supply chains.

The Group believes in sustainability in action, and our commitment to society and environment are exemplified by what we do. During 2019, we have established a new cross-business unit team to seek solutions for reducing the use of plastics in our products and services. We have also launched a consumer-level campaign at stores to call for the support from our customers.

Operation



518 STORES OPERATED

under the Circle K, Saint Honore Cake Shop and Zoff brands

Upgraded to a newer version of China National Accreditation Services for Conformity Assessment (CNAS) for food safety laboratory at factory in Shenzhen

P.13



Governance

- CSR Steering Committee and Working Committee met on

2 AND 12 SEPARATE MEETINGS

respectively to lead sustainability matters

P.4



Introduced a new cross-business unit team for reduction of plastics

P.6




Environment

Total carbon emissions

 **44,251 TONNES OF CO₂-e**

Total energy consumption

 **74,684 MWh-e**

Total water consumption

 **181,140 m³**

Total waste generated

 **1,630 TONNES**

Total packaging materials used

 **1,193 TONNES**

Installed solar panels and greywater reuse system at factory in Shenzhen

P.22



Launched plastic-free initiatives at retail stores

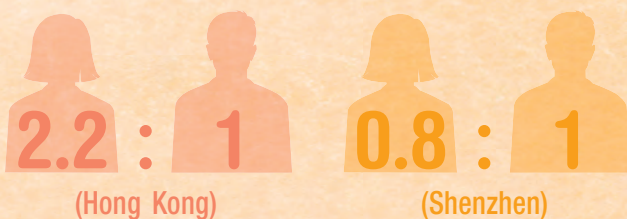
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Social

EMPLOYEES

Female to male ratio



Launched new e-learning courses on store operation practices

P.30

CUSTOMERS

OVER 1.5 MILLION AND 0.6 MILLION MEMBERS joined our online loyalty programme “OK Stamp It” and “Cake Easy” mobile applications

P.16



COMMUNITY

4,000 VOLUNTEER HOURS

54 ACTIVITIES held and volunteered





Looking ahead, we will continue to work with our stakeholders and partners relentlessly to find opportunities to further incorporate sustainability into our operation. This will be accomplished by identifying goals and actions within our operation that can further our contribution to Goal 12 as well as other sustainability commitments of ours.

2. APPROACH TO SUSTAINABILITY

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.

Sustainability governance

The Board of Directors (“the Board”), the Group’s highest governing body, is ultimately accountable for leading and overseeing sustainability of the Group. The Group’s Corporate Social Responsibility (“CSR”) Steering Committee (the “Committee”), headed by the Chief Executive Officer and the Chief Operating 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.

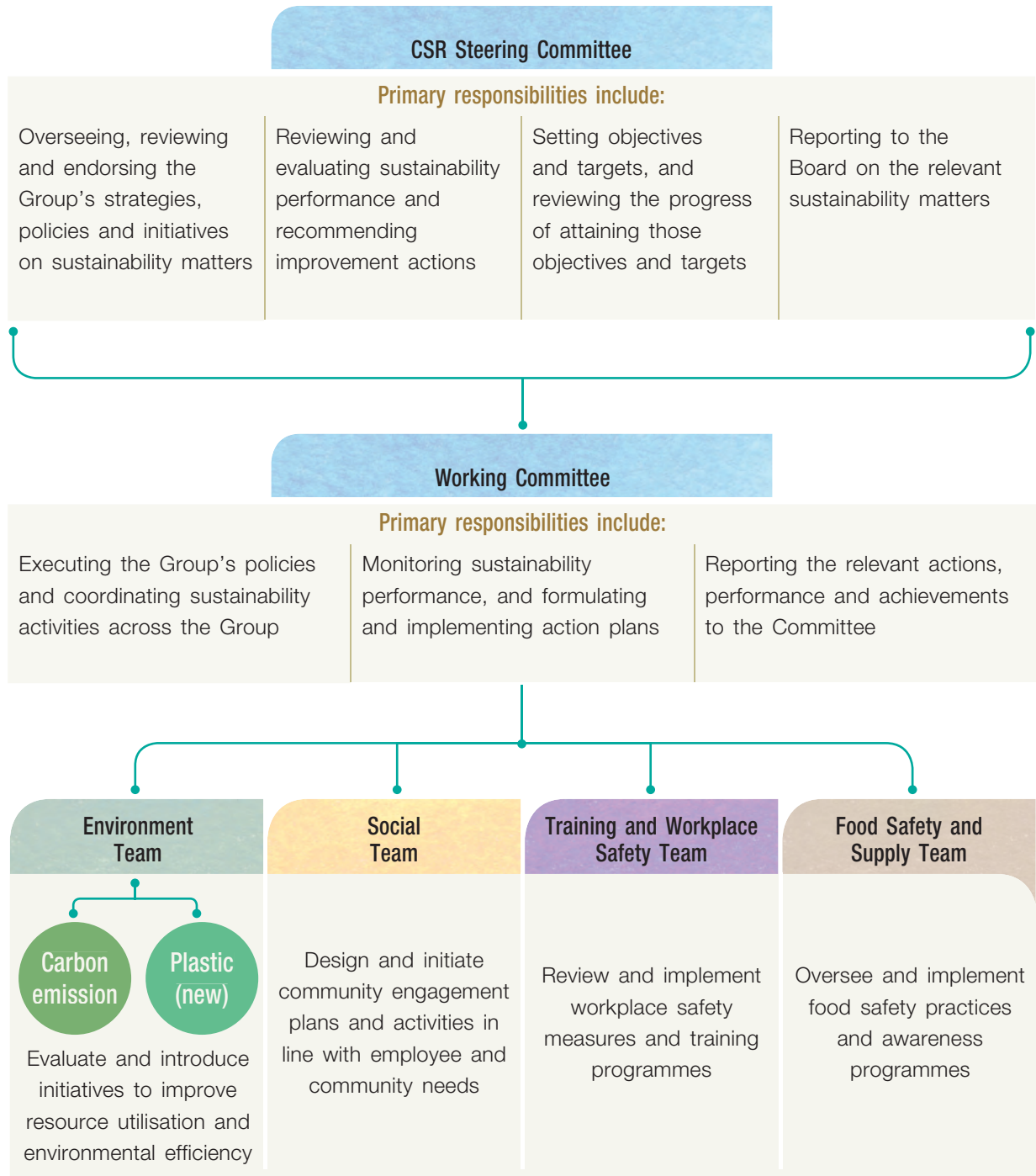
In 2019, the Committee had two meetings to review the overall strategies, goals, plans, actions, and results and to review the disclosure in this report.

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.





In 2019, the Working Committee had 12 meetings and the focus of the working teams are described below.





NEW PROJECT TEAM FOR REDUCTION OF PLASTICS

Considering plastics, particularly plastic packaging, as a critical global crisis that requires immediate attention, we have set up a new cross-business unit team to explore sustainable packaging solutions and actions to reduce plastic packaging and consumables in factory and store. The team is responsible for studying plastic inventory, conducting an in-depth analysis of targeted plastic items to begin with, and exploring action plans and target setting. It also focuses on raising awareness by means of promotion and education programmes. For more details of the initiatives taken in 2019, please refer to P.21.



Sustainability key performance indicators (“KPIs”) not only transparently reflect performance, but also enable the Group to assess performance, which forms the basis for developing and evaluating sustainability agenda and actions. Sustainability performance are monitored and evaluated across business units and reported to the Working Committee and the Committee through regular meetings.

The Committee is reviewing the KPIs currently used, data quality and data collection system. Looking ahead, it will explore setting an appropriate set of KPIs that covers key issues of sustainability in line with the Group’s commitments. This will serve as the foundation for goal-setting. It is also on its agenda to annually report selected KPIs in the Environmental, Social and Governance (“ESG”) report.

Sustainability commitment

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 corporate governance.





Sustainability Pillars

Environmental

Employment

Product Responsibility

Community Investment

Commitments

Emissions

We make every effort to reduce air and greenhouse gas emissions, as well as waste through the implementation of environmental policies and measures.

Use of Resources

We are committed to promoting efficient use of resources.

Employment

We are committed to creating a culture of highly engaged employees across the Group.

Health and Safety

Health and safety is a priority at all times for all business operations. We are determined to provide and maintain a safe and healthy workplace for all our people.

Development and Training

We ensure that all our people have access to development and training opportunities.

Labour Standards

We strictly uphold best practices in labour and human rights standards.

Product Safety

We are committed to delivering products which are safe and of consistent quality.

Customer Service

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.

Supply Chain Management

We are committed to developing long-term relationships with our suppliers, and to working together for a better living environment.

Community Involvement

We place high priority in creating value for the communities we serve, with a strong commitment to improve their well-being.

STAKEHOLDER ENGAGEMENT

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 communicative 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 & managers, as well as various team building activities.



- Orientation and training sessions

- 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.

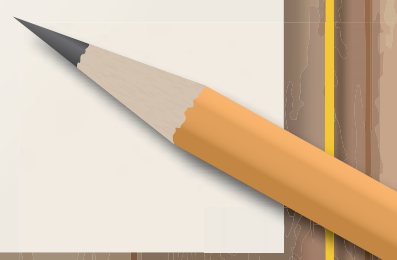


CUSTOMERS

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

COMMUNITIES

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





Materiality assessment

Along with feedback received from various engagement channels, the Committee has reexamined the results of the materiality assessment which was conducted in 2018 with key representatives of internal stakeholders to collect their opinions for determining the relative materiality on various ESG issues.



Top-tier issues were validated to be priority issues for us to address and report on.

Product Responsibility	Employment and Labour Standards	Environment
<input checked="" type="checkbox"/> Product quality assurance and recall procedures	<input checked="" type="checkbox"/> A safe and healthy workplace	<input checked="" type="checkbox"/> Electricity consumption and efficiency
<input checked="" type="checkbox"/> Customer data and privacy	<input checked="" type="checkbox"/> Employment system	<input checked="" type="checkbox"/> Packaging material consumption and efficiency
<input checked="" type="checkbox"/> Products and service related complaints	<input checked="" type="checkbox"/> No child and forced labour	
<input checked="" type="checkbox"/> Intellectual property rights		



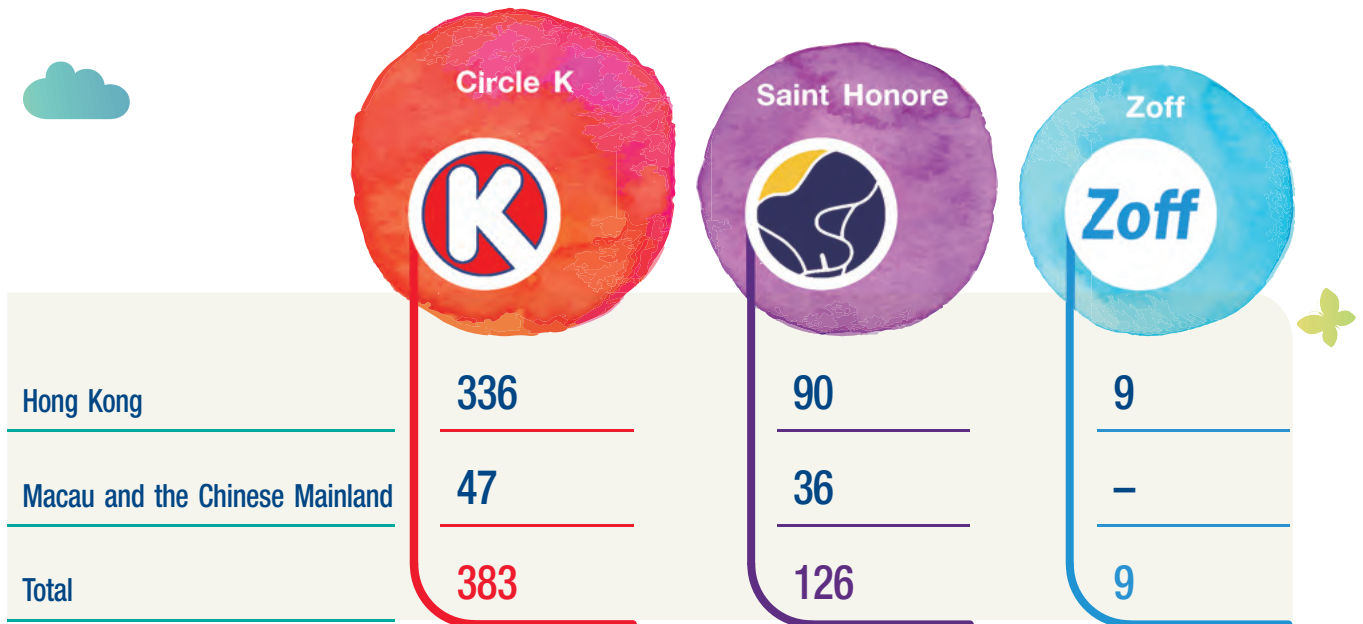


3. CREATING BUSINESS OPPORTUNITIES

Business profile

CRA is a listed retailing member of the Fung Group, engaging in the operation of convenience stores, bakeries and fast-fashion eyewear. The Group operates retail stores under the brand name of Circle K, one of the fastest-growing convenience store brands worldwide, in Hong Kong, Macau and on the Chinese Mainland. The Group also 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. The Group has also obtained the franchise of Japan's leading fast-fashion eyewear chain Zoff for Hong Kong, Macau and Southern China.

As of 31 December 2019, the Group operates a total of 518 self-operated and franchised stores under the Circle K, Saint Honore Cake Shop and Zoff brands:





Sustainability risks and 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 has the overall responsibility for maintaining appropriate and effective risk management and internal control systems. 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 reviews ESG and compliance controls.

Recognising the importance of independent reporting of the corporate compliance function, the Group Chief Compliance and Risk Management Officer is also invited to attend all Board and committee meetings to offer advice on corporate governance matters covering risk management, internal controls and compliance issues.

In 2019, the Group has 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. For details of risk management and internal control systems, please refer to our Annual Report.

Looking ahead, the Group will continue to enforce risk management and internal controls by means of evaluation of environmental and social risk evaluation and formulation of timely responses.





4. ENSURING 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.

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.

Quality management

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 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 our 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 department will investigate the cause and offer rectification.

Safe materials and suppliers

At Saint Honore, assuring the quality and safety of incoming ingredients and packaging materials meet or exceed our specifications is an integral part of the food safety management. We set out clear guidelines on procurement category risk mapping in our material risk assessment. For existing raw materials, we consider a set of factors such as product supply, purchase volume, food safety risk, and impacts of safety and quality incident. For new raw materials, the assessment also evaluates product type, seasonal/promotional item and food safety risk. The risk level of raw materials is categorised into three classes, allowing us to implement proper control measures based on the risk categorisation.

We evaluate supplier qualification, material specification and supplier and material conformity, and perform material testing and in-coming material quality check, as basic management processes. 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.

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.

As a follow-up of the audits, we have implemented various improvements, such as restructuring racks for easier checking on ingredients and products, replacement of ventilation fans and floor drain covers, arranging hygiene courses to workers and putting up new education posters and video.





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 also pest control.

Major activities organised by the Food Safety and Supply Team in 2019 are summarised below.

Competition to promote proper handling of food

Proper food handling can effectively prevent foodborne diseases and minimise food safety risks. A competition for food safety was held in July 2019 with the aim to promote and exchange best practices of handling cooked and raw food among frontline employees at factories and stores. A total of 25 teams have submitted their entries.



Learning good hygiene practices in food transportation

Good hygiene practices must also be carried out during the transport stages to avoid product contamination. A visit to a professional logistics operator was arranged for Food Safety and Supply team members. During the visit, the logistics operator not only shared the good practices of hygiene control during transportation, but also Good Manufacturing Practices of temperature control, warehouse layout and warehouse management system.



Transfers of food safety practice through cross-company visits

A cross-company store visit was held for employees among Circle K and Saint Honore to share good practice and new information about food safety. During the visit, employees observed and exchanged best practices covering design of rubbish bin, temperature control and cleaning of utensils.



Customer satisfaction

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

We are constantly upgrading our mobile applications which have already been launched for a few years. Through this platform, we are able to give privileged offers to our loyalty programme members electronically, which is more hassle free and more environmental friendly. To add to our customers' shopping excitement, we introduced online games and lucky draws from time to time. By end of the year, we have seen the membership of our "OK Stamp It" and "Cake Easy" programmes grown up to over 1.5 million and 0.6 million, respectively for Circle K and Saint Honore in the Hong Kong market.

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.





Corporate governance

Operating with honesty, integrity and fairness has always been at the core of our business and the Group is committed to upholding the highest standard of corporate governance. Our Code of Conduct and Business Ethics defines business principles and guides 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.

To expand a greater variety of courses to employees on this topic, we are developing an e-learning course on whistleblowing with interactive features, which will be launched through our e-Learning platform.

Protection of customer privacy and third party information

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.

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.

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.

Supply chain management

Procurement and supply chain management are fundamental to our business operations. 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 in the year 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. We will continue to nurture long-term business relationships with our suppliers to build a fair and responsible supply chain.





Report on legal compliance

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, based on the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Aspects	Number of cases	Major applicable laws and regulations (including but not limited to)
Emissions	No reportable case	Air Pollution Control Ordinance, Ozone Layer Protection Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance of Hong Kong
Employment	No reportable case	Employment Ordinance, Employees' Compensation Ordinance and Personal Data (Privacy) Ordinance of Hong Kong
Occupational health and safety	No reportable case	Occupational Safety and Health Ordinance of Hong Kong
Labour standards (child and forced labour)	No reportable case	Employment Ordinance of Hong Kong
Product responsibility	No reportable case	Public Health and Municipal Services Ordinance of Hong Kong, Trade Descriptions Ordinance, Competition Ordinance, Personal Data (Privacy) Ordinance of Hong Kong and other regulatory requirements on pre-packaged food labelling
Anti-corruption	No reportable or legal case	Prevention of Bribery Ordinance of Hong Kong

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



5. MINIMISING ENVIRONMENTAL FOOTPRINT

Recognising climate change as one of the medium to 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.

Resource and waste management

We are clear on our responsibility of reducing and managing the waste we produce and where impacts are significant, as stated in the CSR Policy. Wastewater produced in operations mainly includes domestic wastewater discharged to municipal sewage treatment plant. Disposal of hazardous waste is carried out by licensed handlers according to local rules and regulations. General non-hazardous waste was sent to public refuse stations, while recyclable waste was sent to recyclers for further handling. In 2019, over 190 Circle K retail stores have participated in the fluorescent lamps recycling programme organised by CLP.

Reducing food waste and packaging waste are one of our operational priorities. We have been looking for ways to reduce such waste during our manufacturing and retailing processes.

REDUCE POTENTIAL FOOD WASTE

We constantly monitor the quantity of unsold products and adjust our production pattern to reduce potential food waste generated at production stages. For bakery and festive products reaching shelf life, we have established a programme to donate them to various charitable organisations including Foodlink Foundation, Feeding Hong Kong and Women Service Association. For non-edible leftovers, Saint Honore is engaging a food waste recycler to explore the feasibility of recycling bread crust and egg shells.





REDUCE USE OF PACKAGING AND SINGLE-USE PLASTICS

Customers

The issue of packaging and plastic pollution which has made international headlines is a concern in our retail business. We are exploring the use of packaging materials made of biodegradable or recyclable content across all business units while upholding our quality and safety standards.

In order to encourage customers to use less single-use plastic products, we have implemented “Go Plastic-Free” and “No Straw Day” initiatives at Saint Honore and Circle K retail stores respectively. The former initiative included providing plastic straws, utensils and bags only upon customers’ request, while the latter introduced a no straw policy on Saturdays and Sundays. Plastic utensils and containers were also replaced with bamboo, wood or paper items. With these initiatives taken, we had recorded a reduction of 15% compared to that of 2018 on the use of single-use plastic products.



Employees

To encourage office staff to use reusable containers when buying takeaway lunch, we launched the “Bring Your Own Lunch Box” campaign. Reusable containers with variable sizes and insulation bags are provided in pantries, and colleagues are welcomed to use them for buying lunch. We have also taken away all plastic straws, cups and lids in our office pantries, and promote the use of “your own” mugs.



Community

CRA, together with the Fung Group, are invited by Drink Without Waste Working Group (the “Working Group”) appointed by Environmental Protection Department to prepare a proposal for recycling single-use plastics in Hong Kong. We will proactively provide recommendations based on industry experience to the Working Group.



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. In 2019, the Group sourced water from municipal supply and faced no issue in sourcing water fit for purpose.



We have a series of on-going environmental initiatives to reduce the use of water and other materials. These contribute to continual improvement of our business processes and protection of our environment.

AWARENESS BUILDING

Circle K Hong Kong and Saint Honore Hong Kong once again supported the Earth Hour event held on March 30, 2019. To enhance employees' awareness of resource conservation and waste recycling, we have implemented a “環保4R好Easy” environmental-friendly operating practice to all retail stores in 2019. In addition, a series of education activities was organised, such as

- ♻️ a seminar about minimalism (斷捨離) was held in Hong Kong office
- ♻️ Green Message every Tuesday via e-mail, covering environmental news update and green tips
- ♻️ a quiz on proper ways of recycling
- ♻️ all paper cups were replaced by reusable ceramic cup at office
- ♻️ three-colour waste collection bins were setup at office



WATER EFFICIENCY

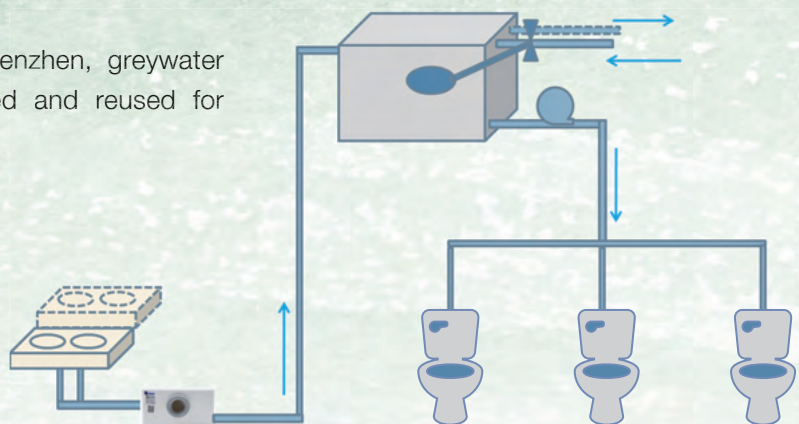
Automatic washing machine for cleaning kitchenware and tools at Saint Honore factories in Hong Kong and Shenzhen to enhance water use efficiency.

PRODUCTION EFFICIENCY

To improve production efficiency and effective use of natural resource, we have reviewed current production process and progressively centralised all cake base production at Saint Honore factory.

GREYWATER REUSE

At Saint Honore factory in Shenzhen, greywater from washing basin is recycled and reused for flushing toilets.





Carbon and energy management

Climate change has become one of the most pressing issues of our time that present all businesses with long-term 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.

In 2019, our total carbon emissions were 44,251 tonnes of CO₂ equivalent (“CO₂-e”). The primary source of carbon emissions was retail stores, accounting for about 64% of the Group’s total. Scope 2 energy indirect emissions from purchased electricity was the largest source of emissions, contributing to approximately 87% of the Group’s total.

An increase of total carbon emissions was observed compared to the preceding year. While most other operations recorded slight changes in their carbon emissions, the increase in the group’s overall consumption was due to the higher use of electricity and refrigerants in our factories as we expanded our frozen dough supply chain in Hong Kong and the Mainland. We are now reviewing our production processes and the choice of equipment, with the objective of enhancing efficiency in both production and resources consumption. We have also added experienced staff to our technical team to look after the maintenance of our cold chain system.

Carbon emissions	2019	2018
Scope 1 emissions (in tonnes of CO ₂ -e)*	5,898	4,206
Scope 2 emissions (in tonnes of CO ₂ -e)^	38,353	35,705
Total carbon emissions (in tonnes of CO ₂ -e)	44,251	39,911

* 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.



INVESTING IN ENERGY MANAGEMENT

Since energy consumption is a major source of greenhouse gas emissions, we regard energy reduction and efficiency as a key emissions reduction strategy. We have implemented a series of energy saving measures to effectively manage energy use at factories and retail stores:

Solar panel project

Unlike fossil fuels, solar energy is a renewable source of energy that is sustainable and inexhaustible. It is also a non-polluting source of energy that does not emit any greenhouse gases when producing electricity. Solar panels were installed at Saint Honore factory in Shenzhen to produce clean and renewable energy.



Hardware upgrade

For stores, we have gradually replaced aged electrical appliances and systems, such as lightings, lighted-signages, sign-wings, fermentation tanks, ovenware, proofers and air-conditioners, with more energy efficient models. For server rooms, we have adopted LED with motion sensors, the use of aisle containment and blade systems.

Efficiency enhancement

We have reviewed our current production process and progressively centralised all cake base production at Saint Honore factory, so as to improve production efficiency and reduce energy consumption. In addition, we ensure our equipment and appliances are regularly cleaned and properly maintained. Glass doors or air curtain are installed at retail stores where applicable.





Air emissions by own logistics team	2019	2018
Nitrogen oxides (NOx)	4	4
Sulphur oxides (SOx)	—	—
Respiratory suspended particles (RSP)	—	—

In 2019, the major source of air emissions was from diesel consumption of our own logistics team (not including outsourced delivery fleets).

To reduce air emissions at source, we started to replace 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 in all trucks to determine the optimal driving route plan since 2017, we continued to promote eco-driving such as avoiding unnecessary acceleration and deceleration and switching off idling engines. In 2019, there is a slight increase in diesel consumption as our business grows and mileage travelled also increased. With all the measures and initiatives taken, the intensity of consumption is actually maintained as the preceding year. And we will continue to strive to 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 continue to explore the possibilities of enhancing the data collection process and disclosing the relevant information when they become available.



6. CREATING A SAFE AND EMPOWERING 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.

Occupational health and safety

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.



Safety practices

A set of clear guidelines are communicated through the Employee Handbook, training and knowledge sharing platform. We regularly review our safety practices and develop action plans, such as assessments, improvement work and training. To further improve safety measures at stores, in 2019, we have communicated guidance on standing at work and service counter and provided cashier chairs to stores. In addition to introducing additional guidelines, we have been exploring the use of machinery to reduce the physical burden of employees.



Risk assessment

Risk assessment provides the basis for establishing effective action plans. Specialised teams are responsible for assessing safety risks associated with operations, such as manual handling, display screen equipment and standing at work. For employees who are exposed to higher level of safety risk, we ensure suitable safety equipment are provided and properly used.

Safety performance of factories, including night shifts, and stores are monitored through periodic safety audits. As a follow-up, improvement measures have been implemented, such as reorganising storage to avoid physical strain at work, providing additional seats in the factory and introducing new signage, such as safety reminders and maximum storage height.





FIRST AID

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.

To promote safety awareness among employees, an online quiz was organised for employees to test their knowledge of workplace safety, on the topics like first-aid knowledge and how to use equipment in the right manner to avoid workplace accident. More than 1,800 employees from different business units in Hong Kong, Macau and Shenzhen participated in the quiz.



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 on handling emergencies for employees. To make sure they understand such guideline, we rolled out e-course on “Emergency handling”, with topics like understanding the procedures on emergency situation and how to use the fire extinguisher in right manner. Over 2,300 employees completed the e-course.



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 2019, the work injury rate recorded in Hong Kong and Shenzhen was 1.6% and 1.8% respectively. Common work injury incidents were sprain, cut, slip and fall, and burn. The Group has 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.



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.

Recognising growing health concerns for road users, we arranged pre-employment and annual health checkups for drivers to ensure they are fit to drive.



Employee well-being programme



Prevention of upper limb disorders and neck and back pain

關 護

日期：10月11日 (星期五)
 時間：2 – 3pm (健康講座)
 地點：15/F Breakroom
 對象：歡迎寫字樓同事參加
 內容：
 ✓ 心臟科專科醫生講解常見的心臟
 ✓ 免費身體檢查，包括以下3個項目

劉煥良醫生
 (心臟科專科醫生)
 香港大學內科全科醫學士
 英國皇家內科醫學院院士
 香港內科醫學會院士
 香港醫學專科學院院士(內科)

全自動視網膜
 圖像分析
 (中風風險)

截止日期
 9月25日

血糖/血脂
 快速測試

免費密度
 檢查

Prevention of heart disease and free heart health check

In 2019, we carried out a seasonal influenza vaccination programme in Hong Kong office and offered on-site vaccination to employees. In addition, we have organised a number of health talks where medical professionals were invited to share tips on mental and physical health to our staff.



Healthy eating and nutrition of fruits



Community psychological knowledge sharing



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.

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.

In 2019, 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.

In line with our strategy to drive automation in production and promote "Lean Six Sigma" as process improvement, we invited senior training experts from Fung Global Transaction Services (Guangzhou) Limited to tailor a 5-day "Lean Six Sigma" training in April and October 2019. It helped the management team from Saint Honore factory in Shenzhen to gain a deeper understanding of "Lean Six Sigma" and how to effectively integrate it into daily production management.

Standard first-aid certificate training was also introduced to office staff in 2019, the course aims at instilling basic first aid knowledge and skills to trainees so that they are capable of imposing first aid to victims. Total 33 colleagues had attended the programme and 27 of them was now qualified as first-aider.



REDEFINING BLENDED LEARNING

Blended learning is a hybrid learning approach that combines traditional place-based and online methods. To provide easy-to-access training opportunities to employees at different locations, we have launched an e-Learning platform. The platform enables colleagues to attend course, learn in a more interactive and interesting way and record their learning progress. An e-course for Circle K store employees was first introduced, sharing knowledge about company background, store operation, safety procedures, point of sale system and the app “OK Stamp IT”. For Saint Honore store employees, we developed e-courses on knowledge about festive products and customer service experience. We are developing new e-courses, including sustainability and whistleblowing, with interactive elements for our staff.

好字 網上學習平台



Employee relations

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.

In 2019, we engaged our employees through a wide variety of activities, such as Fruits Day for the Mid-Autumn Festival, Mother's Day workshops, Father's Day Photo Competition and Summer Adventure for employees and their friends to enjoy outdoor activities.





7. 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 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.

Community investment

The Group underlines its commitment to engaging and supporting communities in the CSR Policy. Community initiatives are designed to support the three main strands of our community strategy:



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 innovate and 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.



54
activities held and
volunteered

4,000
volunteer hours
by employees

In 2019, 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. The key highlights are summarised below:

“HELPING HANDS” COOKIE CAMPAIGN 2019

by CRA and Helping Hand

A 2-day “Helping Hand” Cookie Campaign was organised to raise funds for “Helping Hand” to serve senior citizens by meeting the needs for housing and caring and other necessities. During the campaign, employees sold cookies and appealed for donations.



HOME VISIT TO THE ELDERLY

by CRA and TWGH’s Lim Por Yen Integrated Home Care Services Centre

Social interactions bring love and joy to senior citizens. In September 2019, volunteered employees visited single elderly persons living in Shatin, Hong Kong. They chatted with the elderly and delivered festive gifts such as low-sugar moon cakes and walnut Chinese cookies donated by Saint Honore to celebrate the Mid-Autumn Festival with them.



TUNG WAH FLAG DAY 2019

by Tung Wah Group of Hospitals

We continued to support Tung Wah Flag Day Fundraising and nearly 200 employees from CRA, Circle K, Saint Honore and Zoff, as well as their families and friends volunteered to raise funds for community services and people in need in society.





8. DATA AND REPORTING

Approach to reporting

This report is the fourth 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 2019 Annual Report, in particular the Corporate Governance Report contained therein.

Reporting 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 2019. The relevant businesses account for 94% of the Group's total revenue.

Reporting standard

This report is prepared in accordance with the 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 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 Committee and the Board on 10 March, 2020.



KEY FIGURES

Environmental performance

Carbon emissions	2019	2018
Scope 1 emissions (in tonnes of CO ₂ -e)	5,898	4,206
Scope 2 emissions (in tonnes of CO ₂ -e)	38,353	35,705
Total carbon emissions (in tonnes of CO ₂ -e)	44,251	39,911
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	0.0007
Intensity of carbon emissions by logistics team (tonnes of CO ₂ -e/travel distance in km)	0.0008	0.0008

Air emissions [^]	2019	2018
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	2019	2018
Petrol (in MWh-e)	112	147
Diesel (in MWh-e)	3,759	3,560
Towngas (in MWh-e)	400	453
Natural Gas (in MWh-e)	4,087	4,383
Electricity (in MWh-e)	66,326	63,911
Total energy consumption (in MWh-e)	74,684	72,454
Intensity of energy consumption by Circle K and Saint Honore stores in Hong Kong (MWh-e/number of store days)	0.32	0.31
Intensity of energy consumption by Saint Honore factories in Hong Kong and Shenzhen (MWh-e/finished products produced in kg)	0.0015	0.0013
Intensity of energy consumption by own logistics team (MWh-e/travel distance in km)	0.0030	0.0030

Water [^]	2019	2018
Total water consumption (in cubic metres)	181,140	209,886
Intensity of water consumption by Circle K and Saint Honore stores in Hong Kong (cubic metres/number of store days)	0.31	0.32
Intensity of water consumption by Saint Honore factories in Hong Kong and Shenzhen (cubic metres/finished products produced in kg)	0.0093	0.0104

[^] No issue in sourcing water.

Waste	2019	2018
Total hazardous waste produced (in tonnes) [^]	0	0
Total non-hazardous waste produced (in tonnes) [^]	1,630	1,664
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 [^]	2019	2018
Total packaging materials used (in tonnes)	1,193	1,370
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)		2019	2018
Hong Kong	Female to male	2.2:1	2.2:1
Shenzhen	Female to male	0.8:1	0.9:1

Work-related injury (by geographical region)		2019	2018
Hong Kong	Work-related injury rate	1.6%	1.4%
Shenzhen	Work-related injury rate	1.8%	2.2%





AWARDS AND RECOGNITIONS

In 2019, we have received a number of awards and recognitions that acknowledge our commitment and efforts to promote good governance and environmental and social responsibility.

Governance

Best Corporate Governance Awards 2019

- Special Mention in the Non-Hang Seng Index (Small Market Capitalisation) Category

by The Hong Kong Institute of Certified Public Accountants



Environmental

Joint Energy Saving Award 2019

(Smart Energy Award programme)

- Circle K Hong Kong

by CLP



Platinum Award of Charter on External Lighting

- Saint Honore Hong Kong

by the Environment Bureau



Social

Caring Company Logo 2018/19

- Circle K Hong Kong (15 Years Plus Caring Company Logo)
- Saint Honore Hong Kong (10 Years Plus Caring Company Logo)

by the Hong Kong Council of Social Service

