



ASHWORTH



BLACK CLOVER



Guy Laroche
PARIS



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YGM
TRADING LTD.
YGM貿易有限公司

Environmental, Social
and Governance
Report

2017
/ 18



J.LINDBERG



MICHEL RENÉ



Tommy Bahama

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1 About YGM Trading Limited

1.1 About our company

YGM Trading Limited (“the Company”) and its subsidiaries (collectively “the Group”) engage in sales of garments, licensing of trademarks, printing and related services and property rental.

The principal business of the Group is retailing and wholesaling of branded garments and accessories. As at the end of March 2018, the Group has a distribution network of 98 points of sales (“POSs”) in our operating market comprising 27 POSs in Hong Kong, 10 POSs in Macau, 33 POSs in Mainland China, 27 POSs in Taiwan and 1 POS in Paris. The Group will remain prudent with regard to store network expansion.

During the year ended 31 March 2018, the Group disposed of its major business, all operations in relation to the manufacturing and sales of products under the Aquascutum brand and the intellectual property rights associated with the brand. With the disposal of Aquascutum, the Group is in the process of reducing overhead to suit the reduced business.

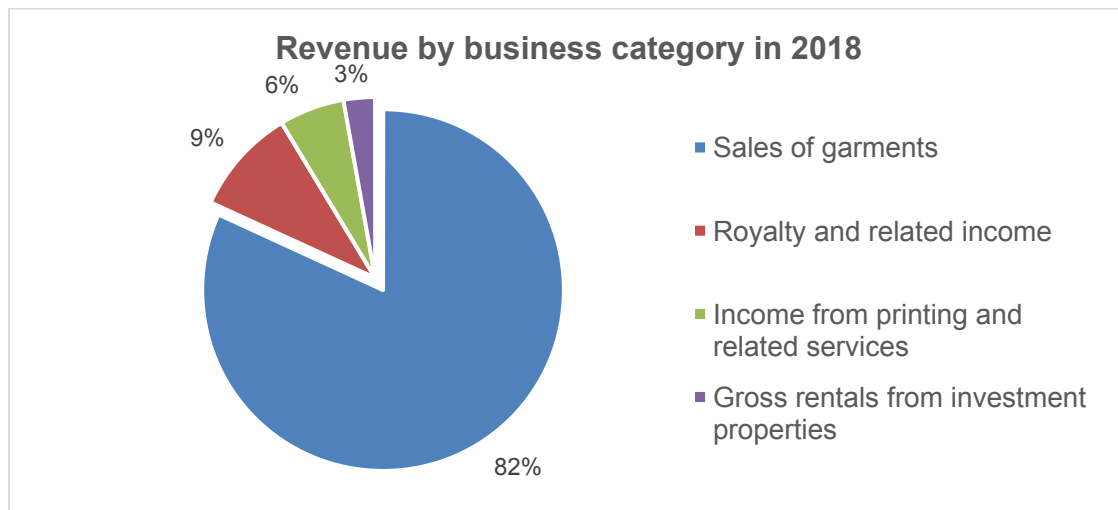
1.2 Our business performance

The amount of each significant category of revenue is as follows:

Business category	2018 HK\$'000	2017 HK\$'000
Sales of garments	471,169	643,482
Royalty and related income	54,765	73,407
Income from printing and related services	33,561	35,740
Gross rentals from investment properties	16,195	7,881
Total	575,690	760,510

Table 1 – Revenue by business category

(Source: 2017/18 Annual Report)

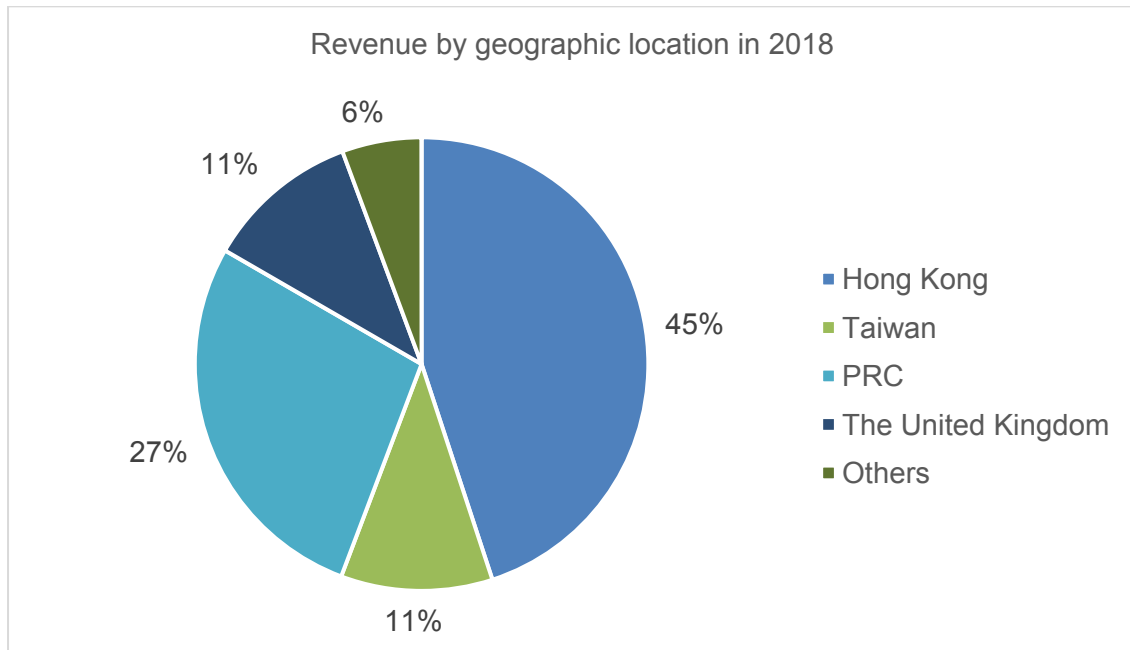


The following table sets out information about the Group’s revenue by geographical locations.

Location	2018 HK\$'000	2017 HK\$'000
Hong Kong	258,756	312,126
Taiwan	62,199	61,720
People’s Republic of China (PRC)	158,808	238,684
The United Kingdom	63,322	110,593
Others	32,605	37,387
Total	575,690	760,510

Table 2 – Revenue by geographic location

(Source: 2017/18 Annual Report)



2 About this report

2.1 Reporting reference

The Group has published the second Environmental, Social and Governance (“ESG”) report (the “Report”), which covers the year ended 31 March 2018.

The Report was prepared in accordance with the general disclosure requirements of ESG Reporting Guide in Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (“SEHK”), and meets the ‘comply or explain’ provisions of the ESG Reporting Guide. It should be read in conjunction with The Company’s 2017/18 Annual Report (“the Annual Report”).

2.2 Reporting period

The Report describes the ESG approach and performance of the Group for the year ended 31 March 2018 — same as the Annual Report. The ESG report is published annually.

2.3 Scope of this report

The scope of the Report primarily covers the Group’s main business operations in Hong Kong, Macau and Mainland China. In the coming years, the Group will consider to include other overseas operations such as Taiwan in the ESG report to show the overall ESG performance of the Group.

While we have disclosed our ESG policy and initiatives as per the aforesaid scope of this Report, our Key Performance Indicator (“KPI”) data disclosure only covered our Hong Kong and Macau operations during the reporting period. We plan to collect and disclose the KPI data of our Mainland China operations in the next reporting year.

The principal entities covered within the scope of this Report include the principal subsidiaries in Hong Kong, Macau and Mainland China as listed on pages 116 to 117 of the Annual Report.

Name of company	Place of incorporation/ establishment and business
YGM Marketing Limited	Hong Kong
YGM Apparel Hong Kong Limited	Hong Kong
YGM Marketing (Macau) Limited	Macau
YGM Trading Company Limited [#]	People’s Republic of China

[#] The English translation of the company is for reference only. The official name of the company is in Chinese.

3 Stakeholder engagement and materiality assessment

3.1 Stakeholder engagement

Stakeholder engagement helps us better formulate sustainability strategies and facilitate our annual reporting process by identifying the material aspects of our business operations. Our clients, employees, suppliers and contractors are our key stakeholders.

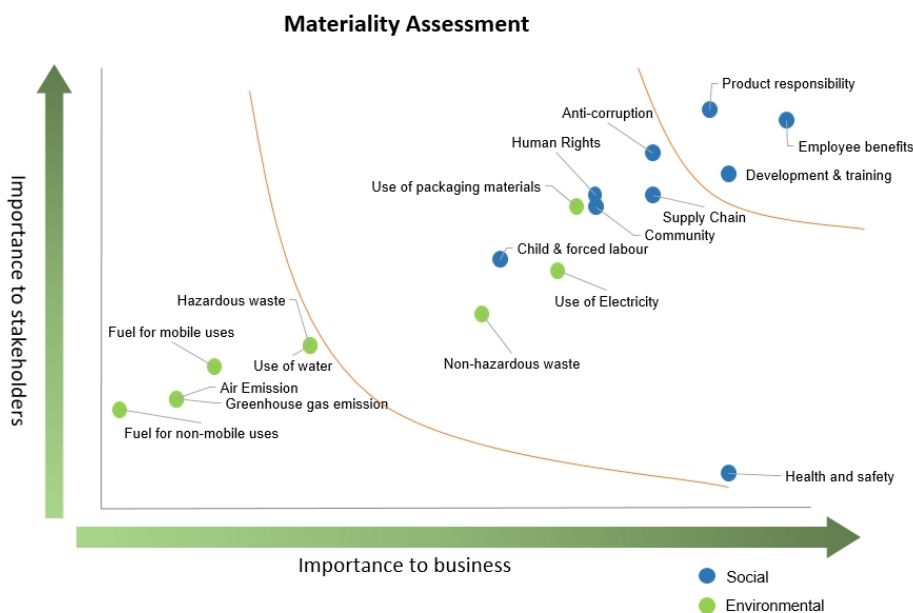
Our last stakeholder engagement exercise primarily reached out to our senior management, who has extensive knowledge of our operations as well as has close relationships with key investors and business partners. Engagement surveys and interviews were conducted in collaboration with a third-party consultant. The findings were then transcribed into the materiality results as described in the section below.

To prepare ESG report for the reporting period, we reviewed our materiality findings and collected feedback from various departments on any updates on our ESG policies and initiatives. To get more comprehensive feedback for continual improvement of our ESG performance, we aim to expand our scope of stakeholder engagement exercise each year.

3.2 Materiality assessment

To identify the focus of our ESG management strategies, materiality assessment is vital. We engaged with our stakeholders to seek important inputs for our decision-making. This enables us to continuously improve and make progress toward our ESG commitments.

We assessed and summarised the views and opinions collected during the stakeholder engagement in a materiality matrix.



The material ESG issues and their relevance to the business operations are listed in descending order categorised by environmental and social aspects in the table below:

Aspect	Material issue	Relevance to the business
Environmental	Use of packaging materials	Packaging materials used are specified by our clients. The types range from cardboard boxes, plastics bags, ribbons, gift boxes and so forth. We strive to minimise the quantity of the usage and wastage of packaging materials, whenever practicable.
	Use of electricity	Use of electricity is essential to operate our business, from air-conditioning to lighting etc. at our offices and POSs.
	Non-hazardous waste	Non-hazardous waste of our operations include both general waste and construction waste resulted from renovations of our POSs.
Social	Employee benefits	Employees are an important asset and we ensure to safeguard their welfare.
	Development and training	To build a team with strong industry knowledge and expertise as well as enhance competitiveness, we provide training to our staff.
	Product responsibility	To protect our brand image and retain customers' trust, the Group needs to provide high-quality and safe products to customers.

Table 3 – List of material issues and their relevance to the business

4 Environment

4.1 Sustainability Policy

The Group is primarily involved in the wholesaling and retailing of branded garments and accessories. We directly source these finished products from the principals of the respective brands and third-party suppliers. Our core business activities do not generate significant emissions and wastes directly; nonetheless, we are committed to environmental protection and energy conservation to the extent where it is economically sensible within our scope of operation.

During the reporting period, we planned to develop the Sustainability Policy to show our commitment to minimising our impacts on the environment and maximising the effective use of resources. We strive to achieve this by increasing communication and awareness amongst our staff, workers and users at all levels. We aim to integrate a philosophy of sustainable development into all the Group's activities and to establish and promote sound environmental practice in our operations.

In the coming year, we plan to have the board of directors of the Company to review and update the Sustainability Policy in order to strengthen our senior management's support for sustainability.

4.2 Use of resources

According to the materiality assessment results, the use of packaging materials, the use of electricity and non-hazardous waste are the major environmental aspects for the Group.

Use of packaging materials

We use packaging materials to reduce potential damages to our products and thus protect the quality of our products. As a garment retailing and wholesaling company, we do not have much control over the specifications of the packaging materials used, as they are mostly specified and required by the clients. Nevertheless, we are committed to reducing our usage of packaging materials, whenever practicable, by means of waste minimisation measures, such as avoiding repackaging.

Our current system is not able to quantify the amount of packaging materials used. We will improve our data collection and consolidation system to monitor our usage of packaging materials in our operations for disclosure next year.

Use of energy

The Group primarily uses electricity to run normal operations, such as air-conditioning and lighting systems. We understand the use of energy leads to the emissions of greenhouse gas emission. Though greenhouse gas emissions of our operations are not currently calculated, the following initiatives are in place to minimise electricity consumption, where practically applicable:

YGM Trading Limited

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- Avoiding over-cooling of offices and maintaining a suitable indoor temperature;
- Encouraging employees to switch off equipment when not in use; and
- Replacing equipment with more energy-efficient ones, such as LED lighting.

During the reporting period, the total electricity consumption in Hong Kong and Macau amounted to 662,128 kWh.

Location	Floor area (m ²)	Total annual electricity consumption (kWh)	Electricity intensity (kWh/m ²)
Hong Kong*	7,156.8	599,450	83.8
Macau**	278.5	62,678	225.0
TOTAL	7,435.3	662,128	89.1

Table 4: Electricity consumption of the Group in Hong Kong and Macau during the reporting period

We realise the electricity use intensity was significantly higher in Macau than Hong Kong. As such we plan to investigate and continue to monitor closely of their usage in the coming year.

* Includes offices, warehouses and POSs

** Includes POSs only

Use of printing paper

We use printing paper and monitor its usage in the office environment. To encourage employees to reduce paper use, we promote the following:

- Advocate paperless office by replacing paper documents with electronic documents;
- Default the printer to double-sided printing mode; and
- Recycle waste paper.

4.3 Emissions

No significant air emission, hazardous waste or waste water discharge is generated by our core business. Our daily business activities generate non-hazardous waste, including general waste and construction waste from renovations of the POSs. Different measures are in place to deal with waste generation.

4.3.1 Waste management

1. Non-hazardous waste

a. General waste

We strive to minimise waste generation at source through the 4Rs principles of reduce, reuse, recycle and replace. A third-party contractor handles and disposes of general waste from our operations as per local regulations.

During the reporting period, the amount of waste disposed in Hong Kong was 27,000 kg.

b. Construction waste

We have nearly 100 POSs for our brands and the stores are refurbished periodically. We encourage our contractors to minimise generation of construction waste materials where possible and ensure any construction waste is disposed of properly as per local regulations. However, we do not currently track or collect the data of construction waste from the construction.

2. Hazardous waste

The Group either purchases finished products directly from principals of the respective brands or outsources the production to third-party suppliers. Thus, no hazardous waste is generated by the Group. We have no direct control over the supplier's production process and how production waste is disposed of; however, we continue to communicate with our suppliers to ensure that all aspects of the supply chain comply with relevant environmental regulations.

4.3.2 Greenhouse gas emissions

Electricity consumption at the Group's offices and POSs is its main source of greenhouse gases. Though greenhouse gas emissions of our operations are not monitored, we strive to conserve energy use to minimise carbon emissions. For details, please refer to section 4.2 Use of resources.

Going forward, we intend to monitor and evaluate carbon emissions as well as identify and implement more efficient carbon reduction measures.

4.4 Environment and natural resources

We have already discussed the major environmental issues in our business related to emissions and the use of resources in the above sections.

4.5 Regulatory compliance

There were no reported incidents of non-compliance with laws and regulations relating to environmental issues during the reporting period.

5 Social

5.1 Employment and labour practices

The Group strives to ensure fair treatment of all employees and the hiring policy strictly adheres to local employment requirements. In addition, the Group follows all appropriate practices — transparent and fair recruitment, competitive remuneration package and safe working environment for employees.

5.1.1 Recruitment and employee benefits

We have developed the Equal Opportunities Policy to show our commitment to providing equal opportunities for all employees in different aspects, including recruitment, compensation and benefits, training, promotion opportunities, transfer and dismissal. No employee shall be discriminated based on his or her nationality, race, religion, gender, age, indigenous nationality or disability, etc.

Opinions of our employees are respected. We encourage open communication to foster mutual trust and respect between the management and employees. Various channels are in place to enable employees to highlight their grievance to the management or enable them to discuss with their immediate supervisor or senior management team, if necessary.

In addition, as per local laws and our internal policies, employees are entitled to paid holidays, including statutory holidays, annual leave, maternity leave, paternity leave, compassionate leave and sick leave. The Group offers competitive remuneration packages including medical subsidies, retirement scheme and educational allowance.

As at 31 March 2018, the Group had approximately 500 employees in different locations, and the employment situation in Hong Kong is shown as follows.

Item	Hong Kong
Total number of employees	288
Gender	
Male	53
Female	235
Employment type	
Full-time	261
Part time	27

Table 5 – Employment situation in Hong Kong during the reporting period

There were no reported incidents of non-compliance with laws and regulations relating to employment and labour practices during the reporting period.

5.1.2 Occupational health and safety

The health and safety of our employees at work is of great importance to the Group. While we strive to enhance the working condition for our employees, we have called upon every employee to support us to create and maintain a working environment that is clean, healthy, safe and free of physical violence.

We are primarily involved in retailing and wholesaling of garments, and our working environment mainly consists of indoor offices and POSs. Despite the low-risk nature of our work, we pledge full compliance to occupational health and safety legislations to ensure a safe and efficient working environment for employees.

We do not permit alcohol or illegal drugs and/ or substances at our workplace. This applies to not only the technical planning of workplaces, equipment and processes, but also to safety management and the employees' personal conduct in their day-to-day work.

In addition, regular fire drills are conducted to prepare our employees for any emergency. We communicate safety guidelines to employees to remind them of precautionary measures to avoid any work-related accident or injury. For example, we provided occupational health and safety guidelines issued by the Labour Department of the Hong Kong SAR Government in our Employee Handbook.

There were no reported incidents of non-compliance with laws and regulations relating to occupational health and safety during the reporting period.

5.1.3 Development and training

We strive to continually improve our staff's knowledge and skills through training, which would help us enhance our competitiveness. Our employees are encouraged to pursue work-related courses and acquire professional qualifications.

Employees are nominated to attend external training sessions, industry seminars and product launch conferences. During the reporting period, our average training hours per employee participated is 2.6 hours for Hong Kong and Macau.

Training hours of employees	Hong Kong and Macau	
	Total number of employees participated	Total number of training hours
Senior management	4	32
Management	3	32
Non-management	77	154
Average training hours (hours per head)	2.6	

Table 6 – Training and development record in Hong Kong and Macau during the reporting period

5.1.4 Labour standards

We ensure each individual's basic human rights are respected and firmly oppose all forms of forced labour and child labour.

There were no reported incidents of non-compliance with laws and regulations relating to labour standards (in particular child labour and forced labour) during the reporting period.

5.2 Product responsibility

Product quality

We are committed to providing fashionable, quality and safe products to our customers. We constantly monitor our product quality to improve our brand competitiveness as well as retain customer trust.

We strive to ensure that the merchandise produced by the Group must not be harmful. Accordingly, it is important to ensure that no hazardous materials are used throughout the design and manufacturing process. All the materials used must comply with national laws and the Group's internal policies relating to product safety.

We have set up and implemented quality control systems to meet clients' expectations and instil confidence in our business, leading to more customers and business opportunities. In addition, these systems are developed to meet compliance with relevant laws and regulations.

Personal information privacy

To safeguard confidential information including personal data, employment terms and conditions, customer and supplier list or details, loyalty programmes, business plans and so forth, we have developed the Confidentiality Policy which requires all our employees not to disclose any belonging trade secrets or other confidential information belonging or relating to the Group. Every employee must abide by this policy during their employment or at any time after the termination of their employment.

To protect customers' information, we have processed such information obtained from our loyalty programmes in compliance with our Confidentiality Policy as well as Cap. 486 Personal Data (Privacy) Ordinance in Hong Kong and other relevant laws in other jurisdictions. In addition, we have implemented procedures to prevent any information leakage. The customers' information can only be accessed by authorised personnel.

There were no reported non-compliance with laws and regulations relating to product responsibility during the reporting period.

5.3 Supply chain management

We strive to maintain long-term relationships with our third-party suppliers. Our supply chain management is aimed at assessing and evaluating our suppliers' capability, quality, compliance status, price and certification in accordance with our clients' ESG policies, standards and requirements in different aspects such as environmental protection, labour rights, and health and safety management.

We encourage suppliers to include green considerations in their production. They are expected to follow fair and equal employment practices, and oppose any form of discrimination as well as the use of child and forced labour.

We appoint only those suppliers that meet our requirements on product safety and quality, business reputation and other indicators mentioned above. On-site factory visits will be conducted where necessary to ensure compliance with the local environmental laws and regulations.

5.4 Anti-corruption

We understand that mutual trust and respect would help in establishing good relationships with suppliers, customers and business partners. The Group is committed to avoiding acts of bribery, blackmail and fraud, which may seriously affect its business.

There were no reported non-compliance with laws and regulations relating to anti-corruption during the reporting period.

5.5 Community investment

We sincerely believe that participation in community activities would promote the harmonious development of the society and as such practise corporate citizenship, highlighting our commitment towards the society.

Our YGM Corporate Volunteering Team, set up in 2014, creates a platform for employees to participate in volunteering work and activities. To encourage employee participation, the following incentives are provided to the participants:

- subsidies;
- certificates;
- insurance purchased by the Group; and
- colleagues taking part in charity and volunteer services are granted leave.

During the reporting period, we organised a number of charity and volunteer activities as follows, with a total of 128 volunteers participated in Hong Kong.

Location	Type of activities
Hong Kong	Flag day (organised by Youth Outreach)
	SADS charity walk (organised by SADS HK Foundation)
	Red packet recycling
	Médecins Sans Frontières (MSF) charitable event and donation

Table 7 – Charity and volunteer activities participated by the employees of the Group during the reporting period

Photos of our community activities

**Flag day
(organised by
Youth Outreach)**



**SADS charity
walk (organised
by SADS HK
Foundation)**



**Red packet
recycling**



**Médecins Sans
Frontières (MSF)
charitable event
and donation**



6 SEHK ESG Reporting Guide Content Index

	Aspects	Section	Remarks
A	Environmental		
A1	Emissions Policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Compliance with relevant laws and regulations that have a significant impact on the issuer.	4. Environment (P.6-8) 4.1 Sustainability Policy (P.6) 4.2 Use of resources (P.6-7) 4.3 Emissions (P.7-8) 4.5 Regulatory compliance (P.8)	Only non-hazardous waste is identified as a material aspect under Emissions.
A1.1	The types of emissions and respective emission data.	4.3.2 Greenhouse gas emissions (P.8)	Immaterial aspect, data not tracked.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3.2 Greenhouse gas emissions (P.8)	Immaterial aspect, data not tracked.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3.1 Waste management (P.8)	Immaterial aspect, data not tracked.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3.1 Waste management (P.8)	
A1.5	Description of measures to mitigate emissions and result achieved.	4.2 Use of resources (P.6-7) 4.3 Emissions (P.7-8)	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.3.1 Waste management (P.8)	
A2	Use of Resources Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Use of resources (P.6-7)	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.2 Use of resources – Use of energy (P.6-7)	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water is not identified as a material aspect, however, we continue to strive to conserve water resources by minimising the water consumption in our operations where practicable.	Immaterial aspect, data not tracked.
A2.3	Description of energy use efficiency initiatives and result achieved.	4.2 Use of resources – Use of energy (P.6-7)	

	Aspects	Section	Remarks
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water is not identified as a material aspect, however, we continue to strive to conserve water resources by minimising the water consumption in our operations where practicable.	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4.2 Use of resources – Use of packaging materials (P.6)	
A3	The Environment and Natural Resources Policies on minimizing the issuer's significant impact on the environment and natural resources.	4. Environment (P.6-8) 4.4 Environment and natural resources (P.8)	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	4. Environment (P.6-8) 4.4 Environment and natural resources (P.8)	
B			
B1	Employment Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer regarding the following: <ul style="list-style-type: none"> ▪ Compensation and dismissal ▪ Recruitment and promotion ▪ Working hours and rest periods ▪ Equal opportunity and anti-discrimination ▪ Diversity ▪ Other benefits and welfare 	5. Social (P.9-13) 5.1 Employment and labour practices (P.9) 5.1.1 Recruitment and employee benefits (P.9)	
B2	Health and Safety Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations.	5.1.2 Occupational health and safety (P.10)	
B3	Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.1.3 Development and training (P.10)	
B4	Labor Standards Policies and compliance with laws and regulations on preventing child and forced labor.	5.1.4 Labour standards (P.11)	
B5	Supply Chain Management Policies on managing environmental and social risks of the supply chain.	5.2 Product responsibility (P.11)	

	Aspects	Section	Remarks
B6	Product Responsibility Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.3 Supply chain management (P.11-12)	
B7	Anti-corruption Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	5.4 Anti-corruption (P.12)	
B8	Community Investment Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.5 Community investment (P.12-13)	

