



MADISON WINE®

Madison Wine Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057



Environmental, Social and
Governance Report
2016/17

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the first year for Madison Wine Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) to prepare the Environmental, Social, and Governance (the “ESG”) report to highlight its ESG performance. This ESG report is to oblige to the recommendation (“ESG Reporting Guide”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the performance reporting on ESG issues.

THE SCOPE, MATERIALITY, AND REPORTING PERIOD OF THIS REPORT

Unless otherwise stated, this ESG report covers the Group’s overall performance in two subject areas, namely, environment and social for the business operations in Hong Kong during the reporting period for the year ended 31 March 2017; which are in compliance with the “Comply or Explain” provisions set out in the ESG Reporting Guide.

During the reporting period, the Group is principally engaged in the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine. The operations principally takes place in Hong Kong. The Hong Kong office is mainly responsible for the relevant compliance issues in relation to listing on the Growth Enterprise Market (“GEM”) of the Stock Exchange. Therefore, after conducting the materiality testing, the Group has decided to include all levels of subsidiaries which engage in the above two main businesses in the office in Hong Kong. All information are from the official documents or statistic reports of the Group.

Information about corporate governance structure of the Group and other relevant information, please refer to page 37 to 51 of the Annual Report.

MISSION AND VISION OF THE GROUP

Shares of the Company were listed on GEM in October 2015. The Group implemented an integrated one-stop shop concept with a full range of products and value-added services with an objective to enhancing customer convenience, satisfaction and retention. The one-stop shop concept encompasses (a) the Group’s diverse range of products including (i) wine products, (ii) other alcoholic beverages, and (iii) wine accessory products, (b) the Group’s value-added services including (i) delivery services, (ii) storage services and (iii) consignment services, and (c) the Group’s non-revenue generating value-added services including (i) consultation services, (ii) sourcing services and (iii) evaluation services.

As a responsible company, the Group understands the rationale of keeping business, environment and society grow together. In order to realise sustainable development of the Company, at the same time of promoting business growth, the Group has to strike a fine balance among the interests of investors and shareholders, clients, employees, business partners, and other stakeholders in society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

ENVIRONMENTAL PROTECTION

The Group is principally engaged in retail, wholesale and storage of wine services.

As wine products are susceptible to the storage environment, each of the flagship store and the self-operated warehouses situated within the head office in North Point and Yau Tong is implemented with automatic air-conditioning facilities. At the flagship store, some of the premier collectible wine products are stored at wine refrigerators, which are maintained at a temperature between 13 to 15 degree Celsius at all times, while other products kept at the shelves are maintained at an overall temperature of 16 to 18 degree Celsius at the flagship store at all times to preserve product quality. The Group's self-operated warehouses are equipped with temperature and humidity control system to maintain an optimal environment with a temperature between 13 to 18 degree Celsius and humidity levels of 55% to 80%, and is fitted with insulation and anti-vibration materials on the floor and ceilings to protect the wine products from light and vibration. In the event of electricity failure, the back-up power system at the self-operated warehouses will automatically generate power to support the temperature and humidity control system for a continuous period of up to eight hours.

Taking into account the space required for the back-up power system, back-up power system is not installed at the flagship store. In order to ensure proper functioning of the temperature and humidity control system, a staff member at each of the new flagship store and self-operated warehouse is assigned to monitor the temperature and humidity levels from time to time. Such self-operated warehouse facilities is recognised by the Hong Kong Quality Assurance Agency with the issue of the HKQAA certification.

The Group strives to minimise any adverse impact of the Group's businesses on the environment through enhancing operational efficiency and implementing eco-friendly measures.

The Group is committed to ensuring compliance with the relevant laws in their jurisdictions. All subsidiaries are required to review their business practices regularly to deploy improvement measures for enhancing sustainability by making more efficient use of water, electricity, paper and other resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

ENVIRONMENTAL PROTECTION *(Cont'd)*

As a supporter of environmental protection, the Company strives for efficient and effective use of energy and resources in operation and management level of the Company. Energy conservation is a priority under environmental protection and energy-saving devices are used to reduce power consumption for lights. To enhance environmental awareness and encourage daily participation among the staff, there are policies in relation to energy conservation so as to minimise negative environmental impacts. Energy efficiency practices are enforced so as to reduce wastage and avoid utilisation of unnecessary resources through implementing the following measures on energy saving and environmental protection in daily operations:

1. The use of electricity in the office of the Group must comply with the principles of power saving, safety first, high efficiency and low consumption.
2. Lights and electronic appliances in living area or workplace must be turned off when not in use.
3. Every member of staff and management must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.
4. Other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each piece of paper must be printed double-sided except for formal and confidential documents.

The Group's administration department or staff of various offices oversees the implementation of the above initiatives, as well as general sustainability and environmental policies for employees. Under the monitoring and guidance from the administration department, business units maintain environmental best practices across the Group to ensure all working procedures in the Group shall be performed in accordance with law and rule being abided by. The Group continuously reviews its policies and practices to integrate environmental considerations into working procedures. Reports will be made to the management upon review of internal environmental policies and practices, with recommended actions being adopted when necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

HUMAN RESOURCES

Overview of Employment

The Group's management undertakes to ensure that all human resources practices within the Group are in compliance with applicable laws and regulations as reports on malpractices are duly submitted to senior management with recommendations on how to handle such cases when necessary.

The business nature of the Group has no specific requirements or conventions on gender. The Group also has no specific requirement on age and thus the overall age distribution is in line with the industry convention. During the year ended 31 March 2017, the Group has no significant changes in employment composition (including ratio of male to female, age, etc.).

The Group has a comprehensive human resources management system which is strictly followed. The system is based on "Employment Ordinance", Chapter 57 of the Laws of Hong Kong. At the same time, the Group has given the employees the documents and materials on the related entry guidelines and clearly conveyed the messages about employment policies, mission and vision of the Group, work ethics, occupational safety and health guidelines. The Group strives to make sure the staff know their rights and welfare while work in compliance with the relevant laws and regulations according to the system so as to protect the rights of both sides.

The Group adjusts remuneration and welfare with reference to the job nature, experience, job performance, market conditions as well as performance appraisal. The Group is in favour of internal promotion, and therefore provides adequate on-the-job and professional trainings to help them qualify for senior positions.

1. *Employment*

Apart from the above remuneration and employment system, the Group also ensures equal opportunities to and no rights deprived from all staff without discrimination of gender, race, religion, age, marital and family status, disability or any other reasons.

Moreover, to attract and retain staff, the Group has formulated a competitive package of remuneration and welfare system. The standard remuneration package includes base salary, discretionary bonuses and medical insurance. In addition to a basic salary, year-end bonus may be offered to employees with outstanding performance to attract and retain eligible employees to further develop with the Group. Apart from basic remuneration, share options may be granted under the Share Option Scheme (as defined below) to eligible employees by reference to the Group's performance as well as individual's contribution. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved by them.

When an employee is dismissed (due to violation of the Group's regulations, or that whose performance is consistently below an acceptable level or other reasons), the human resources department will follow a set of procedures pursuant to the human resources management system to terminate his or her employment contract. Terms and conditions for dismissal are outlined in employment contract and related policy manual. In all cases, supervisors consult the human resources department, legal department and/or management to ensure that applicable legal requirements are observed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

HUMAN RESOURCES *(Cont'd)*

Overview of Employment *(Cont'd)*

2. *Health and safety of employees*

The Group places health and safety of employees at the first priority. The Group's administration department and supervisors of all departments are instructed by management to maintain strengthened safety management and comply with all relevant laws and regulations by identifying potential risks, coordinating health and safety training and providing related information to employees, equipping adequate first aid supplies and fire service equipment. Assessments on significant job risk and accident are reported to management and necessary actions shall be taken.

The Group formulated, implemented and monitored a series of code of practice for health and safety at work with reference to the industry conventions and supervision regulations to ensure the protection of health and safety of the staff.

3. *Development and training of employees*

The Group's customer-oriented business philosophy emphasizes delivering excellent customer service. The Group believes maintaining a positive working environment will encourage better staff relations and talent retention, as well as enhancing the quality of customer service by motivating staff. In order to foster a work environment that attracts and inspires people to achieve excellent performance, the Group will also seek to motivate and retain valuable and talented staff by implementing an incentive scheme to align compensation and remuneration with performance.

The Group is committed to employee development and has implemented various training programs to strengthen their industry, technical and product knowledge. All newly recruited employees are required to attend induction training and the Group will continue to enhance the employee training programs by developing the orientation program, coaching, on-the-job training to enhance individual staff skills and knowledge of sales and marketing techniques, client management skills, customer service, product information, quality control and industry knowledge.

The Group believes that these training programs will equip employees with skills and knowledge to enhance customer services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

HUMAN RESOURCES *(Cont'd)*

Overview of Employment *(Cont'd)*

4. *Labour standards*

The Group believes that providing safe, efficient and appropriate working environment and labour policies to the Group's most valuable assets, employees is essential. The Group strictly complies with the "Employment Ordinance", Chapter 57 of the Laws of Hong Kong. All recruitment procedure and promotion are supervised under the Group's human resources management system to ensure no child labour or forced labour, nor any form of discrimination in employment in relation to race, religion, age or disability within the Group.

The Group clearly sets out the code of conduct for employees in all employment contracts and staff handbook. Conduct of all employees, including directors and employees at all levels is strictly monitored, to prevent any harassment or bullying in workplace. Employees are encouraged to report any malpractice to their supervisors. Investigations will be conducted subsequently and results will be submitted to the human resources and senior management. Necessary actions including punishment and dismissal of and legal actions against the employees involved, and corrective measures will be made.

SUPPLY CHAIN MANAGEMENT

The Group is principally engaged in providing wine retail and wholesale services with wine products procured through (i) purchases from wine merchants and wineries, (ii) purchases through auction houses and (iii) purchases from individual wine collectors.

As part of the Group's quality control measures and in order to preserve the Group's corporate image, suppliers are selected based on their reputation for product quality and supply reliability, history of operations, the Group's trading records with them, size of business, overall reputation, ability to procure delivery on a timely basis, products portfolio, product availability, and promotions offered by the suppliers.

PRODUCT RESPONSIBILITY

Most of the Group's customers are local and overseas wine merchants, avid wine collectors in Hong Kong and China, renowned Hong Kong restaurants and high net worth individuals. The Group provides the convenience of the one-stop shopping experience and a wide variety of unique, quality products at reasonable and competitive prices to the customers. Further, wine related services such as wine consultation services, wine sourcing services, wine delivery services, wine storage services and wine evaluation and consignment services with improved customer service and service options are provided to customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

PRODUCT RESPONSIBILITY *(Cont'd)*

Prior to placing orders with wine merchants and wineries, the Group carefully inspects sample wine products, if any, and photos of old and expensive stock for checking. The Group also conducts quality control inspection upon receiving the products and may return wine products that do not pass quality control inspection.

In line with industry practice, the Group adheres to the suppliers' return policies pursuant to the terms of the relevant purchases. Refund shall be requested if the product is found unsatisfactory after quality control inspections. Under such circumstances, the purchasing team will liaise with the relevant supplier for such defects with photograph images, and will arrange for return of the defective product, and subsequently, refund of the purchase order. There is no refund guarantee on wine accessory products.

As the Group's policy, customers may ask for product return or exchanges in respect of wine products with vintages of below 10 years and with selling prices below HK\$1,000 per bottle. In respect of unopened wine products with vintage(s) below 10 years and selling prices below HK\$1,000 per bottle, customers could request for product return or exchange for other wine products within one day after such purchase is made, and in respect of opened wine products with vintage(s) below 10 years and selling prices below HK\$1,000 per bottle, customers could request for cash refund within one day after such purchase is made if there is quality issue and such quality issue is verified by the Group.

ANTI-CORRUPTION

At the level of entity business and capital market operation, the Board of Directors sets a tone of zero tolerance on corruption and fraud. This is reflected in the Group's business and staff policies, as well as operational procedures. The Group adheres to the values of integrity, fairness, transparency and accountability to prevent corruption. Through corporate governance and risk management, the interest of stakeholders shall be protected. Staff are encouraged to report any form of misconduct, such as abuse of authority and bribery of clients or employees and the Group will investigate upon reporting and report to regulatory and law enforcement bodies.

The Group has also established a strict corporate governance mechanism in compliance with Listing Rules and Securities and Futures Ordinance to forbid any fraudulent behaviour in the capital market.

COMMUNITY

During the year ended 31 March 2017, the Group has made a donation of HK\$0.5 million made to a charitable organisation (2016: nil).

In forthcoming year, the Group shall strive to enhance the community awareness of employees, promote care to employee, help those in need, participate in charitable activities. Employees are encouraged to share their learning and experience of participating in the activities so as to appeal more employees to join and establish positive values.

