

2016/17

Environmental Social
and Governance Report



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1 About this Report

1.1 Reporting Reference

This is the first Environmental, Social and Governance (“ESG”) Report of YGM Trading Ltd. (“the Company”) and its subsidiaries (collectively “the Group” or “YGM Trading”) covering the period from 1 April 2016 through 31 March 2017.

This report prepared in accordance with the general disclosure requirement of Environmental, Social and Governance Reporting Guide (“ESG Guide”) in Appendix 27 of the Rules Governing the Listing of Securities of the Hong Kong Exchanges and Clearing Limited (“HKEx”), meeting the “comply or explain” provision of the ESG Guide.

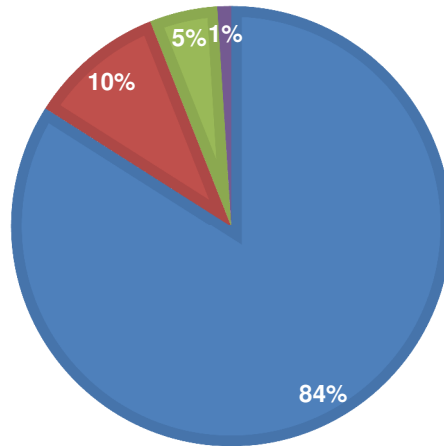
1.2 About our Business

YGM Trading Ltd. was separated from YangtzeKiang Garment Limited (HKEx stock code: 00294) in 1987 and was officially listed in Hong Kong. The Group’s principal activities are sales of garments, licensing of trademarks, printing and related services, and property rental. Core business is wholesaling and retailing of branded garment, leather goods and accessories.

YGM Trading’s extensive retail network consists of over 200 points of sale (“POSs”) throughout Hong Kong, Macau, China, Taiwan and Europe. We have been actively developing the Greater China market for more than couple of years. We have established retail outlets in major cities such as Beijing, Shanghai and Guangzhou, while simultaneously expanding the network to many secondary and tertiary cities. Our development in China is reflected in the mass retail coverage.

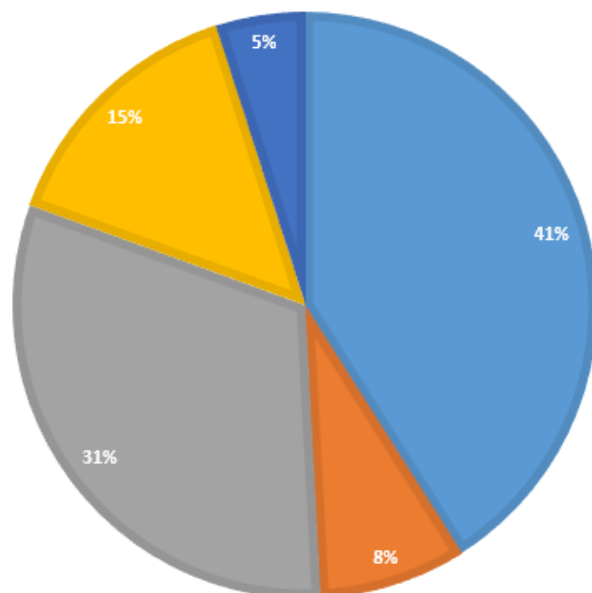
Revenue by business segments

■ Sales of garments ■ Licensing of trademarks
■ Printing and related services ■ Property rental



Revenue by geographical location

■ Hong Kong ■ Taiwan ■ Other areas of the PRC ■ The United Kingdom ■ Others



Number of POSs by geographical location						
	Mainland					
	China	Hong Kong	Macau	Taiwan	Europe	Total
Aquascutum	87	8	4	26	7	132
Ashworth	32	12	5	5	-	54
J.Lindeberg	-	8	3	-	-	11
Harmont & Blaine	-	2	1	-	-	3
Guy Laorche	-	-	-	-	1	1
Michel Rene	1	-	-	-	-	1
Total	120	30	13	31	8	202

1.3 Scope of this Report

This report covers the 2016/17 fiscal year from 1 April 2016 to 31 March 2017, the same as the 2016/17 Annual Report of the Group. The main business scope of this report is the sales of garment, accounting for 84% of the Group's total revenue. The report covers the environmental and social performance of the operations in Hong Kong, Macau and Mainland China, representing over 80% of the Group's POSs.

2 Stakeholder Engagement and Materiality Assessment

2.1 Stakeholder Engagement

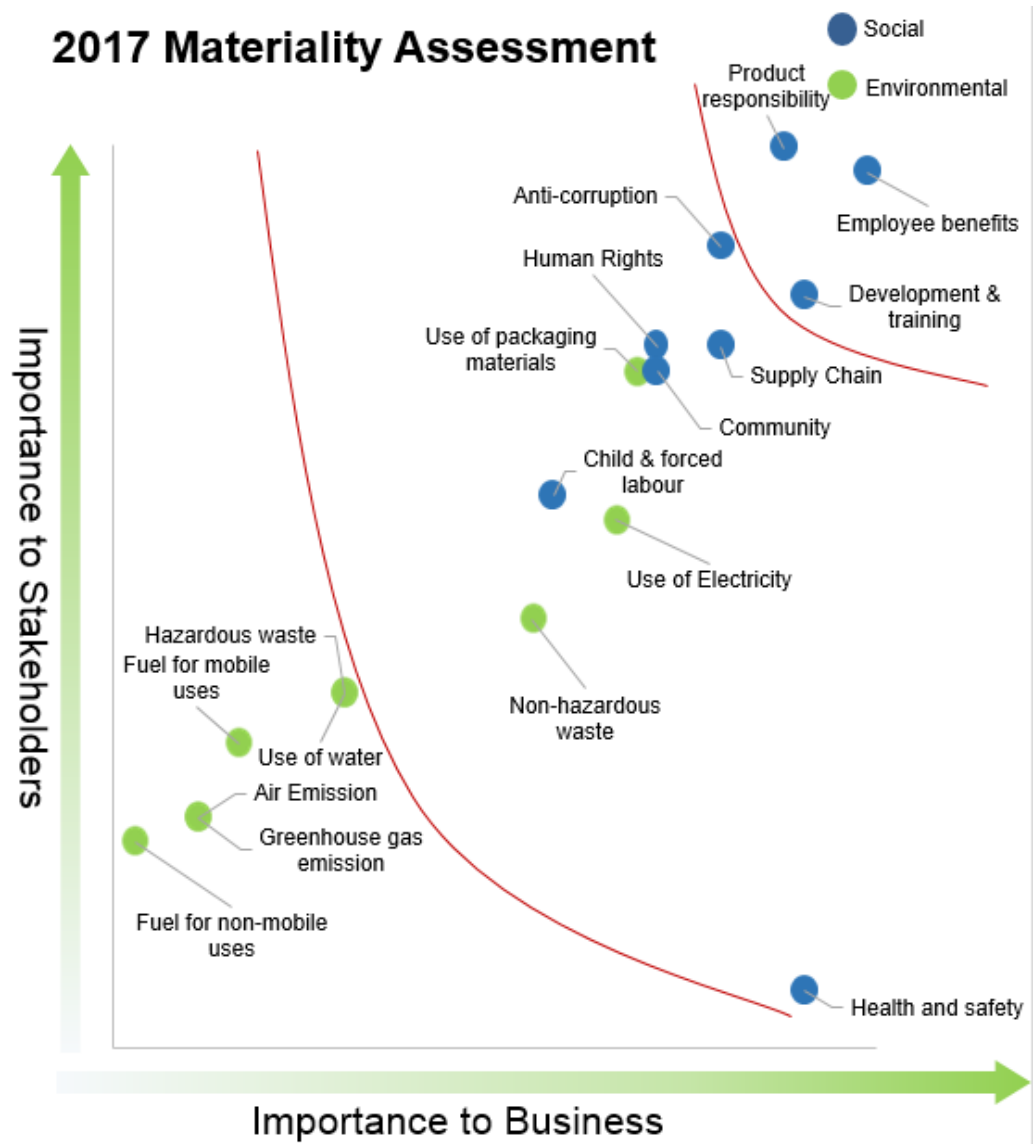
Materiality assessment is essential in identifying the focus of our ESG management strategies. Engaging our stakeholders provides important input for our decision making, which helps us to continuously improve and make progress toward our ESG commitments.

For the first year in preparing the ESG report, we have primarily conducted engagement with our senior management, who has hands-on knowledge of our operations as well as close relationships with key investors and business partners, in collecting views and identifying materiality for the Group. With the facilitation of a third party consultant, engagement surveys and interviews were conducted and assessed. Findings were subsequently transcribed into the materiality results as described in the section below.

We are committed to ongoing stakeholder engagement as a core component of our business and sustainability strategies and our annual reporting process. Our key stakeholders included our clients, employees, suppliers and contractors. We plan to expand our scope of stakeholder engagement exercise year by year, by means of the variety of our stakeholders, in order to get a more comprehensive feedback for continual improvement of our ESG performance.

2.2 Materiality Assessment

Views and opinions collected during the stakeholder engagement were assessed and summarized in the materiality matrix below. Each material ESG issue and its relevance to the business operations are listed in descending order categorized by environmental and social aspects in the table below:



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Aspects	Material Issues	Relevance to the Business
Environmental	Use of packaging materials	Different types of packaging materials are used to ensure that customers receive products of the best quality.
	Use of Electricity	Electricity use is essential to enable the operation of our business, from air-conditioning to lighting etc. of 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	Recruitment and employee benefits	The Group regards staff as an important asset, thereby, we ensure that their welfare are safeguarded.
	Development and Training	We continuously train and develop our staff to build a team with strong industry knowledge and expertise, which help enhance our competitiveness.
	Product Responsibility	It is essential for the Group to provide customers with high quality and safe products. It is important to protect the image of our brands and the customers' confidence in our products.

3 Environment

3.1 Environmental Policies

The Group is principally engaged in the wholesaling and retailing of branded garment, leather goods and accessories in Mainland China, Hong Kong, Macau, Taiwan and Europe. These finished products we sold are directly sourced from the principals of respective brands and third-party suppliers. Although our core business activities do not generate significant emissions and wastes directly, we are committed to environmental protection and energy conservation to the extent where it is economically sensible with our scope of operation.

3.2 Use of Resources

The use of packaging materials and the use of electricity are two most material environmental aspects of the Group. Other resource use that is common to our office operation is the use of printing paper.

Packaging materials

Packaging materials are essential in reducing potential damages and thus protecting the quality of our products to the customers. The Group uses different types of packaging materials along the production chain to ensure that customers receive products of best quality. Yet we are committed to modest packaging and continually improve our packaging by including waste minimization as one of the design objectives.

Use of energy

Electricity is the Group's main energy consumption and it enables the normal operation of our business including the provision of air-conditioning and lighting system of our offices and POSs. We understand the potential impact from the use of energy to greenhouse gas emission. While we do not currently measure or monitor greenhouse gas emissions of our operations, we have the following initiatives applied to minimize electricity consumption, where practically applicable:

- Avoid over-cooling of offices and keep the air conditioning temperature at a suitable temperature;
- Encourage employees to switch off equipment when not in use; and
- Replace equipment with more energy efficient ones, for example, the use of LED lighting.

Use of printing paper

Apart from electricity, printing paper is another kind of resources that commonly been used in the office environment. We encourage employees cut down on the use of paper, by promoting the following actions:

- Advocate paperless office, try to replace paper documents with electronic documents;
- Present the printer to double-sided printing mode; and
- Recycle waste paper.

3.3 Emissions

The Group's core business does not directly generate significant air emissions, hazardous waste or waste water discharge. The most common emission from our daily business activities is the generation of non-hazardous waste which includes general waste and construction wastes from renovations of POSs. The Group has developed different measures to deal with waste generation.

3.3.1 Waste management

Non-hazardous waste

General waste

As part of our environmental principle, we try reduce waste by minimizing its generation at source, through 4Rs principal of reduce, reuse, recycle, and replacement. General waste from our operations are being handled and disposed of properly by third party contractor in accordance with local requirements.

Construction waste

The Group has more than 200 POSs in total for all of our brands, we refurbish the stores on a regular basis. We encourage our contractors to recycle construction waste materials where possible and ensure any construction waste is disposed of properly and legally, complying with local regulations.

Hazardous waste

The Group either purchase finished products directly from principals or outsourced the production to third-party suppliers, so the Group itself does not directly generate any hazardous waste. Though we do not directly control the supplier's production process and how production waste is disposed of, we continue to communicate with our suppliers to ensure that all aspects of the supply chain comply with relevant environmental regulations.

Moreover, through rigorous supplier screening process, only suppliers who meet the requirements of environmental protection, safety and product quality may have the opportunity to be appointed by the Group. Details of the supply chain management can be found in the subsequent section on Supply Chain Management.

3.3.2 Greenhouse gas emissions

The Group's main source of greenhouse gases is produced by electricity consumption offices and POSs. While we do not currently measure or monitor greenhouse gas emissions of our operations, we try to minimise carbon emissions by conserving energy use. For details, please refer to section 3.2 Use of Resources.

In the future, we plan to monitor and evaluate the Group's carbon emissions, thereby, identifying and implementing more efficient carbon reduction measures.

3.4 The Environment and Natural Resources

The significant environmental issues faced in our business in relation to emissions and the use of resources are already disclosed in the above sections.

3.5 Regulatory Compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to environmental emissions

4 Social

4.1 Employment and Labour Practices

In YGM Trading, we ensure our employees are fairly and properly treated and that our hiring policy strictly follows local employment requirements. We implement a transparent and fair recruitment system, provide a competitive remuneration package, and provide a safe working environment for our employees.

4.1.1 Recruitment and employee benefits

We support the diversification of labor, and the Group is committed to promoting equal opportunities for all employees in different areas, including recruitment, compensation and benefits, training, promotion opportunities, transfer and dismissal. We ensure that employees are not discriminated against by race, age, sex, marital status, religion or belief. Employees are entitled to all paid holidays and/ or leaves under local laws, such as statutory holidays, leave, maternity leave, paternity leave and sick leave.

The Group respects employees' opinions. Open communication is encouraged to foster mutual trust and respect between the management and employees. Employees may confer local issue with the management through different channels or discuss with their immediate supervisor or senior management team if necessary.

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

4.1.2 Health and safety

The Group is committed to providing a safe working environment for its employees. The Group is mainly engaged in retail and wholesale of garment, working environment mainly consist of indoor offices and POSs. Although the work nature is of low-risk, the Group pledges full compliance in all occupational health and safety legislations, enabling a safe and efficient working environment for the employees. We carry out also regular fire drills to ensure our employees are prepared for emergency situations. Safety guidelines are communicated to employees to remind them of precaution measures to avoid accidents or potential injuries arising from work.

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to occupational health and safety.

4.1.3 Training and development

The Group believes in continual improvement of staff's knowledge and skills through training. We are convinced that a team with strong industry knowledge and expertise will help enhance our competitiveness. We encourage employees to continue their studies and enroll in courses related to their work to acquire professional qualifications.

The Group assigns employees to participate in external training, industry seminars and product launch conferences where necessary.

4.1.4 Labour standards

The Group respects each individual's basic human rights and strictly prohibits the employment of forced labour and child labour.

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to labour standards.

4.2 Product Responsibility

Product quality

It is our duty to provide our customers with fashionable, quality and safe products. To improve the brands competitiveness in the market and maintain customers' confidence, we constantly monitor the quality of our products.

Quality control systems have been set up and implemented to ensure clients' expectation are met. The system helps to instill confidence in the Group, in turn leading to more customers and business opportunities. It also ensures compliance with the relevant product laws and regulations.

Personal information privacy

In order to safeguard our customers' personal information, when applying for customer loyalty program for our brands, customers are not required to provide us with any sensitive and private information. The Group has also implemented procedures to prevent the leakage of customers' information. Only authorized employees can have access to customers' information,

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to product responsibility.

4.3 Supply Chain Management

We tend to maintain long term relationships with our third-party suppliers. Internal supply chain policy has been set up to assess and evaluate their capability, quality, compliance status, price and certification. ESG aspects, like environmental protection, labour rights, health and safety management are also covered by the standard.

Suppliers are encouraged to include green considerations in their production. Fair and equal employment practices are expected, we do not tolerate any form of discrimination and the use of child and forced labour.

Only those suppliers who comply with our requirements in product safety and quality, business reputation and other indicators mentioned above can be eligible to be appointed by the Group.

Starting this year, the Group will pay more attention to regularly review the performance of suppliers in terms of environment, health and safety. We carry out on-site factory visits where necessary to ensure the suppliers comply with the local environmental laws and regulations on occupational health and safety.

4.4 Anti-Corruption

We encourage fair and open competition. With mutual trust and respect, we try to establish good relationships with suppliers, customers and business partners. The Group is aware of the relevant laws and regulations relating to bribery, blackmail and fraud, and is committed to avoiding the above-mentioned criminal acts which may seriously affect its business.

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to anti-corruption.

4.5 Community Investment

The Group believes that participation in community activities will help promoting the harmonious development of the society, practicing the responsibility of corporate citizen and highlighting the Group's commitment to the society.

From 2014, we have organized an YGM Corporate Volunteering Team, creating a platform for employees to participate in volunteering work and activities. In order to encourage employees to participate more actively, the Group provides the following incentives and safeguards for participating members:

- subsidies for participating members;
- rewarding participants with certificates;
- the Group purchases insurance for participating members; and
- colleagues who participate in charity and volunteer services are compensated for leaves.

For the past few years, our team has participated in various activities. In 2016/17, our volunteers team joined "Visiting Elderly's Home", "Charity Run for Care for your Heart", "Recycling Campaign for Chinese New Year Red Packets" and "Flag Day in YGM for Youth Outreach".



“Visiting Elderly’s Home” supported by YGM Corporate Volunteering Team and Senior Volunteer of Yang Memorial Methodist Social Service in Hong Kong



YGM Corporate Volunteering Team joined “Charity Run for Care for your Heart” in Hong Kong

HKEx ESG Content Index

ESG Guide	Material Aspects	Descriptions	Section
Environment	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	3.3
	A2. Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2
	A3. The Environment and Natural Resources	Policies on minimizing the issuer's significant impact on the environment and natural resources.	3.4
Social	B1. Employment	Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer on the following aspects: <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 	4.1.1
	B2. Health and Safety	Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations:	4.1.2
	B3. Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.1.3
	B4. Labour Standards	Policies and Compliance with laws and regulations on preventing child and forced labour.	4.1.4

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ESG Guide	Material Aspects	Descriptions	Section
	B5. Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	4.3
	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.	4.2
	B7. Anti-corruption	Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	4.4
	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.	4.5

