



PASS Seminar
ESG Reporting: Challenges in Collecting Non-financial Data

Dr Guy Look, CFO and Executive Director
24 September 2019

Sa Sa International Holdings Limited
Stock Code: 178

Agenda



1

Company Profile

2

Key Message #1

3

Key Message #2

4

Key Message #3

5

Takeaway Messages



Company Profile

Sa Sa's Company Profile



Founded in **1978**

Listing in **1997** on The Stock Exchange of Hong Kong Limited

Turnover in FY2018/19*
HK\$8+ billion

Market Capitalisation*
HK\$8+ billion



*Year ended 31 Mar 2019



Hang Seng Corporate Sustainability Index Series Member 2018-2019



Sa Sa's Journey towards Sustainable Beauty



Our Sustainable Beauty Transformation Commenced in 2010

2010

Published our 1st ESG report

2013

Established the ESG Taskforce

2015

Pledged to use plastic bag levy collected for sustainability causes only

2016

Committed to phase out plastic microbeads in all exfoliating and cleaning products sold at Sa Sa by the end of 2018

2018

Included in the Hang Seng Corporate Sustainability Benchmark Index for the 8th consecutive year

2019

Upgraded ESG Taskforce to Sustainability Steering Committee with Board of Directors representation

Some of Our Green Achievements



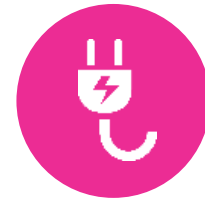
Sustainability Is All about Teamwork



GHG Emission (Absolute)

↓ 23.7%

Compared to our baseline year (2014/15)



Energy Intensity

↓ 17.8%

Compared to our baseline year (2014/15)



Recycling rate at logistic centre

100%



Stores with LED illumination system

84%



Key Message #1

Goal Alignment Ensures Our **Whole Company and Staffs Understand How They Can Contribute towards Sustained Growth**



PROFIT



PEOPLE

Employee Wellbeing

Customer Satisfaction

Community Investment

and etc...



PROFIT

Sustainable Business Model

Investor Returns

Efficient Process

and etc...



PLANET

Environmental Footprint – Operations

Supply Chain

Environmental Impacts

Environmental Footprint – Products

and etc...

Why, What, How Sa Sa Collects Non-financial Data



Sa Sa Also Uses This Why-What-How Model to Create Value Proposition on Sustainability Growth

WHY



- Why the disclosure of non-financial data is crucial to our success?

What



- What sustainability topics matter most to our people?

How



- How to collect meaningful non-financial data from and for our people?

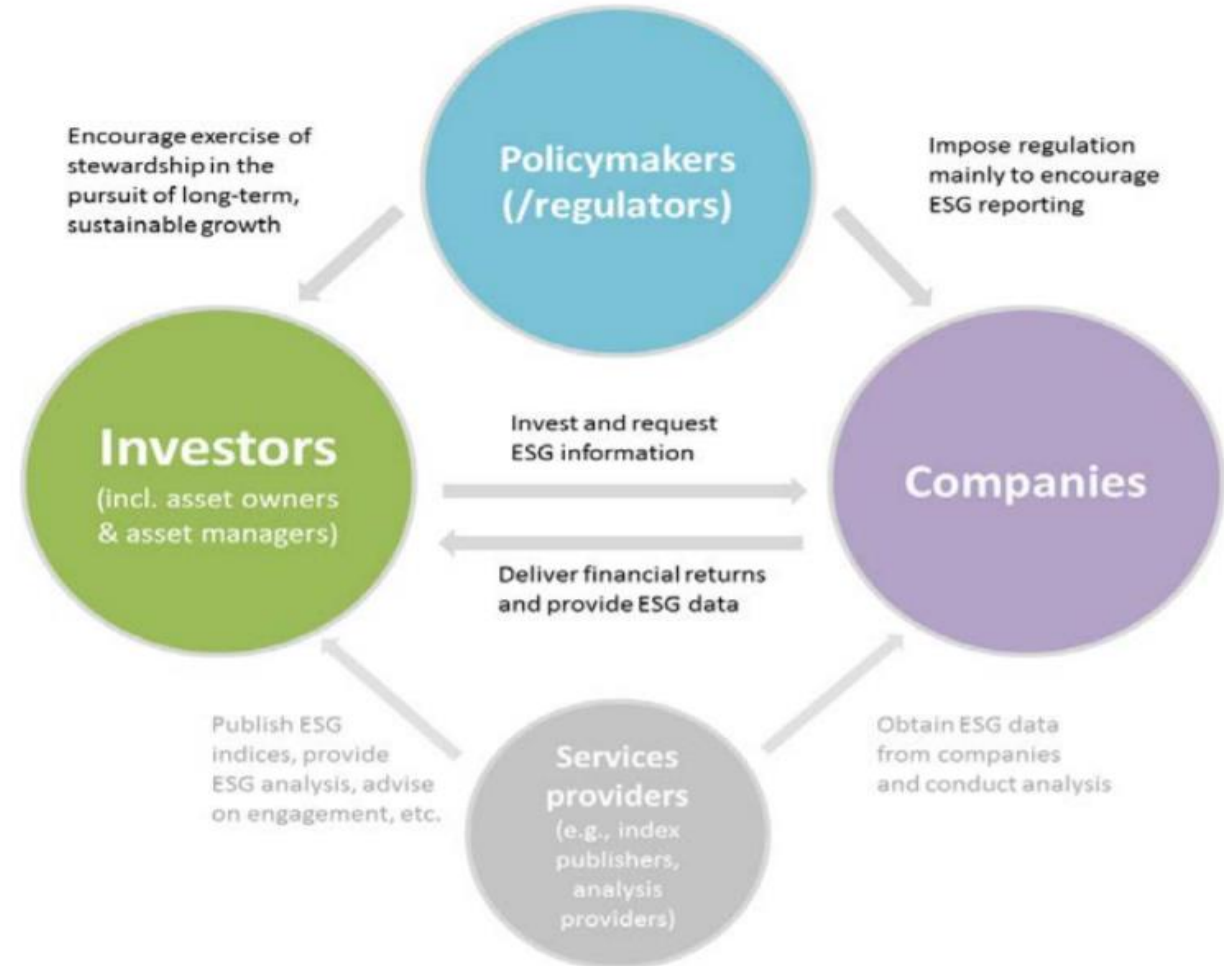
What is The Purpose of Disclosing Non-financial Data?



Through Disclosing Non-financial Data and Information, We Hope to.....

For investors:

- Demonstrate how our ESG approach **reduces enterprise risks** and operating costs and **creates business opportunities**



Source: FSDC, Environmental, Social and Governance (ESG) Strategy for Hong Kong

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For current and prospective employees:

- Develop a **sense of shared purpose across Sa Sa's employees** on our sustainability journey as they are key to Sa Sa's success for sustainable growth

Supporting Women to Develop Their Careers

About 80% of Sa Sa's employees are women, and most of our frontline staff are secondary school graduates (mostly Form 5 or 7) without any prior work experience. Their career choices might be limited by not having a formal qualification from a tertiary education institute. We offer them comprehensive on-the-job training, and a clear development path, with the potential to progress from a Sales Trainee to a Junior Beautician Trainee, then Beauty Consultant, Senior Beauty Consultant, Big Sisters or Big Brothers, Assistant Shop Supervisor, Shop Supervisor, and finally Operations Manager with oversight over 10-odd shops. For employees whose education level is not high, what Sa Sa provides is not only a job, but also a profession with prospects, and a life-long career path.



“ I was not good at studying. My career and everything I have right now was given by Sa Sa. I have to thank my line manager, Eva, who supported me and trusted me since I was 18. Eva offered me countless opportunities to grow and develop, and made me the person I am today. ”

Pinky Fu – Assistant Supervisor

Started as a Junior Beautician Trainee 13 years ago, now an Assistant Supervisor

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For other key stakeholders:

- Show sustainability is in Sa Sa's corporate DNA and also how Sa Sa is **mindful of their needs and interests**

MICROBEADS BAN - HONG KONG'S FIRST COMMITMENT!

Sa Sa is a leading cosmetics retailing group in Asia. It has over 280 retail stores and counters in Asia, covering Hong Kong & Macau, Mainland China, Singapore, Malaysia and Taiwan. Since 2014, Plastic Free Seas team have been discussing the issue of plastic microbead usage with Sa Sa and informing them of the potential harm their continued usage was having on our local marine ecosystems. On August 22nd 2016 Sa Sa published their position on microbeads.

Please read their statement here <http://corp.sasa.com/en/corporate-governance/environment-social-and-corporate-governance-policy-statement/>

Sa Sa is the first Hong Kong retail group to release a public statement and commit to a phaseout timeline for microbeads.



Thank you to Sa Sa for recognising the potential environmental and health impact of plastic microbeads and committing to ban the use of these in your exfoliating and cleansing products!

Phase out to be completed by December 2018

2010-2019: Sprinkle Effect



Glocal Greenovation Challenge, a competition focused on find solutions for environmental protection for business sector



Red packet reuse & recycling organized by Greener Actions



Eco meal kit to employee & customer funded by Plastic Bag Levy



Upcycled old uniforms into eco bag, with these items supporting the local community groups

2010-2019: Sprinkle Effect



Individual projects implemented without Focus and Alignment to Sa Sa's Ethos

Business Risks

Market competitiveness

Changing customer behavior

Talent retention

Operational cost increase

Reputation Risk

Sustainability Risks

Company growth

GHG Emission

Pollution and wastes

Talent development and retention

Customer satisfaction...

HOW TO FIX THIS?

Comments

on **Sa Sa**

from external parties

“
*Mainly consistent
however **missing of
long term strategy and
goals.***”

“
*Mainly positive with
**not many improvement
areas** mentioned.*”

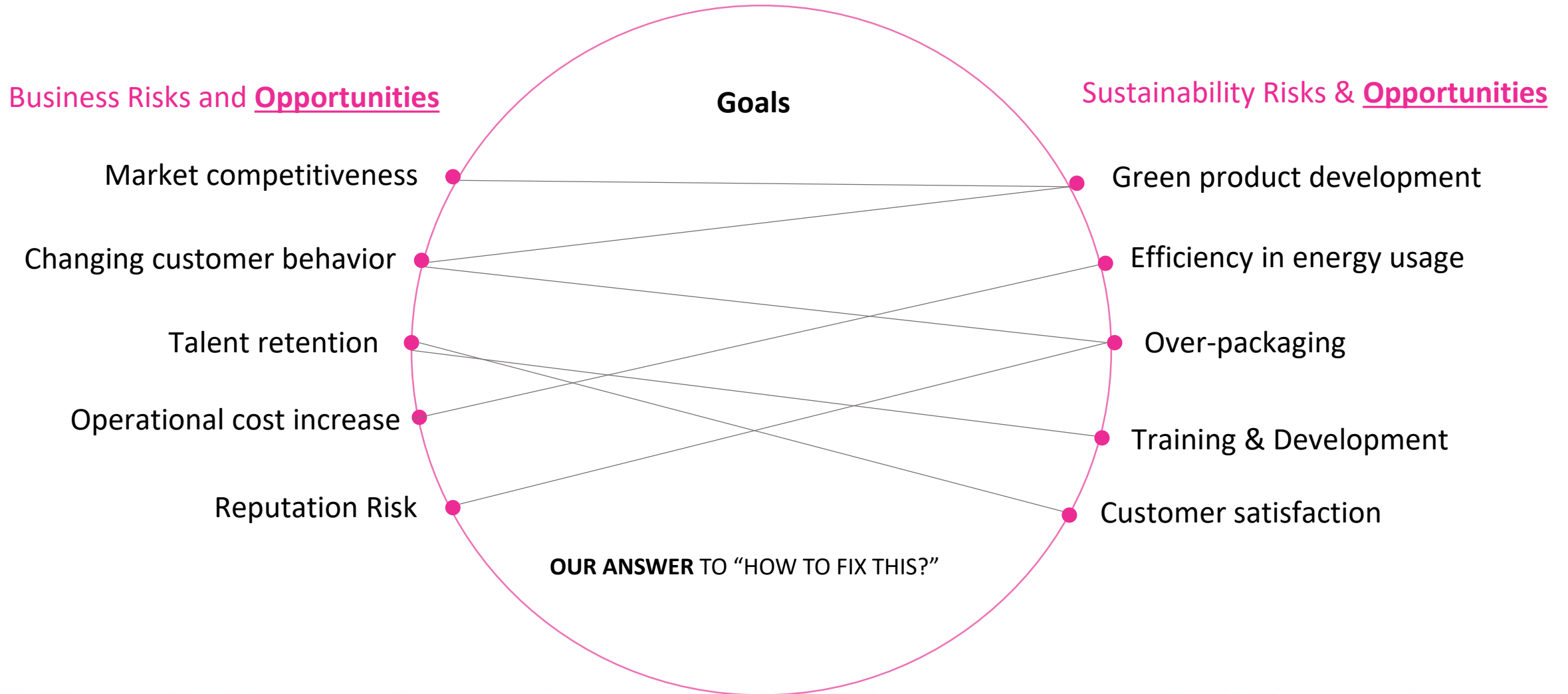
“
*Absence of clear strategy and
action plans; more focus on
project-based initiative.*”

“
*Board approved the ESG
policies however **no dedicated
governance structure**
established for ESG.*”

2019: Strategic Alignment with Our Business Goals



Goal Alignments Ensures Our People Understand How They Can Contribute to Sa Sa and Thus Avoid Costly Misalignment



What Sustainability Is and Isn't for Sa Sa Today



Sustainability Connects Everyone to Think Together

It is NOT about:

It is about:

Philanthropic activities



Integrate sustainability into the business

Greenwashing / Corporate Social Responsibility



Evaluate and respond to the environmental and social risks and opportunities

Box ticking approach to comply with regulations



Respond to the stakeholders' needs and expectations



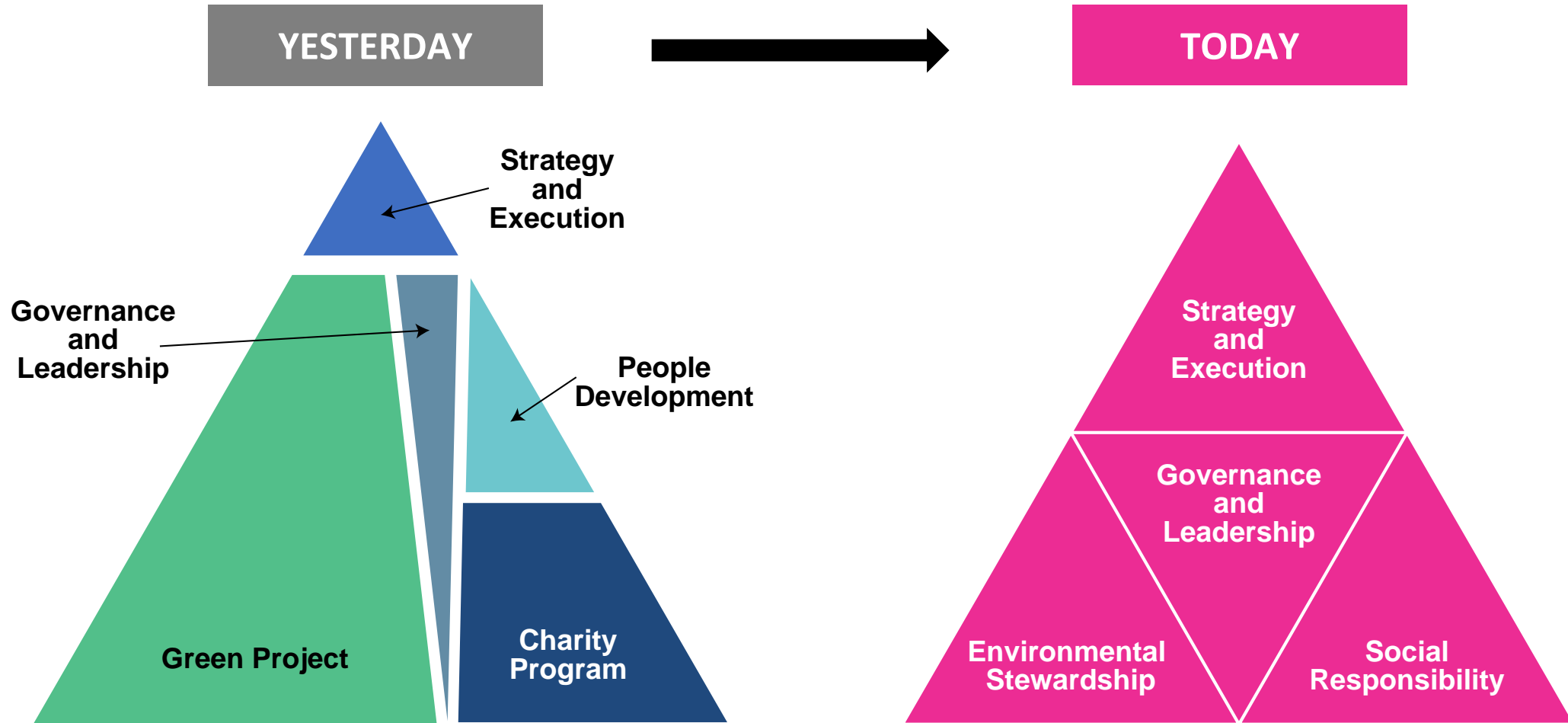
Key Message #2

**Robust Sustainability Governance
—Committed Leadership, Clear
Direction, and Strategies are
Imperative**

From ESG Taskforce to Sustainability Steering Committee.....



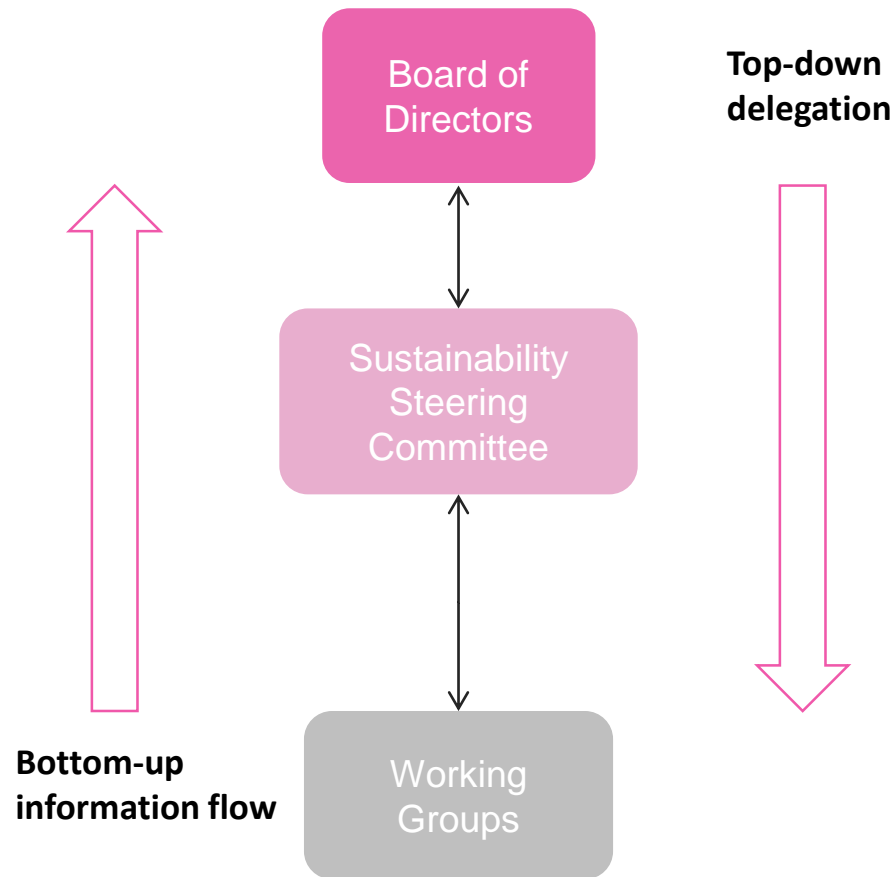
Setting up Sustainability Steering Committee Helps Sa Sa Establish and Communicate Goals And Strategies Clearly And Ensures Sustainability Is Integrated with Other Business Goals



Importance of Robust Sustainability Governance



Sa Sa's Sustainability Governance = Committed Leadership + Clear Direction + Strategies



- **Commitment begins at the top to show we mean business about sustained growth**
 - Responsible for evaluating and determining the issuer's ESG-related **risks and opportunities**
 - **Develop sustainability vision and strategies, and ensure** ESG risk management and internal control systems **are in place to manage the execution**
-
- **Made up of department heads to ensure the execution is inline with business strategies**
 - **Provide directions and guidance on sustainability vision, strategies, goals and targets**
 - Advise the Board on the ESG management and its effectiveness
-
- Each working group is championed by a selected department head
 - Recommend initiatives, targets and practices relating to the scope of work to the Committee
 - Implement the directions and execute action plans agreed by the Committee



Key Message #3

Sustainability framework provides a big picture with purpose, goals and targets, action plans and progress to guide the whole company move towards sustainable growth

Sa Sa's Sustainability Framework



It Also Helps Build ESG Culture

Sustainable Growth: Making Life Beautiful

Innovation

People

Operational Efficiency

Reducing environmental and social impacts of products and business activities

Investing to "Retain, Engage, Attract, Develop" our staff

Promoting energy efficiency

Working together with business partners to meet and exceed Sa Sa's commitments

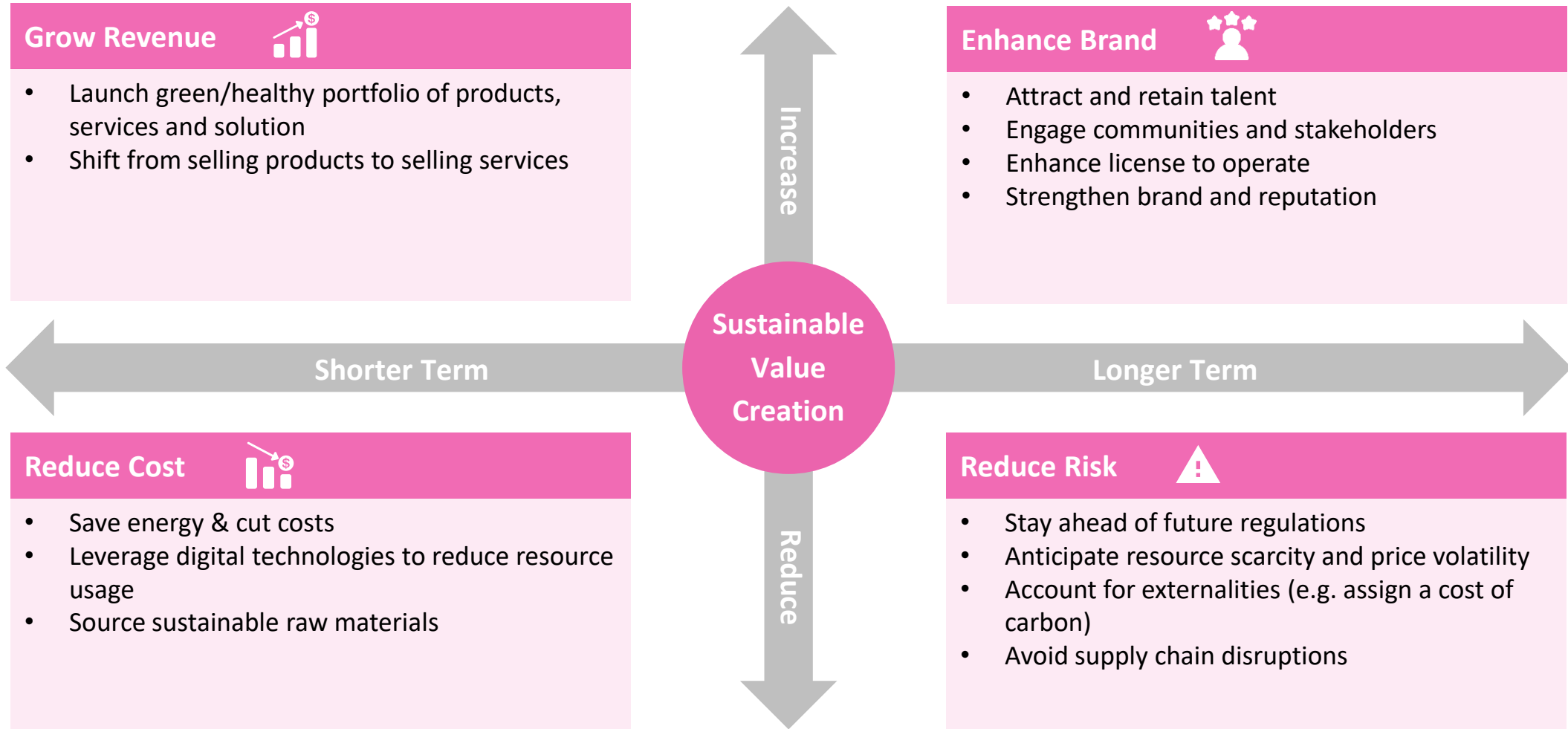
Raising consumer awareness on sustainable consumption

Minimizing waste

Maximizing returns to shareholders and communities

Utilizing resource usage

Mechanism Behind Sustainability Framework: Integrate ESG into Commercial Decision



Understanding Our ESG Integration Metrics: Why We Banned Microbeads?



OUR POSITION ON MICROBEADS

In recognizing the potential environmental and health impact of microbeads, Sa Sa International Holdings Limited ("Sa Sa") has agreed and committed to the following:

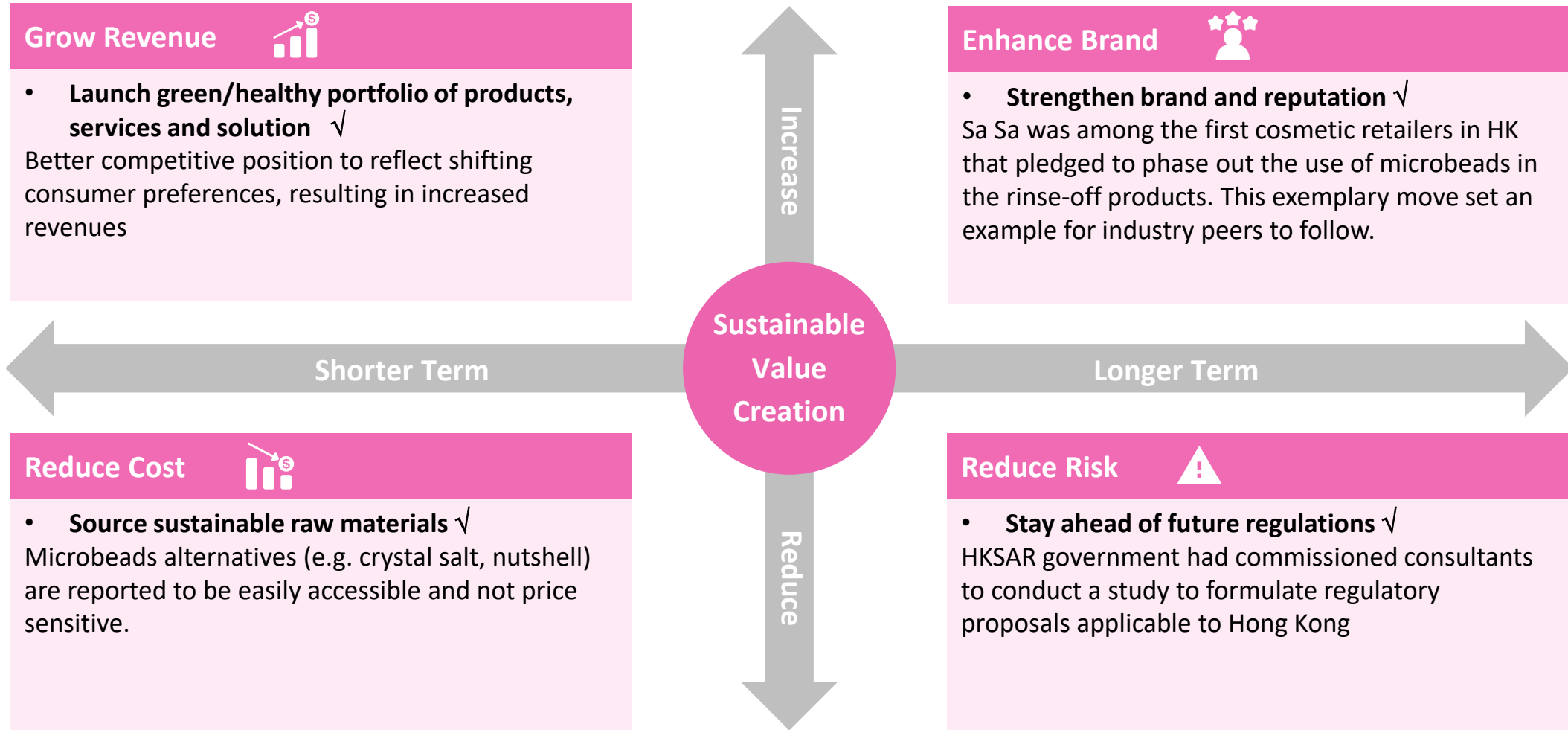
By **31 December 2018**, all **exfoliating or cleansing** products sold at Sa Sa under:

- **Private labels:** There shall be no microbead¹ in any of its formulation.
- **Non-private labels:** To make an effort to ban any microbead in all our non-private label products, through vendor communication, evaluation, contract and product review.

For non-exfoliating/cleansing products that might contain microbeads, as this involves a much wider range of products, Sa Sa will further review its current stock range. Further dialogue with vendors will follow to identify possible harmless alternatives and a timeline to replace microbeads as soon as it is commercially practical.



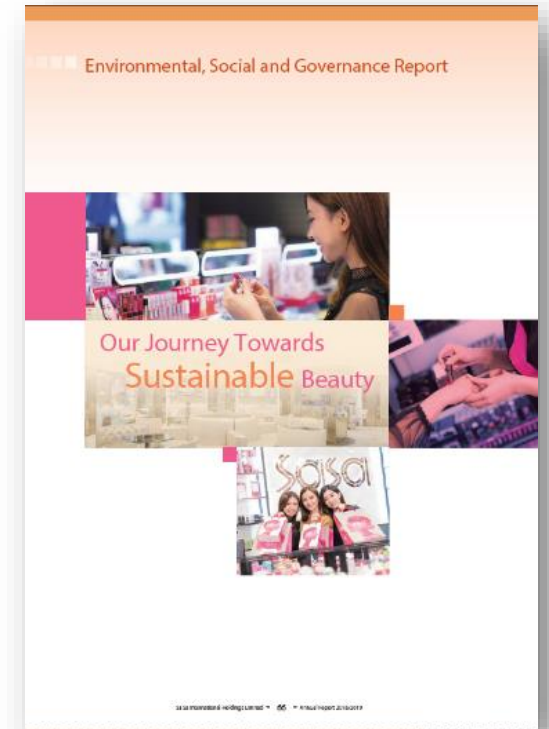
Understanding Our ESG Integration Metrics: Why We Banned Microbeads?



Key Takeaway Messages



- Goal alignment ensures our people understand how they can contribute to sustainable growth for Sa Sa
- Robust sustainability governance — committed leadership, clear vision, and strategies— is imperative
- From Sa Sa's experience, sustainability framework provides vision, strategies, structure, action plans targets and progress to manage the whole company move towards sustainable growth



ESG = Who Cares Wins



“The stock price of a business will depend, at least in part, on companies’ impact on environment and society.

Measuring ESG impact is becoming a critical factor.
Listed companies must expect stronger scrutiny on their sustainability practices to increase stock price and value.”

– Larry Fink, CEO Blackrock

