

杉杉品牌運營股份有限公司

Shanshan Brand Management Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1749



2020 | ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

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INTRODUCTION

Shanshan Brand Management Co. Ltd. (the “Company”, together with its subsidiaries, the “Group”) is committed to providing high-quality apparel products and strives to maintain market leadership in the design, marketing and sale of formal and casual business menswear business in the People’s Republic of China (the “PRC”). The Group has always attached great importance to social responsibility. While endeavoring to realize its corporate goals, it also expects to contribute to society from various aspects so as to achieve long-term and sustainable development goals.

In view of this, this Environmental, Social and Governance (“ESG”) Report will focus on the balance of corporate needs, social demands and environmental concerns. The Group understands that incorporating sustainable development elements into business strategy has become a trend, so it will actively communicate with different stakeholders to know about their needs and carry out comprehensive management on ESG issues. While implementing the sustainable development plan, the Group will consider the short-term and long-term factors concerned, including the challenges that it is facing, its responsibility for stakeholders, global trends, laws and regulations, risk management, etc. In such a constantly changing business environment, the Group believes that an enterprise can achieve success only by taking long-term commitments on the ESG issues.

Through careful and profound understanding of different risks and opportunities in relation to ESG issues with which the Group is confronted, the Group will earnestly perform its corporate social responsibility, abide by local laws, provide appropriate working environment for employees, and meanwhile pay attention to social issues, including responsible procurement, drug abuse prevention, environmental conservation, volunteer activities, etc. At the meantime, the Group make efforts to protect the environment by reducing waste. As a member of the society, the Group will certainly endeavor to make contributions to it, and collaboratively create a better community environment.

Finally, as to the policies and performance of the Group in relation to the four major aspects, including environmental protection, employment and labour practices, operating practices and community participation, the Board is hereby pleased to present the 2020 ESG report of the Group (the “ESG Report”) for the period from 1 January 2020 to 31 December 2020 (“FY2020”).

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ABOUT THE ESG REPORT

About the Report

This ESG Report introduces the significant ESG performance of the Group in the FY2020, and its long-term commitments to ESG. This ESG Report mainly focuses on the main business of the Group, i.e. the menswear design and sales business of the Group in the PRC, and describes the progress of Shanshan Brand Management Co. Ltd. (“Shanshan”) in creating sustainable values for its shareholders and other stakeholders.

Scope and Boundaries of the Report

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) issued by the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). This ESG Report summarises the ESG practices of Shanshan, the principal operation unit of the Group. The information contained herein is helpful to know about and evaluate the Group’s ESG performance in routine business in the PRC.

In addition to internal factors, such as the Group’s corporate value, strategy and core competence, the Group also attaches importance to communication with the internal and external stakeholders, and considers the ESG strategies of other competitors in the industry, so as to achieve sustainable development. The Group has identified the following categories that have or may have a significant impact on the Group’s ESG performance:

- The menswear design and marketing industry in the PRC;
- The menswear sales market in the PRC;
- Present or future environment and society in which the Group locates and operates;
- Financial and operation performance of the Group; and
- Evaluation, decision and action of the Group’s stakeholders.

To ensure that this ESG Report addresses the issues that are critical to the Group and significant to its stakeholders, the Group has adopted some global and local industry standards or best practices, including the ESG Reporting Guide and the applicable accounting and financial reporting rules of Hong Kong.

The Group attaches great importance to the issues concerned by each of its stakeholders, so it sincerely welcomes opinions and suggestions for improving ESG performance of the Group. For all opinions and suggestions received, the Group takes an open and earnest attitude, with a view to uphold the common interests of the Group and its stakeholder. Stakeholders are welcome to send such opinions and suggestions to the Group’s Email: ssfz@shanshan.com.

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ABOUT THE COMPANY

The Business of the Group

The Group is principally engaged in the design, marketing and sale of formal and casual business menswear in the PRC under three brands, namely FIRS, SHANSHAN and LUBIAM. Headquartered in Ningbo City, the Group has retail outlets operated by its distributors, itself and franchisees across the PRC, spanning all the provinces, autonomous regions and central government administered municipalities in the PRC, except for Hainan and Tibet. In addition, the Group offers products under the above brands to customers via third-party e-commerce platforms, including Tmall, JD.com and TikTok, enabling itself to sell products under the Group's brands in more areas without physical stores.

Vision

Building a century-old classic fashion industry platform. Taking business menswear as the cornerstone and centering on the fashion industry while also sorting out industrial collaboration relations, integrating industrial joint elements and industrial innovation elements, and through gathering resources from all parties over the platform and expanding business boundaries steadily to develop Shanshan Brand into an innovation-oriented fashion industry platform with scale advantage and advanced efficiency, and thereby becoming a century-old enterprise with ever-lasting foundation.

Mission

Creating a quality life. With committing to becoming a century-old classic menswear brand in China, the Group adheres to classic inheritance and fashion-leading as well as cooperates with colleagues within the industry chain to forge high-quality products and services, so as to jointly create industry value; the Group also conveys consumers an elegant dress concept to demonstrate an unrestrained attitude to life.

Objective

Continuing to provide consumers with quality menswear.

Board of Directors

As of the date of this ESG Report, the board of directors of the Company comprises:

Executive Directors	Non-executive Directors	Independent non-executive Directors
Mr. Luo Yefei (<i>Chairman</i>)	Ms. Zhao Chunxiang	Mr. Au Yeung Po Fung
Mr. Cao Yang (<i>Vice-Chairman</i>)	Ms. Zhou Yumei	Mr. Wang Yashan
Ms. Yan Jingfen	Mr. Zheng Shijie	Mr. Wu Xuekai

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PARTICIPATION OF STAKEHOLDERS

The Group actively seeks every opportunity to understand its stakeholders in order to guarantee the regular improvement of its services. The Group strongly believes that stakeholders play a vital role in maintaining the success of the business of the Group. The table below shows a list of the Group's stakeholders and the methods to communicate with them.

Stakeholders	Issues Concerned	Communications and Feedbacks
The Hong Kong Stock Exchange	Compliance with the Listing Rules, and timely and accurate announcements	Meeting, training, website update and announcements
The Government	Compliance with laws and regulations, prevention against tax evasion, and social welfare	Government inspection, tax declaration and other information
Suppliers	Payment schedule and demand stability	Business communication, purchase agreement, e-mail and telephone connection
Investors	Corporate governance system, business strategy and performance, and investment return	Organizing and participating in seminars, shareholders' meeting, providing financial reports or operation reports to investors and analysts
Media and Public	Corporate governance, environmental protection, and human rights	Publishing newsletters on the corporate website
Customers	Products quality, reasonable price and products values	Field investigation and after-sales services
Employees	Interests and welfare, employee remuneration, training and development, working hours, and working environment	Training, interview with employees, internal memos, and employee's suggestion box
Community	Community environment, employment and community development, and social welfare	Developing community activities, volunteering activities of employees, and community welfare, subsidy and donation

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ENVIRONMENTAL ASPECTS

The Group recognizes that the environment should not be the sacrifice for its corporate development; in contrast, a healthy environment will be the foundation for sustainable corporate development. As a socially and environmentally responsible corporation, the Group is committed to cutting down the consumption of environmental resources and reducing the damage to the environment, ensuring that it is a pioneer in environmental conservation.

During FY2020, the Group did not find any crucial illegal behaviour relating to air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste.

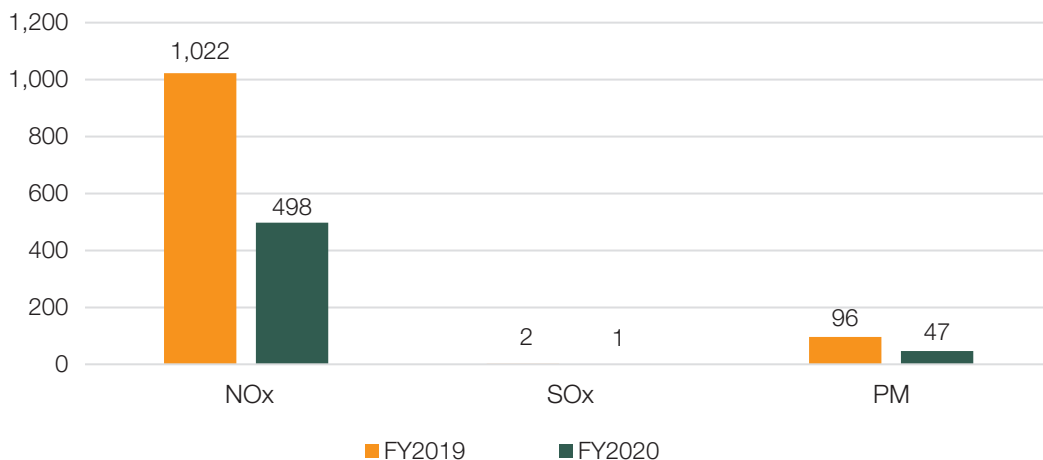
EMISSIONS

The Group implements different measures to reduce carbon emissions from various sources in its daily operations.

Air Pollution Emissions

In view of the Group's business focusing on the design, promotion and sales of menswear, which are services in nature, its business activities and production process do not involve any fuel gas or fossil fuels. The major sources of air pollution emissions are mainly derived from the fuels used for the Group's four automobiles which are used to pick up employees and customers in the daily course, and the resulting air pollution emissions include NOx, SOx and PM. During FY2020, the Group had discharged an aggregate of approximately 545 kg (2019: 1,120 kg) of air pollutant arising from its operation with an emission density of approximately 136 kg (2019: 140 kg) per automobile, representing a decrease of approximately 51% and 3% as compared to the total weight and the emission density of air pollutant discharged by the Group during the year ended 31 December 2019 ("FY2019"). To reduce fuel consumption of automobiles, the Group conducts regular maintenances and inspection for its automobiles to ensure that they are in good condition, so as to avoid additional fuel consumption resulting from the low fuel efficiency. In addition, the Group also encourages staff to plan drive route in advance before driving, so as to reduce unnecessary fuel consumption caused by prolonged driving time.

Air Pollution Emissions



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Greenhouse Gas ("GHG") Emission

The continued GHG emissions will cause extremely severe impacts to the environment such as climate change and will pose great threats to the global ecosystem. The GHG emissions of the Group mainly derived from the use of above-said four automobiles and the electricity consumption by the Group's business activities in Ningbo base as well as the indirect GHG emission from other various business activities such as discarding papers at the landfill, the electricity used for the treatment of drinking water and sewage and business air travel by employees. In light of this, in addition to regularly monitoring the operation of vehicles, the Group also made efforts to reduce electricity and water resources consumption, including formulated policies on the efficient use of resources so as to implement measures of reducing carbon emission from the source. In addition, the Group did not use liquefied petroleum gas in FY2020.

The total amount of GHG emissions generated by the Group in FY2020 was approximately 728 tonnes (2019: 1,077 tonnes), of which 21% (2019: 38%) was direct emissions for the use of vehicles, 77% (2019: 58%) was indirect emissions for electricity consumption of the Group's headquarter in Ningbo, and the remaining 2% (2019: 4%) was indirect emissions from other sources. Given that more than half of the GHG emissions were derived from electricity consumption, the Group posted slogans in the Company to remind the employees to unplug electrical appliances which were not in use and encouraged them to adopt natural light to reduce electricity consumption. The total GHG emissions generated in FY2020 decreased by approximately 32% as compared to FY2019, reflecting the Group's efforts to reduce carbon emissions have gradually achieved certain results.

Scope	Source of GHG emission	GHG emissions for FY2020 (tonne)	GHG emissions for FY2019 (tonne)
Scope 1	Direct GHG emission from the use of vehicles	150.40	408.99
Scope 2	Indirect GHG emissions from the electricity purchased by the Group's headquarter in Ningbo ¹	561.10	625.17
	Wasted pages discarded at the landfill	0	10.12
Scope 3	Electricity consumed for treatment of drinking water and sewage ²	4.35	4.74
	Business air travel by employees	12.50	28.08
Data of GHG emissions			
The GHG emissions in total (tonnes)		728.35	1,077.10
GHG emissions per capita (tonnes/number of staff)³		1.39	1.61

¹ The average CO₂ emission factor for Zhejiang provincial power grids in 2012 is 0.6647 kg/kWh, according to "Calculating Method and Data Form for CO₂ Emission" (《二氧化碳排放核算方法及數據核査表》) published by Department of Climate Change of the People's Republic of China (中華人民共和國應對氣候變化司) on 15 May 2016.

² In accordance with the latest data announced by the Water Supplies Department in Hong Kong for the Year 2018/19 and the latest data announced by the Drainage Services Department in Hong Kong for the Year 2019/20, the per unit electrical consumption for treatment of drinking water and sewage in Hong Kong was 0.606 kWh and 0.29 kWh, respectively. The preset emission factor for purchased electricity is 0.7 kg/kWh. As the relevant data in the PRC is difficult to obtain, the data above is designed to be consistent with that in the PRC.

³ The GHG emission intensity was calculated by per capita emission. The Group's total number of staff was 523 as of 31 December 2020.

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Waste Management

The operation of the Group did not generate any hazardous waste for the FY2020 and hence does not have relevant KPI to report. The Group's non-hazardous wastes were mainly produced from paper used in its ordinary business. During FY2020, all waste paper generated by the Group were recycled by third party paper recycle companies, thus no wasted pages were discarded at the landfill. In order to further reduce the use of paper, the Group encouraged staff to process daily documents by using double-sided printing and to collect recyclable waste papers for reuse. In addition, the Group also conducts monitoring and review of the Group's ordinary business processes to use electronic documents in place of paper documents to reduce the consumption of paper.

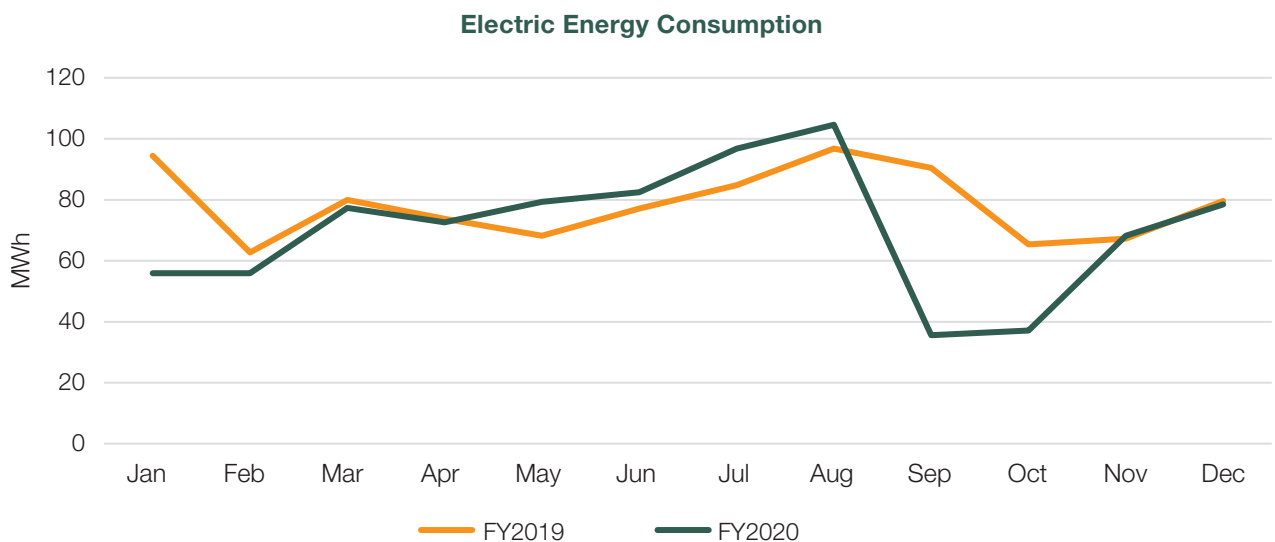
In addition, the Group has set up a staff canteen including the recovery areas for kitchen waste, food waste and tableware at its headquarter to recover the waste generated by the canteen and reduce the total weight of waste disposed of at landfills.

USE OF RESOURCES

As an enterprise responsible for the environment, the Group recognizes that reducing carbon footprint should start from the source. Therefore, the Group has implemented a set of measures to reduce the resource consumption to achieve the goal of carbon emission reduction.

Electric Energy Consumption

The major carbon footprints of the Group came from the electric energy consumption. The electric energy consumption of the Group's headquarter reduced by approximately 10% to approximately 844 MWh for FY2020, as compared to 941 MWh for FY2019; the per capita electric energy consumption was approximately 1.6 MWh (2019: 1.4 MWh).



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In order to reduce electric energy consumption, the Group has posted posters in offices and staff canteens to remind employees to turn off electrical appliances, such as air conditioner and lighting system, when not in use. The corridors and windows of offices are also designed with natural lighting, and the electrical appliances in offices are mainly energy-saving electrical appliances, so as to reduce the use of electric energy in all aspects.

Water Resource Consumption

The consumption of water resource has always been a global concern of environmental issues. While the Group is actively building an internationally well-known brand, saving water is one of the important goals for the Group. The water consumption of the Group in FY2020 was 6,931 m³ (2019: 7,902 m³), representing a decrease of approximately 12% as compared to FY2019; and the density of relevant water consumption was approximately 13.3 m³ per capita (2019: 11.8 m³). In view of the Group's increasing water consumption per capita, in order to reduce water consumption, the Group encourages employees to save water while using the washrooms, which will not only reduce water consumption but also reduce electricity consumption generated from water supply, thereby reducing the Group's carbon footprints. In FY2020, as the Group's water is supplied by the government water supply department, there was no problem in obtaining water sources.

Packaging Materials

The packaging materials of the Group are mainly plastic bags used in sales of apparels in shops. Due to the difficulties to collect such data in each individual shop, the Group was not able to disclose the total usage of packaging materials in FY2020. Nonetheless, the Group still strives hard to reduce the use of packaging materials during sales activities.

THE ENVIRONMENT AND NATURAL RESOURCES

In addition to the aforementioned energy and water reduction measures, the Group has also implemented various environmental protection measures at its headquarters in Ningbo in order to achieve the goal of reducing emissions at source for all parties.

The base of the Group in Ningbo with garden concept design achieves the goals of green environment through cultivating various types of plants. Such an initiative not only provides employees with a comfortable and healthy working environment, but can also have a direct positive impact on reducing carbon emissions. In addition, the interior of the office building is designed with natural lighting to avoid unnecessary lighting and thus save electric energy.

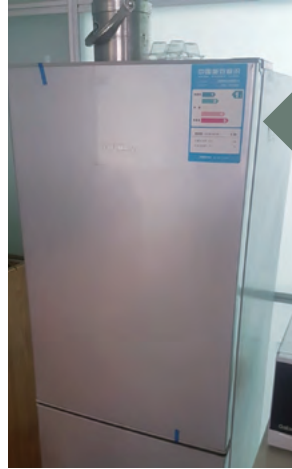
In terms of the maintenance of natural resources, in order to promote the reduction of GHG emissions caused by the use of vehicle fuels, the headquarter of the Group has two new energy vehicle charging stations with a total of 23 charging piles to provide charging services for electric vehicles of our employees.

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Energy-saving measures



Energy-saving measures for staff canteen



Electrical appliances with label of China energy efficiency – energy saving grade 1



Light off measures for staff canteen



Natural lighting design of offices

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Internal landscape of the base in Ningbo headquarter



New energy vehicle charging station

Garden design concept of the headquarter



Green strap

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SOCIAL ASPECTS

LABOUR AND EMPLOYMENT COMPLIANCE

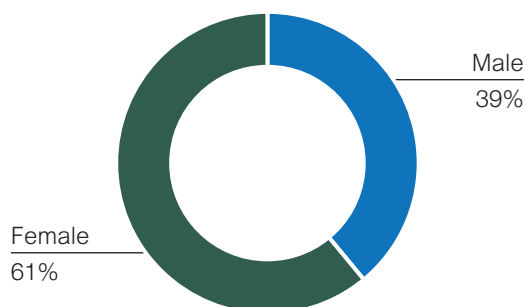
Employees are one of the most important assets of the Group. The Group provides the best treatment to its employees in different aspects, such as generous employee benefits, development and training plans, and a harmonious and healthy working environment. Therefore, while the employees are contributing to the Group's success, they also understand that the Group provides reciprocal supporting and backing for them, which ultimately achieves the goal of parallel development of the Group and its employees.

Labour and Employment

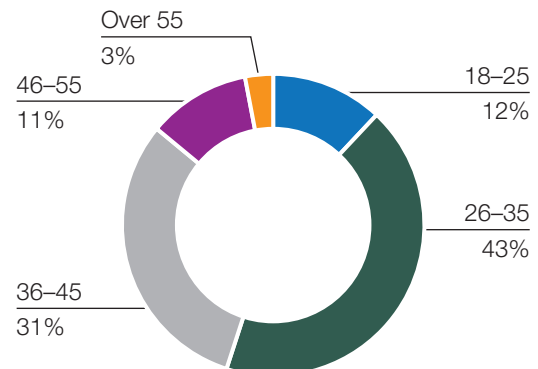
The Group's Staff

The Group prides itself as an equal opportunity employer. It complies with laws and regulations which prohibit unfair discrimination, including the Sex Discrimination, the Race Discrimination Ordinance and the Disability Discrimination Ordinance. It builds an equitable workplace, starting from having a fair and equitable recruitment process in which select people only based on their experience and skills. An applicants' gender, religion or skin colour would not in any degree affect his or her chance of being recruited to join the Group. The same principle applies to its staff appraisal and counselling processes. As at 31 December 2020, the Group employed a total of 523 employees (2019: 669) with male-female ratio of 39%:61% (2019: 36%:64%), fundamentally achieving gender equality; and the age of its employees spread across different age groups, demonstrating that certain achievements had been made by the efforts of the Group to create a harmonious and inclusive working environment. Consequently, the Group enjoyed strong loyalties from its staff with 22% (2019: 17%) of employees who had worked for more than five years and 38% (2019: 32%) had worked in the Group for more than three years. The year-on-year increase in the proportion of employees who had worked for over three years and over five year reflects that a closer relationship has been established between the Group and its employees.

Employees by gender



Employees by age



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Staff Compensation and Welfare

In order to achieve simultaneous development of the Group and its employees, the Group offers employees competitive remuneration packages in line with their positions, job nature, qualifications and experience, including but not limited to on-the-job training, bonus and travelling allowance. The Group would also carry out performance appraisals based on the individual performances of the employees on a quarterly and semi-annually basis to encourage them to set up their own clearly defined goal. Based on the evaluation results, employees would be awarded the titles of “commendation”, “reward” or “promotion or conferring honorary title” to motivate them to continuously improve and to ensure their performance meet the expectation and requirements of the Group. The Group has purchased various social insurance and made contributions to housing provident funds for all employees. The Group has strictly followed the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》), the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant regulations in an effort to guarantee the due benefits entitled to the employees and offer them the best remuneration package.

Work-life Balance

In order to ensure its employees to achieve a balance between work and life, and maintain a balanced and healthy lifestyle, the Group has implemented a standard labor time system, which stipulates that the working hours of employees per day shall not exceed eight hours and the average working time per week shall not exceed 40 hours. Apart from weekly rest days and the statutory holidays, employees were also entitled to maternity leave, funeral leave, marital leave and family planning leave. The Group’s vacation system was also established based on the actual circumstances to ensure sufficient break time of its employees. In addition, the Group offered various amenities for its employees, including staff canteens and a variety of staff events, to increase their sense of belonging to the Group. Given the series of measures taken by the Group, the average turnover rate of the Group was controlled at only about 4.12% during FY2020 (2019: 5.20%).

Staff turnover rate



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Health and Safety

The Group is committed to providing a safe working environment for its employees and has implemented the following measures. The Group has formulated the “Fire Emergency Plan” which sets out the emergency plan for fire accidents. It also regularly organizes fire safety training seminars to ensure that all employees can safely respond to fire accidents. Moreover, the Group is equipped with a number of fire protection equipment in the office building, such as fire extinguishers and fire hydrants, and conducts regular inspections to ensure that they are in good condition.

In the event of an emergency occurs, employees can use the office’s first aid kit for emergency medical assistance in a timely manner.

In addition, in order to cope with the outbreak of the novel coronavirus epidemic (COVID-19) (the “Outbreak”) in early 2020, the Group has formulated the Epidemic Prevention Plan which stipulates the preparedness plan for the epidemic and measures to be taken in case of the Outbreak, including setting up emergency team to cooperate with the local government’s quarantine work, handling and reporting suspected cases, distributing surgical masks and other disinfected items to employees, and employees are required to check their temperature before entering or leaving the office etc. The Group has also strictly monitored the hygienic conditions of the working environment by carrying out daily temperature measurement for each staff, procuring epidemic prevention supplies and conducting emergency drills to ensure the safety of its staff. The Group did not report any employee infected with novel coronavirus during FY2020.

Any employee suffering from work-related injuries is entitled to indemnification treatment in accordance with relevant national regulations, and the Group will also provide sufficient work-related injury leave to enable employees to have sufficient rest. During FY2020, the Group did not report any work-related injuries (2019: 4 work-related injuries and lost 264 work hours), and the Group will provide employees suffering from work-related injuries with sufficient sick leave for recuperation in case of such an event. During FY2020, the Group also did not experience any accidents that caused serious injuries and deaths to employees. The Group will continuously commit to providing employees with a healthy and safe working environment.

Development and Training

The Group understands that the progress of the employees is indispensable for the Group’s sustainable development. Therefore, the Group provides adequate and effective training for its employees. It also emphasizes that the employees’ competency must meet the expectations and requirements of the Group so that they can complement each other. From time to time, the Group has formulated the “Training Management” system, and provides internal and external trainings to its employees to enhance their work abilities from time to time. If any employee does not get satisfactory results in his or her performance appraisal, the Group will provide additional training to ensure that every employee can meet the requirements of their positions. In addition, the Group also provides on-the-job training for front-line staff to familiarize them with the business processes of departments and positions, as well as staff codes such as personnel systems and anti-corruption mechanisms, so that they can more easily integrate into and adapt to the new working environment. After each training course, the Group will listen to the feedback from each employee to improve the training content so as to maximize its effectiveness.

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During FY2020, the number of employees of the Group who received trainings was 109 (2019: 669), accounting for 21% (2019: 100%) of the total number, while the total training hours was 2,263 hours (2019: 2,479 hours), with the average training hours per trainee amounting to approximately 21 hours (2019: 4 hours). The significant increase in the average training hours per trainee shows the Group's determination and commitment to improve the work ability and overall quality of employees.

Labour Standard

The Group strictly abides by the Labor Law of the People's Republic of China and provides employees with remunerations no lower than the local statutory minimum wage and does not employ child labor. When hiring new employees, the human resources department is responsible for reviewing the applicant's identification documents to ensure that no underage child labor is employed. During FY2020, to the best knowledge of the directors of the Company, the Group was not involved any non-compliance issues in relation to labour laws and regulations. The Group undertakes to maintain strict compliance with the Standard of laws and regulations at any time. Any employee facing or discovering violations can report to the management through the reporting mechanism, and the management will take appropriate actions to follow up.

OPERATING PRACTICES

Supply Chain Management

As the Group is principally engaged in the design and production of menswear, the Group places a great emphasis on supply chain management of procurement. The Group's suppliers are mainly original equipment manufacturer ("OEM") suppliers, including suppliers who purchase raw materials themselves and provide finished products and suppliers who provide processed products with raw materials and fabrics purchased by the Group. In the process of selecting its suppliers, the Group will review the company background of suppliers and the quality of their supplies, together with on-site inspection of the production process, to ensure that the materials and goods provided by the suppliers meet the stringent specifications and standards of the Group. The Group will list the suppliers that have passed the above review and inspection into the list of qualified suppliers, and evaluate them on a quarterly basis to check their pricing, quality of supplies, efficiency, reliability, punctuality and credit rating. If any supplier fails to meet these standards, the Group will exclude it from the list.

The Group selects reliable suppliers with excellent reputations to provide products and services of high quality, reasonable price and sustainability. The Group has a transparent and independent procurement process in place to enhance competitiveness, which at the same time advances the interests of its shareholders and other stakeholders well. It is the Group's expectation to cater to the needs of its customers by integrating procurement resources, promoting system for suppliers selection and management to forge a vertically integrated supply chain management system and offer comprehensive solutions actively.

Meanwhile the Group encourages suppliers to participate in corporate social responsibility activities and adhere to corporate social responsibility code. The Group is required to maintain a high standard of ethics in connection with all commercial trades where provision or reception of bribery or other improper interests is forbidden. According to applicable laws and regulations, suppliers are required to regularly disclose information on relevant commercial activities, structure, financial condition and performance.

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Product Responsibility

In order to retain the leadership of its apparel brand and sustainability, the Group sells menswear and other products, the quality of which, tallies with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) and relevant industrial standard, with an intention to safeguard the reputation of the Group and the public interests. In addition, the Group places strong emphasis on long-term mutual trust relationship with its customers so as to achieve the customer-oriented principal. As the products provided by the Group are mainly light industrial textiles such as apparel. Therefore, the Group considers that there are no other relevant industry laws and regulations that have a significant impact on the Group at present.

Quality Control

The Group has a mature quality inspection system to ensure all products meet the quality standard.

The Group requires suppliers to provide samples to the nationally recognized quality supervision and inspection center for textile and apparel products for comprehensive testing when purchasing raw material from suppliers, and only if the test result is positive will the Group make purchase from the specific supplier. The quality assurance team of the Group will check all the major stages of the production process conducted by the OEM supplier to ensure every step during the production complies with the Group's technique and quality requirements. During the initial stage of production, the Group will conduct site visits for the purposes of obtaining raw materials used by the OEM supplier in the production process, semi-finished goods and components as well as conduct quality test on the said subjects. During the middle and final stages of production, the quality assurance team of the Group will carry out inspections on a sample basis to review if the quality, technique and size of the finished product meet the related contractual requirements. As for the existing inventory of the Group, the quality inspection team will make irregular spot checks on the inventory's quality and send the sample to the nationally recognized quality supervision and inspection center for textile and apparel products for comprehensive inspection in order to ensure there will be no quality issue caused by the logistics or warehousing process.

Customer Complaint and Return Process

Positioned as a pioneer garment seller, the Group attaches great importance to after-sale services in a bid to establish a healthy-trustworthy relationship with its customers. The Group has already set up after-sale service management requirements in a written system, according to which its after-sales commissioner will see the customers to their inquisition, complaint and return. The Group's after-sales commissioner will patiently cater to the complaint and requirement brought by its customers. Every case will be recorded and specified the problem of the product and the follow-up arrangement, including return, replacement or repair, etc., to facilitate future follow-up and improvement. It will be also used as a source of information for quality inspection team to improve quality testing standards. During FY2020, the Group received a total of 11 complaints about its product and service.

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Membership System

In order to attract customers to build a long-term and sustainable relationship with the Group, the Group has established a membership system. Customers who are registered as the Group's VIP members are entitled to the additional consumer rights. The Group highly values the privacy and personal data of its members, which can only be accessed by authorized staff of the Group. The Group has entered into the confidential agreement with its staff, prohibiting them from leaking customers' information with an aim to safeguard the interests of every customer.

Anti-Corruption

The Group has established a written anti-corruption policy prohibiting any act of bribery, extortion, fraud or money laundering, and to set up a good commercial operation structure. Prohibited dishonest behaviors by the Group mainly include but are not limited to:

- Offering and accepting bribes;
- Provision of illegal political contributions;
- Improper charitable donation or sponsorship;
- Provision or acceptance of unreasonable gifts, entertainment or other improper interests;
- Other defined misconducts.

The Group requires its employees to strictly abide by the Prevention of Bribery Ordinance, and requires suppliers to sign the Sunshine Agreement, making the commitments as follows: while engaged in business practices, suppliers must not directly or indirectly provide, undertake, require or accept any illegitimate benefits, or carry out other dishonest acts in breach of good faith, law or national regulations, including criminal offences such as corruption, bribery, extortion, fraud or money laundering, and other acts such as providing illegal political contributions, improper charitable donations or sponsorships, providing or accepting unreasonable gifts, entertainments or other illegitimate benefits, infringing business secrets, trademark rights, patent rights, copyrights and other intellectual property rights, engaging in unfair competition, etc. Employees of the Group are required to report any benefits received, for which the Group will make the final decision and disposal.

In FY2020, to the best of the knowledge the directors of the Company, neither the Group nor its employees were prosecuted for corruption, bribery, extortion, fraud or money laundering.

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Anti-Corruption Course

In order to create an incorrupt and honest working environment, the Group organizes anti-corruption training lessons for employees in addition to organizing induction training for employees, so the employees can understand the Group's code of conduct for employees and anti-corruption regulations to elevate their sense of anticorruption and self-discipline during work.

Whistle-Blowing Channel and Policy

The Group has established written systematized whistleblowing monitoring procedure, encouraging employees to report and file complaints relating to fraud and immorality which they discovered or were informed about. The whistleblower shall truthfully report the situation to the Administration Center. Upon receipt of the whistleblowing matter, the Administration Center will investigate the complaint. The Administration Center will keep the whistleblower's personal information confidential, strictly safeguard the whistleblowers and relevant witnesses in accordance with counter-retaliation mechanism, and will submit the case to the competent external agency for handling when necessary. The whistleblowing policy of the Group enables its employees to report, in confidence, about possible improprieties in the Group, allowing the Group to take proactive measures and appropriate actions, in a timely manner, to uphold its integrity and long-term sustainability. Nonetheless, employees of the Group are reminded that it is unethical to fabricate facts. Falsifying evidence or conducting false charge against any persons may result in possible legal actions and therefore such actions are discouraged.

COMMUNITY INVESTMENT

The Group insists on the philosophy of giving back to the society. Apart from the continual and robust operation of business development, the Group makes active efforts to demonstrate the service spirit of its core corporate values, integrates the ideas of community concern and participation, and continues to devote itself to all kinds of education, cultural and social welfare activities.

As of 31 December 2020, the Group has donated materials and donations valued RMB586,252 to the Yanbian Charity Federation and the Thousand Hands Charity Foundation, including donations to gerocomiums and bursaries to special education schools, so as to make contributions to the poor and under-privileged groups.

In the coming year, the Group will dedicate more resources in various educational, cultural and social welfare activities, actively participate in community activities to show the Group's concern for and give back to local society.

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ENVIRONMENTAL ASPECTS DATA

	FY2019	FY2020
Air pollution emissions		
Total air pollution emissions	1,120.42 kg	545.84 kg
Air pollution emission density	140.05 kg/vehicle	136.46 kg/vehicle
Total NO _x emission	1,022.41 kg	498.20 kg
Total SO _x emission	2.33 kg	0.87 kg
Total PM emission	95.68 kg	46.77 kg
GHG emission		
Total GHG emission	1,077.10 tonnes	728.35 tonnes
GHG emission density	1.61 tonnes/person	1.39 tonnes/person
Total CO ₂ emission	1,045.63 tonnes	719.76 tonnes
Total CH ₄ emission	0.38 tonnes	0.08 tonnes
Total N ₂ O emission	31.09 tonnes	8.51 tonnes
Non-hazardous wastes		
Total waste paper disposal	2,100 kg	—
Waste paper disposal density	3 kg/person	—
Electric energy consumption		
Total electric energy consumption	940.54 MWh	844.14 MWh
Electric energy consumption density	1.41 MWh/person	1.61 MWh/person
Water resource consumption		
Total water resource consumption	7,902 m ³	6,931 m³
Water resource consumption density	11.81 m ³ /person	13.25 m³/person

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SOCIAL ASPECTS DATA

	FY2019	FY2020
Number of Employees		
Total employees	669	523
Employees by gender		
Male	242	204
Female	427	319
Employees by age		
Under 18	—	—
18–25	82	63
26–35	271	227
36–45	225	162
46–55	77	56
Over 56	14	15
Employees by position		
Frontline staff	615	471
Mid level management	39	35
Senior management	15	17
Employees by working year		
Less than 1 year	202	99
1–3 years	251	225
3–5 years	99	83
5–10 years	69	72
Over 10 years	48	44
Staff turnover rate		
Averaged turnover rate per month	5.20%	4.12%
Development and training		
Total training hours	2,479 hours	2,263 hours
Averaged training hours per trainee	4 hours	21 hours
Community investment		
Goods donation	—	RMB586,252

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ESG REPORTING GUIDE & REFERENCE

A. Environmental		Reference in this report
A1. Emissions		Page
Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		6–8
KPI A1.1	The types of emissions and respective emission data	19
KPI A1.2	Greenhouse gas emission in total (in tonnes) and intensity (e.g per unit of production volume, per facility).	7
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity (e.g per unit of production volume, per facility).	N/A
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity (e.g per unit of production volume, per facility).	7
KPI A1.5	Description of measures to mitigate emissions and results achieved.	6–8
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7–8
A2. Use of Resources		Page
Policies on the efficient use of resources, including energy, water and other raw materials.		8–9
KPI 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).	8
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	9
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	8–9
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	9
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	9
A3. The Environment and Natural Resources		Page
Policies on minimizing the issuer's significant impact on the environment and natural resources.		6–10
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6–10

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B. Social		Reference in this Report
B1. Employment		Page
Information of policies and compliance with laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		12–13
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	20
KPI B1.2	Employment turnover rate by gender, age group and geographical region.	20
B2. Health and Safety		Page
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		14
KPI B2.1	Number and rate of work-related fatalities.	14
KPI B2.2	Lost days due to work injury.	14
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	14
B3. Development and Training		Page
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		14
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	15
KPI B3.2	The average training hours completed per employee by gender and employee category.	15
B4. Labour Standard		Page
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		15
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	15
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	15

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B5. Supply Chain Management		Page
	Policies on managing environmental and social risks of the supply chain.	15
KPI B5.1	Number of suppliers by geographical region.	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	15
B6. Product Responsibility		Page
	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	16
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	16
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	16
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	17
B7. Anti-Corruption		Page
	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	17–18
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	17
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	17–18
B8. Community Investment		Page
	Policies on community engagement to understand the communities' needs where it operates and to ensure its activities take into consideration the communities' interests.	18
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	18
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	18