

# La Chapelle

Shanghai La Chapelle Fashion Co., Ltd.

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

(Stock Code: 06116)







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# 1 Message from Senior Management

As the founder of La Chapelle, I am very much honoured to witness the entire development course of the Company since its inception, and deeply understand the factors that have truly contributed to today's success. Therefore, at the beginning of the first Environmental, Social and Governance ("ESG") report, I would like to take this opportunity, on behalf of the Board and the management of La Chapelle, to express our heartfelt thanks to investors, customers, suppliers and others who have always rendered care and support for the development of the Company. Your understanding, support and cooperation are critical to our development. At the same time, I would also like to extend our thanks to our dedicated employees. All of you are indispensable to the sound operation of the Company and are the valuable assets of the Company. The achievements of La Chapelle today are based on the joint efforts of all of you. This social responsibility report is not merely a summary of the Group's ESG work in the past year, but more of an embodiment of everyone's contribution to the fulfilment of environmental and social responsibilities.

When it comes to social responsibilities, a word that has been very popular in recent years comes to my mind. It is "happiness". This word has been frequently mentioned in various news coverage and reports. From this word, we can understand that, in an era when economy develops steadily and material conditions of life improve continuously, people have not only pursued material satisfaction but also shifted more attention to the happiness in the living and working environments. Therefore, in the pursuit of larger scale and better performance, La Chapelle has been thinking about what we can do to make employees, communities and even the whole society happier. The Group has also continuously drawn on experience from years of practice in fulfilling social and environmental responsibilities, and gradually discovered a sustainable development approach that is unique to La Chapelle.

Our core values are putting corporate interests first, making decisions based on data, happiness and environmental protection. To put corporate interests first is to put the Group's long-term interests, i.e. "sustainable development", in the first place. To make decisions based on data is to take a down-to-earth and pragmatic approach and to take concrete actions to fulfil the responsibilities of a corporate citizen. Happiness means we should make our employees happy by providing better work environment and opportunities for promotion; moreover, we should make our customers happy by providing safe and healthy products and considerate services. Environmental protection means that we should show our respect for nature during daily business operations and focus on environmental protection practices.

We understand that the natural environment is not merely a carrier of human being's survival and development, but more importantly, a foundation for the sustainable development of enterprises. Therefore, we have been attaching importance to education and publicity of environmental protection, promoting and implementing the idea of a green environment, and encouraging and asking employees to save water, electricity, paper and other resources in life and at work. We advocate the recycling and use of eco-friendly materials when opening new stores and constructing new office buildings. We also attach importance to suppliers' performance in environmental protection and make the fulfilment of environmental responsibilities an important criterion when assessing upstream suppliers. La Chapelle has been constantly practicing stricter requirements on environmental protection to minimize the impact on the environment.

During business operations, we pay special attention to social responsibilities, to enhance satisfaction of suppliers and customers and happiness of employees. We strive to provide customers with better and more fashionable products. We value the communication with suppliers for the achievement of win-win cooperation. We also keep in mind the hard work of our employees and put emphasis on their welfare and development to enhance their sense of belonging and happiness. Meanwhile, we strongly oppose improper business conduct. We improve the system, strengthen education and strictly crack down on improper conduct to protect the interests of the Company and employees and maintain the stability of the market and the economy. We take cooperation and common development seriously. Knowing that our power is limited, we work with our employees, partners and other stakeholders to contribute more to the improvement of the well-being of the whole society.

In the 13th Five-Year Plan initiated in 2016, the CPC Central Committee clearly put forward a series of requirements that corporate citizens can put into active practice, including "faster improvement of the ecosystem and the environment" and "enhancement of people's livelihood". We firmly believe that with the support of shareholders and people from all walks of life, La Chapelle will keep pace with the time to establish the system, plan and solution that are in line with our actual situation under the guidance of the national policy, to better fulfil our social and environmental responsibilities. We will continue to deepen the sustainable development concept in practice and strive to improve the well-being of employees, community and the whole society, moving ahead towards the corporate mission of "creating a better life".

**Xing Jiaxing**  
Chairman





As at the end of the reporting period, there were 8,907 retail points on the Group's retail network in 31 provinces, autonomous regions and municipalities across the country (counting one retail point per UlifeStyle multi-brand store), covering 2,709 department stores and shopping centres.



## 2 About This Report

### Basis of Preparation

This report is prepared in accordance with Appendix 27 *Environmental, Social and Governance Reporting Guide* to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The reporting period is from 1 January 2016 to 31 December 2016. Part of the content is a brief review of previous related activities. This report will be published on the website of the Hong Kong Stock Exchange and on the Group’s official website.

### The Group’s Businesses

Shanghai La Chapelle Fashion Co., Ltd. (the “Company”) was incorporated in the People’s Republic of China on 23 May 2011 converting from its predecessor, Shanghai Xuhui La Chapelle Fashion Limited that was founded in 1998. The H shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since 9 October 2014. The company and its subsidiaries (the “Group”) are a fast-growing multi-brand fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market ladies’ casual wear.

The Group sells apparel products directly to retail customers through both physical retail points and online platforms, 100% of which are directly controlled and operated by the Group (save for those retail points under the brands invested by the Group). During the reporting period, the Group recorded revenue of RMB10.233 billion, representing a 12.5% YoY increase. As at the end of the reporting period, there were 8,907 retail points on the Group’s retail network in 31 provinces, autonomous regions and municipalities across the country (counting one retail point per UlifeStyle multi-brand store), covering 2,709 department stores and shopping centres.

During the reporting period, the Group remained steadfast in the implementation of the multi-brand strategy in line with the industry trend and enriched the existing brand portfolio and categories through external investment. As at the end of the reporting period, the Group owned ten proprietary brands, namely La Chapelle, Puella, 7m, La Babité, Candie’s, JACK WALK, Pote, MARC ECKÖ, UlifeStyle and La Chapelle Kids.

The Group launched two proprietary brands in 2012, being 7m and La Babité. After years of incubation and nurturing, the sales under both ladies’ fashion brands have enjoyed a rapid growth, becoming the engine of the Group’s growth in scale. During the reporting period, the sales of 7m increased by 20% year on year and the sales of La Babité grew by 35.4% year on year.

Upon this foundation, through external investment or equity participation, the Group introduced various new fashion brands (including O.T.R, OTHERMIX, Siastella, tanni, Maria Luisa, NN, Mum Meet Me, Kin, GARTINE), covering categories such as mass leisure, designer-brands, high-end men and women’s wear and parent-child clothing. During the reporting period, the Group invested in TNPI HK Co., Limited which is the holder of the franchise right to operate and manage Segafredo branded cafés in South Korea, PRC and Hong Kong. By introducing the concept of “brand lifestyle shop”, the Group took the first step in building the “La Lifestyle”. In addition, the Group signed an investment agreement with Shanghai Bercent Industrial Co., Ltd., an e-commerce company specialising in men’s wear.

In 2017, the Group will continue to increase external investment and introduce new brands and new categories in order to better satisfy the consumer demand and provide better service.

### Publication Interval

This report is published annually. The Group issued the *Environmental, Social and Governance Report* for 2016 for the first time. The next *Environmental, Social and Governance Report* (2017) is expected to be released in March 2018.

### Reporting Scope

The scope of this report comprises the Group’s head office in the PRC, back office support and all physical retail points in the country.

### Sources of Data

The data for this report has been derived from internal documents and related statistics of the Shanghai La Chapelle Fashion Co., Ltd. and its subsidiaries.

### Representations

For the convenience of expression, “Shanghai La Chapelle Fashion Co., Ltd.” is also referred to as “La Chapelle”, “the Group” or “we” in this report.

## 3 Summary of Environmental, Social and Governance Aspects

### 3.1 The Group's ESG Strategies

The Group always regards corporate social responsibility as its own obligation as well as a sublimation and extension of its corporate value. We will stand on solid ground with people first. On the one hand, we adhere to employment equality, focus on training and development, and put emphasis on employees' welfare. On the other hand, we firmly oppose improper business operations, and work with stakeholders to maintain the fair trade principle through publicity and education as well as punishment. Ensuring the health and safety of customers and employees in business operations is the basic responsibility of companies and also one of the foundations of sustainable development. Our stringent supply chain management system not only ensures that the Group's products comply with quality, environmental protection, fashion and other standards but also focuses on the communication with suppliers to strengthen sustainable development hand in hand.

The fulfilment of environmental responsibilities demonstrates a corporate citizen's accountability to the society. The Group always discourages excessive use of resources and advocates saving water, electricity and other resources, and even encourages reduction in the use of packaging made of eco-friendly materials, realizing the idea of environmental protection in all aspects of architectural design and daily operation.

The Group continuously deepens sustainable development from the inside and takes initiative to integrate environmental and social responsibilities into its internal management system. Externally, the Group aims at achieving environmental friendliness and social harmony by striking a balance among corporate development, environmental protection and social benefits. In addition, the Group hopes to cultivate the sustainable competitiveness of corporate brands by voluntarily undertaking environmental and social responsibilities.

### 3.2 The Group's ESG Structure

The Group has set up an ESG report working committee that is led by senior management with the participation of middle management. This working committee is comprised of representatives from departments in relation to the Group's daily administration, including the office of the board of directors, Ladies' Wear Business Unit, Logistics Department, Store Decoration Engineering Department, Quality and Process Department, Administration Department, Supplier Management Department, Legal Department, and Supervision Department. The working committee is responsible for circulating and communicating the Group's ESG strategies, specific initiatives and feedback. It is the key driving force of our sustainable development.







## 3 Summary of Environmental, Social and Governance Aspects

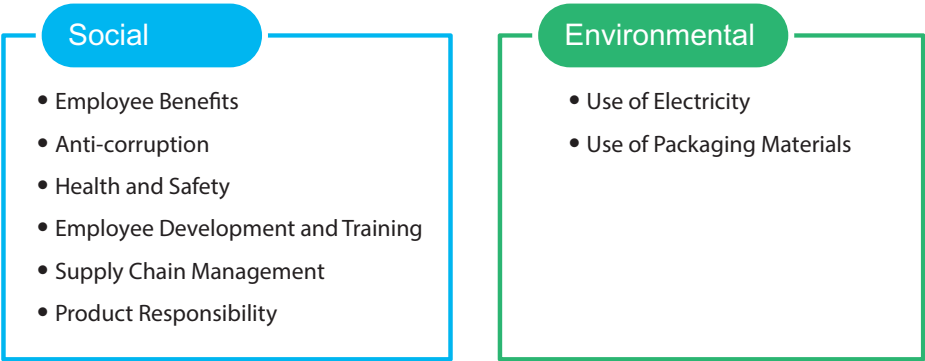
### 3.3 Stakeholders' Participation and Assessment of Significance

The Group's ESG stakeholders include internal stakeholders and external stakeholders. The key stakeholders include employees, suppliers, customers, shareholders and investors, the government and the communities in which the Group operates. Since 2016 is the first year for which the Group prepares an ESG report, the assessment of significance in this report was mainly conducted by the management team in the form of interview and questionnaire. In the next year and beyond, we will continue to focus on stakeholders, review and update the assessment of significance to ensure that the report reflects the Group's latest progress in sustainable development.

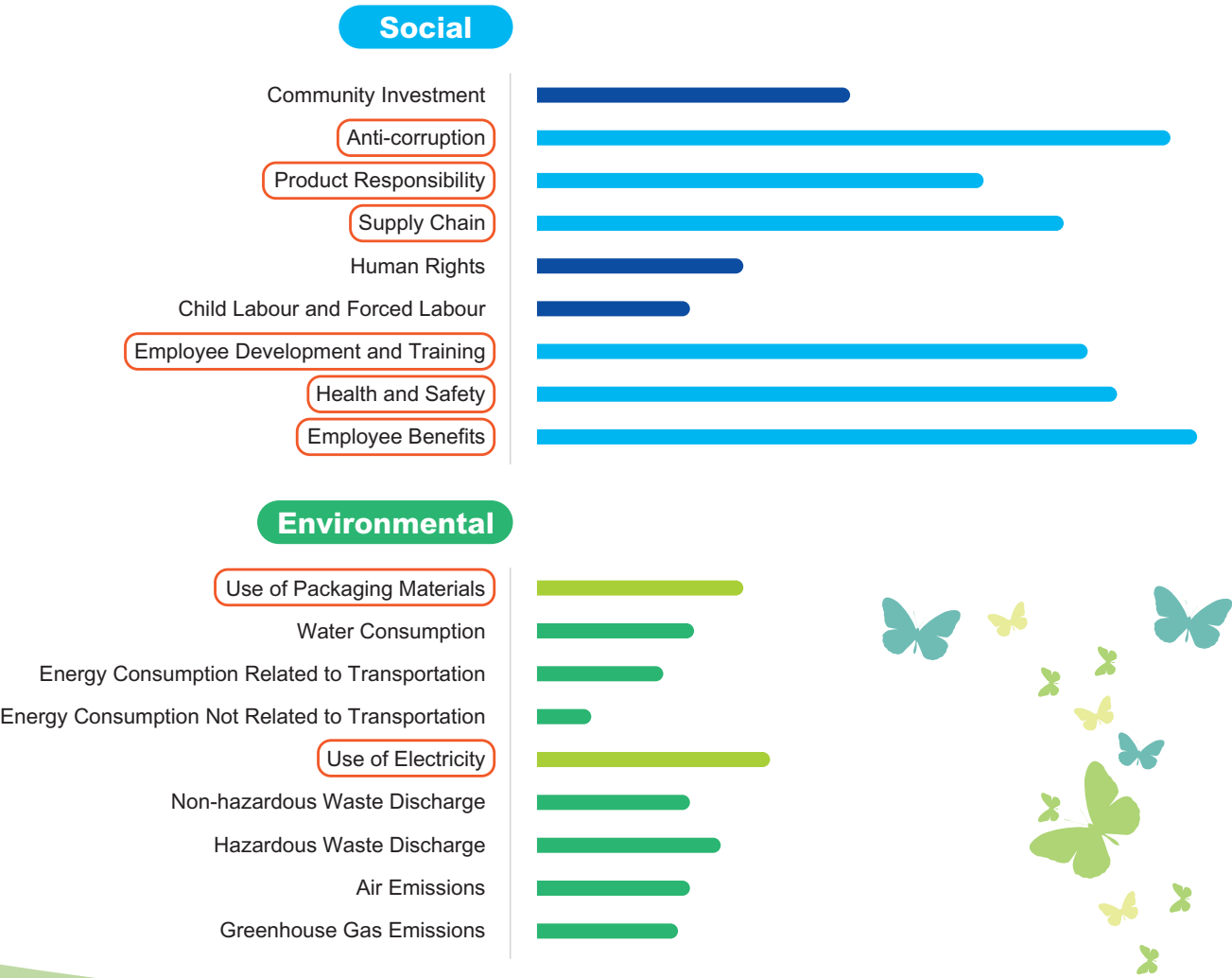
Based on the stakeholders and assessment of significance, we have identified the aspects that pose a significant impact on the Group's sustainable development as follows. These aspects have been listed as the key areas of the Group's sustainable development.



3 Summary of Environmental, Social and Governance Aspects



Summary of Significance — Significance Identified in Interviews



## 4 Employment and Labour Standards

Happiness is one of the Group's core values. We provide employees with a comfortable working environment and convenient working conditions, so that they would feel good at work and could focus on their work on a happy note. With a good cultural atmosphere, all employees would feel that they are trusted, valued and respected. They would feel happy for what they do and pass this happiness to each customer.

### 4.1 Employment

The Group and its subsidiaries strictly enforce the regulations on social insurance and housing provident fund in accordance with the Labour Law, Labour Contract Law, Social Insurance Law and other relevant national laws and regulations to protect employees' legitimate interests. The compensation and benefits of the Group's employees are determined based on market conditions and individual responsibilities and performance. The partnership program implemented in stores enables store assistants at a lower level to earn a higher salary. The Group promotes fair competition and does not discriminate against any employee by sex, age, marital status, religion, race, nationality and physical condition.

We strive to make the principle of equal opportunity applicable to all aspects of employment, especially in recruitment, training, career development and promotion. During the reporting period, the Group ensured that it was in compliance with all relevant labour laws and regulations, including the laws on minimum wages and anti-discrimination, and made adequate contribution to social insurance for all employees.

The Group prohibits the employment of child labour and forced labour. The human resources department has developed relevant work regulations and conducts rigorous scrutiny in the recruitment process to avoid employing child labour inadvertently. During the reporting period, there were no incidents of child labour and forced labour, or any related discrimination and harassment.

We attach great importance to employees' satisfaction and encourage them to provide feedback. To ensure that all employees and their demands are fairly treated, we provide employees with proper feedback channels and organize the activity of "face to face with your boss" on an ad hoc basis to allow employees to express their dissatisfaction and give suggestions.

### 4.2 Health and Safety

At the 2016 National Sanitation and Health Conference, General Secretary Xi Jinping emphasized that "no health for all Chinese citizens, no well-off society for the whole country". Health is about life dignity and living quality. The incorporation of health into all policies not only represents the consensus among the international community but also the choice made by all sectors of the society in the face of numerous health challenges. As a member of the society, La Chapelle understands the importance of the health and safety of customers and employees to its future; therefore, we ensure that business interests will not be placed above people's health and safety. On the one hand, we strictly ensure that our products meet safety, sanitation and health standards. On the other hand, we focus on occupational health based on the actual situation and conduct safety protection to safeguard employees' health.

We believe that all employees are our valuable assets. We advocate "happiness from the six senses" in the Group, which means we shall try to improve employees' senses of health, respect, caring, growth, sharing and social responsibility.

As health and safety are the basic guarantees for employees to work hard and enjoy life, we attach great importance to our employees' health and safety at work, regularly conveying the knowledge about health and safety and providing them with a healthy and safe working environment.

To achieve this goal better, the Group has developed safety guidelines and passed them on to all employees. We have organized various forms of education and training on health and safety and other related activities to enhance employees' awareness in this regard. We also provide regular physical examinations to employees and establish examination database to prevent and control diseases. The Group conducts safety checks on the facilities of physical retail points on a regular basis to ensure compliance with laws and regulations. During the reporting period, there were no significant safety incidents in the Group.





## 4 Employment and Labour Standards

We are fully aware of the importance of exercise to the physical and mental health of employees. Therefore, we organize sports activities from time to time and encourage active participation to enhance employees' physical fitness and strengthen collaboration. For example, we sent a team of employee representatives to participate in the Caohejing Street Badminton Competition in Xuhui District, Shanghai, and received a positive response from employees.

For La Chapelle, besides employees' health and safety, it is also our responsibility to ensure the health and safety of customers and shopping environment. For the decoration of new stores, we pay great attention to the quality of construction materials and avoid over decoration to minimize decoration pollution. At the same time, we strive to rationalize in-store display to prevent tripping or bruising customers. Moreover, we strictly abide by relevant safety regulations of the shopping centres and marketplace where our stores locate, leaving no safety flaws.

### 4.3 Development and Training

The Group firmly believes that it is its responsibility to help each employee grow. The more profound meaning of putting people first is to provide employees with development potentials and broad development prospects. The fundamental cornerstone of a company's development is to let employees continuously feel happy and the sense of accomplishment through growth. Therefore, we regard staff's development and training as the top priority of the Group's management.

We encourage employees to learn continuously through on-the-job tutoring, exchanging positions, online training, borrowing books and CDs and site visits. The Group has established the La Chapelle School of Management, adhering to the aim of inheritance, development and effectiveness. This school opens up its resources to all employees and encourages them to become internal lecturers. This school provides courses for management trainees, regional leaders, heads of store and new employees.



La Chapelle participated in the 2016 Caohejing Street Badminton Competition

## 4 Employment and Labour Standards

Moreover, we encourage employees to obtain a higher degree in their spare time, conducting further studies in their professional fields. To encourage employees to take the initiative, the Group also provides funding for external training, which includes sponsoring senior management to take EMBA courses. During the reporting period, the Group's training at the level of headquarters and region is as follows:

### La Chapelle's National and Regional Training in 2016

No.	Trainee	Courses	No. of classroom training/ year	No. of in-store training/ year	Training hours/ year	Persons involved/ year
1	New employee	Introduction to the company and brands, corporate culture, basic techniques of service and sales, basic display knowledge and anti-corruption policy	576	312	5,589	11,624
2	Store assistant	Sales skills, clothing fabric knowledge, clothing match skills and motivation	856	663	6,572	29,136
3	Head of store, store manager, sales officer	Corporate organizational structure and corporate policies, the process of opening a new store, corporate core values and mentality, team building, data analysis, display skills, transfer and inventory specifications and leadership	436	298	5,820	8,780
4	Training helper (certified by gold lecturer for terminal sales)	Clothing match aesthetics, how to teach a new staff, how to organize a training course and the professional skill of product teaching	146	98	4,735	6,659
5	Management trainee	Corporate organizational structure and system, the process of opening a new store, corporate core values and mentality, team building, data analysis, display skills, transfer and inventory specifications	295	492	8,230	9,696
6	Special projects in areas managed by headquarters	Double Eleven, anti-corruption, RFID, sprint and oath-taking rally	406	100	2,048	50,000
<b>Aggregate</b>			<b>2,715 sessions</b>	<b>1,963 sessions</b>	<b>32,994 hours</b>	<b>115,895 persons</b>

## 4 Employment and Labour Standards

**Training Data of La Chapelle Group's Headquarter for 2016**

No.	Trainee	Courses	No. of classroom training/ year	No. of in-store training/ year	Training hours/ year	Persons involved/ year
1	New employee (functional departments)	Company introduction, brand introduction, company system, corporate culture and professional ethics regarding anti-corruption	12	—	88	376
2	New key position	Company introduction, brand introduction, corporate policies, corporate culture and professional ethics regarding anti-corruption; rotational training in key departments	34	6	680	34
3	Training program and open class	Top talent program: Seven Habits of Highly Effective People, Work with Collective Wisdom and Concerted Efforts, Project Management, Sandboxie Simulation; Brand program: Candies Sales Training, US SPA Program; Talent reserve program: general training camp for reserved talents; management trainee nurturing program	38	—	304	542
<b>Aggregate</b>			<b>84 sessions</b>	<b>6 sessions</b>	<b>1,072 hours</b>	<b>952 persons</b>



General training camp program for reserved talents in 2016



Training program for senior management team in 2016

While putting emphasis on the development of the existing employees, we also attach great importance to the introduction of high-level, highly-educated and high-caliber talents. Every year we bring in a number of outstanding graduates from universities. We rely on the Group's rich human and material resources to design a scientific and efficient management trainee program for them to help them understand our corporate culture in a shorter period of time, familiar themselves with the work to be undertaken by them and better grow

into a social person from a student. The hard work of the staff has contributed to the development of the Company, and the development of the Company has in turn provided employees with a broader platform. Over the years, classes of management trainees have gradually become reserve heads of store and even heads of store, regional directors, etc. through training and job rotation, continuously proving the success of the La Chapelle School of Management.

## 4 Employment and Labour Standards



Management trainee program in 2016

### 4.4 Anti-corruption

The enterprise is the main force boosting social and economic development. During the process of scale expansion and revenue growth, we have noticed that some employees' improper conduct has damaged the interests and reputation of the Company and violated the fair trade principle of social economy. Therefore, since 2015 the Company has gradually improved its anti-corruption system, strengthened publicity and education, and intensified punishment on improper conduct.

The Group abides by the relevant laws and regulations and has zero tolerance for corruption in business operations and procurement. We have set up a Supervision Department to prevent and eliminate corruption, protect the interests of the Company and individuals, guarantee the healthy development of the Company and promote the idea of "all-staff participation in anti-corruption". In over a year from the establishment of the department to the building of the team, by sticking to the policy of prevention first and combat second, the Supervision Department has carried out anti-corruption work that did not exist in La Chapelle before within aspects such as corruption prevention, anti-corruption investigation, investigation of severe discipline violations, supplier investigation, cost investigation and process improvement. After a year's efforts in implementing the anti-corruption system, the idea of "all-staff participation in anti-corruption" has taken root within the Group (employees) and outside of the Group (suppliers), with the awareness of anti-corruption deepened.

In terms of corruption prevention, the Group has formulated the *Anti-corruption Regulations*, the *Reward Policy for Raising Complaints and Reporting Corruption* and the *Gifts and Presenting Policy*. These policies mainly cover acts of corruption, serious violation of laws and regulations, reporting system, investigation system, management system, *Employee's Undertaking to Comply with the Anti-corruption Regulations*,

*Anti-commercial Bribery Agreement* (for development and non-development departments). To ensure that the complaint channel is not blocked, the Supervision Department has designated a direct complaint channel covering reporting hotline, e-mail, mailbox and WeChat platform. The Supervision Department has also designated staff responsible for receiving all the complaints, investigating and following up each complaint and giving feedback. During the reporting period, the Supervision Department participated in and organized 27 anti-corruption training sessions, with the total number of participants being nearly 110,000. To make employees take the anti-corruption work more seriously and achieve the goal of "all-staff participation in anti-corruption", the Company also includes corruption prevention in the key performance indicators of the management staff, associating confirmed corruption and serious violation cases with the annual appraisal indicators of the people involved as well as their direct and indirect managers.

In terms of anti-corruption publicity, the Company carries out anti-corruption publicity work, including *Risk Control Express*, *Investigation Notice*, *Industry News and Cases*, *Holiday Tips*, and *Violation of Laws and Regulations*, through multiple channels such as the office system, the Supervision Department's public e-mail and the WeChat account of Clean La Chapelle. By establishing a high-risk data analysis team, the Supervision Department identifies and verifies in time all kinds of acts that violate the Company's system or process in terms of operational indicators and data of financial receivables. According to the problems found in the investigation, the Supervision Department will further improve each process to reduce the number of occurrences.

In terms of combating corruption, during the reporting period, the Supervision Department dealt with various kinds of complaints received in a timely manner and investigated and handled them seriously.

The above anti-corruption measures will not only increase the economic benefits of the Company, but more importantly, will also enhance its social image, thereby facilitating the smooth operation and healthy development of the society and the economy.

We will adhere to the anti-corruption policy of "prevention first and combat second" in 2017, strengthening the corruption prevention system, enhancing efforts in promoting anti-corruption training and publicity and conducting training in regions to improve the regional anti-corruption awareness and capability; raising suppliers' awareness of anti-corruption and enhancing internal anti-corruption publicity to guarantee the Company's better and faster development.



## 5 Supply Chain Management

The Group has implemented a strict supply chain management system, and signed an anti-corruption cooperation agreement with each supplier. The open bidding process elaborates the requirements of anti-corruption and anti-bribery. Multiple reporting channels (the public reporting e-mail and hotline set up by the Audit Department) are available. This agreement is legally binding and will be used as an important annex to the procurement agreement.

While actively fulfilling our environmental and social responsibilities, we feel that it is important for us to push suppliers to improve their awareness of environmental protection and their sense of social responsibility. Therefore, when we assess suppliers, we clearly put forward supplier's responsibilities for the environment and society, setting these two aspects as important criteria for assessing suppliers. For example, in terms of environmental responsibilities, we will consider whether suppliers have the certificates of OHSAS18000 and ISO14000, whether they have water quality testing and environmental testing. In terms of social responsibilities, we will consider whether suppliers comply with the Occupational Disease Prevention Act and whether they test the toxic substances in the workplace.

The Group ensures that the raw materials do not contain any toxic and hazardous chemicals. We are committed to promoting recyclable and eco-friendly raw materials. We also require fabric and clothing suppliers to meet domestic and international environmental and safety standards. Fabric

and clothing suppliers shall assure their employees of social rights and interests, with a commitment to improve their environmental performance and social responsibilities. These domestic and international standards include ISO14001, OEKO-TEX, ISO9001 and the discharge standards and regulations of water pollutants for the textile dyeing and finishing industry (GB4287-92).

The Group believes that our relationship with suppliers should be about mutual support and common development. We work closely with our suppliers, and hold meetings regularly to promote two-way communication. Our Suppliers Management Department visits the production sites of suppliers regularly to check whether they have fulfilled their responsibilities of quality check and safety production. It also proactively offers help to facilitate suppliers' growth by liaising with banks to obtain loans or revitalizing funds according to the need of suppliers. In addition, in order to promote the long-term development of suppliers' capabilities, the Production Process Department of the Group would delegate part of its design functions to clothing suppliers or work hand in hand with them.

Our communication with suppliers is not limited to regular work meetings. For example, we organized treks with suppliers, getting together with them in spare time. Such a relaxed and happy activity has improved our relationship with suppliers and also deepened our understanding of them to facilitate the cooperation and development in the future.



La Chapelle's trek with suppliers

## 6 Product Responsibility

### Quality of Products

The Group is dedicated to providing customers with high-quality products.

To ensure product quality, starting from procurement, we prohibit purchasing products that contain toxic and hazardous substances to ensure that all the products sold at retail points meet the relevant national quality standards such as the *National General Safety Technical Code for Textile Products* (GB18401-2010) and the *Safety Technical Code for Infants and Children Textile Products* (GB31701-2015). All the products for sale have been issued with a certificate of qualification by a state-certified testing agency. Meanwhile, to enable traceability of products, the IT Department of the Group collaborated with our Suppliers Management Department, Production Process Department, Logistics Department and Commodities Department to introduce the electronic labelling technology after conducting a comprehensive study and making sufficient preparation during the reporting period. The new technology will be put into use in 2017. The electronic labels are based on RFID (Radio Frequency Identification) technology, which is a close proximity identification method. The technology can log the whole process from production, transportation to sale. To stores, this will increase the efficiency and accuracy of stocktaking significantly. To warehouses, transparency of inventory management will be enhanced. More importantly, this will provide a great assurance to customers.

### Quality of Services

The Group always emphasizes dedicated customer services.

We believe the selling skills and initiative of store assistants are the determinate factors of service quality. To enhance the selling skills of store assistants, we always employ a combination of centralized learning and on-the-job training. Apart from regular training at the La Chapelle School of Management, all store assistants are required to report duty half an hour earlier to practise how to explore customers' needs and provide matching suggestions under the lead of heads of store. Furthermore, to promote initiative of store assistants, we implement the "store partnership" system to guide them to actively look for room for improvement in respect of

product display, space arrangement, customer reception and product recommendation to enhance the whole experience of customers. We also engage professional agencies to deploy "secret customers" to monitor store operation and selling skills, conduct irregular examination and comprehensive analysis, and give timely feedback to stores and regional managers. These measures prove to be effective supervision and motivation for the continuous improvement of stores' service quality.

### Intellectual Property Rights

The Group attaches great importance to and protects its own intellectual property rights while respecting those of others, and complies with industry standards and specifications. We keep strengthening employees' awareness of intellectual property rights protection through related training. We cultivate innovative spirit and enhance the capability of independent design, research and development through technical training and scientific research.

### Customer Relationship Management

Customers are the foundation of the survival and development of a company. At retail points, we always put customers first, treat them sincerely, and cater to their needs.

To keep abreast of customer satisfaction and preferences, we emphasize proactive communication with customers to adjust marketing strategies in time and continue to improve the quality of products and services. During the reporting period, we conducted a customer satisfaction survey to understand the areas that we could improve and took actions.

At the same time, we are committed to protecting customer privacy and will never disclose customer information to any third party without their consent. For this purpose, we adopt strict management to ensure that unrelated employees cannot access private information. We regularly educate and train employees about the protection of customer privacy to let them understand the importance of privacy protection. We have strengthened cyber security for TMALL store, JD store and other online stores to protect customer information.



## 7 Environmental Protection

### Environmental Policy and Compliance Statement

"The Green Earth is the purpose of our life; La Chapelle supports the world's environmental protection." This is not a trendy slogan, but an idea that we have been adhering to for a long time. As environmental protection is one of our core values, we follow the relevant environmental laws and regulations such as the *Environmental Protection Law of the PRC* and *Energy Conservation Law of the PRC* in the places where we operate. We are committed to implementing the idea of green development, low-carbon development and recycling development in business operations through environmental management to achieve the mission of creating a better life.

Our main environmental protection concepts include:

- Use renewable materials to make packaging materials;
- Use energy-saving equipment in the place of business operations and offices;
- Encourage employees to save resources in their daily work;
- Integrate the idea of environmental protection into the design and production of clothing.

During the reporting period, the Group did not have any violation of environmental laws and regulations.

### Use of Electricity

The Group has 8,907 outlets and online sales channels including TMALL and JD stores, three logistics centres, and headquarters buildings in mainland China. They consume electricity all the time. Therefore, the reasonable and safe use of electricity is an important aspect of the Group's sustainable development.

The Group has integrated the idea of environmental protection into internal management, implementing in details. The *Code of Employee Conduct in the Office* stipulates that employees shall hibernate the computer at meal time or during breaks, close all doors and windows and turn off lights and power (sockets, monitors, water dispensers and air conditioners) when they leave, achieving "clearance of rubbish, passage and desk; turning off of electricity, closing of window, cutting off tap". The Group requires employees to strictly abide by the relevant state and local laws and regulations as well as the internal rules and regulations. The Administrative Department is responsible for inspection and supervision.

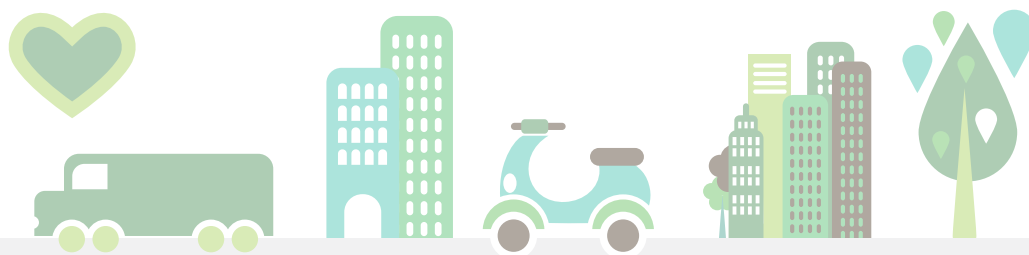
We have limited influence on the equipment and the way of consuming electricity in the business outlets located in department stores. For example, we cannot decide on the use of air conditioning in shopping malls, but we still try to improve energy efficiency and save electricity. Given that the electricity consumed by lighting accounts for a large proportion of the total amount of electricity used and features strong operability, we propose to install LED lamps in the design of new outlets and in the renovation of existing outlets and to reduce the lighting power supply during the off-peak period.

The Group has been gradually using LED lamps since 2015 in the design of new stores and in the decoration of old stores. As of the end of the reporting period, the percentage of stores using LED lamps accounted for 66% of the total. Upgrading to the LED lamp of 20 to 40 watts from the metal halide lamp of 70 watts also saves electricity consumption by 30% to 40% annually.

### Packaging Materials

Whether it is online sales or terminal retail, to ensure that our products are in a good condition when delivered to customers, we give our products a very good packaging. Therefore, the consumption of packaging materials keeps increasing along with the growth in the size of the Group, which is a key area of concern for our sustainable development.

The Group's packaging materials are mainly used in logistics and retail.



## 7 Environmental Protection

In the logistics sector, the manufacturer makes delivery to the Group's warehouses and logistics centres. Packing is completed by the manufacturer and the logistics centre is responsible for delivering to retail points. Although we have limited control over the packaging materials, we advocate to save packaging materials as much as possible and avoid excessive packaging under the premise of effective protection of goods. At the current stage, the Group will focus more on the use of the packaging materials that can be effectively managed, such as the materials used during the goods transfer between stores and in the process of sending the out-of-season clothing back to warehouses. We basically used one-time cartons to pack in the past. Chengdu Logistics Centre once carried out the pilot scheme of reusing the recycled cartons in 2016. In 2017, we will continue to conduct the pilot work in some areas, including the use of more wear-resistant containers to reduce the consumption of packaging materials from the Group's internal goods turnover.

In the retail sector, we gain experience from store and online sales, employing different strategies of packaging materials saving according to the characteristics of different sales modes. For online sales, the main packaging materials used are plastic bags. The Group used to use environmentally friendly PP (polypropylene) plastic bags. We have changed to use a more eco-friendly PE (polyethylene) material for the packaging of our new products since October 2015. This non-toxic plastic can be used and processed as a raw material, posing smaller impact on the environment. For store sales, the major packaging material is paper shopping bags. The paper shopping bags provided by the Group are made of eco-friendly recyclable raw materials (secondary paper), with a recycling symbol printed to remind consumers to reuse or recycle after shopping. We purchase packaging bags in a centralized way and distribute them to stores to ensure the controllability and traceability of the process. At the same time, we carefully design the packaging and adjust the size of shopping bags to reduce

the use of resources without affecting practicability. We strictly prohibit waste of resources, requiring employees to save the use of shopping bags by giving customers shopping bags according to the actual product size and customer needs. We also promote the idea of saving and recycling resources to customers.

### Logistics Centres

The Group has three logistics centres in Taicang, Tianjin and Chengdu. The Taicang, Tianjin and Chengdu warehouses are responsible for the stores in east and south China, north and north-east China, and south-west China respectively. This layout significantly reduces the transportation distance during seasonal change and avoid the waste of resources due to tortuous routes.

When designing the main warehouse buildings, we added glass curtain walls of 80 cm wide every 4 metres on four sides and installed skylights on the roof to make better use of natural lighting.





## 7 Environmental Protection



The main building of Taicang warehouse

We also make good use of the spare land surrounding the main building by reasonably setting out the green areas for plantation promotion. For example, we designated 50,000 square metres of land as green areas at the Taicang warehouse to create a garden-like logistics centre.



Plantation surrounding the main warehouse building



Interior landscape of Taicang logistics centre

## 7 Environmental Protection

### Environmental Protection Around Us

We strive to promote the idea and practice of environmental protection at headquarters, subsidiaries and retail points.

In headquarters offices and the offices of subsidiaries, we require employees to try their best to do the office work in a paperless way and to do double-sided printing if printing is required. Room temperature needs to be monitored, not too high in winter nor too low in summer. Empty rooms must have all appliances turned off. We encourage employees to save water and electricity as much as possible. Employees should take the stairs and reduce using elevators. To protect the environment more effectively, we prohibit employees from using disposable tableware and from eating the animals and plants protected by the State.

The Group regularly organizes relevant training to convey the importance and pass on the relevant knowledge of environmental protection to employees. We also remind our staff to pay attention to environmental protection through posters. The signs of environmental protection, such as Keep Clean, Environmental Protection and No Smoking, can be seen everywhere in the office. The signs of resources saving, such as Double-sided Printing, Do Not Open the Window while AC is on and Saving Water can also be seen everywhere in the office.

The Group conducts various forms of environmental protection activities, organizing tree planting in spring and regularly carrying out the Green DIY activity which requires employees to make a small green plant by themselves for the office environment. These activities not only enrich employees' lives out of work, promote the exchange and collaboration between employees, but also deepen the awareness of environmental protection and improve the office environment.



Employees' Green DIY activity

## 7 Environmental Protection

We fully integrate the energy-saving concept into the design of new retail points. For example, water-based paint is used for the interior decoration of stores to reduce the emission of hazardous and waste gas to improve indoor air quality and ensure employees' health and safety. At the same time, the fixed assets of the stores closed down, such as shelves, lights, hardware and booths, will be reused in the nearest warehouses, outlets or new stores to reduce waste.

### Green Buildings under Construction

The Group's new headquarters building will be operational in the near future, including new offices and logistics centres. The design of this headquarters building is based on the idea of environmental protection, targeting to obtain the certification of green building. We hope that the new headquarters building will not only provide our employees with a safe and healthy working environment so that they can work peacefully and happily, but also be certified as an eco-friendly demonstration building.

The Group is located in a high-end clothing production base under construction in Xiangyang Industrial Zone at Wujing Town, Minhang District, Shanghai. This base aims at building a high-quality, open and creative industrial park which seamlessly connects with the urban landscape. The design reflects the vision of a healthy, creative and new-style industrial park. The inspiration of design comes from silk folds and common clothes buttons, with a design of dynamic wavy lines running through the whole base as well as inside and outside the building. The landscape fully integrates the corporate culture into the building inside and outside, trying to create a Chinese brand image boasting production, brand structure and employee health. This project fully implements the policy of energy saving and environmental protection in terms of energy efficiency, water-use efficiency, indoor air quality, heating and ventilation, waste disposal, water supply and drainage, etc. Moreover, this project will have a large number of roof planting in pursuit of environment improvement, energy saving and low carbon footprint.



Rendering of the high-end clothing production base under construction

## 7 Environmental Protection

### Heating and Ventilation

- Ensure that the location and height of air inlets and outlets are appropriate
- Kitchen range hood has a hydro-vent system, exhausting smoke after it being atomized
- Use eco-friendly refrigerants, such as R410A, R407c and R134a

### Electricity

- Use energy-saving lamps
- Use an energy-saving, eco-friendly, low-wastage and low-noise transformers
- The power distribution station and transformer substation are located near the load center to reduce line losses

### Construction

- Put rubbish in bags and clean containers regularly
- Use the low-noise equipment to eliminate noise and use vibration isolation to control noise
- Aluminum alloy windows are equipped with insulation strips to reduce the loss of cold and hot air

### Water Supply and Drainage

- Use drainage pipes that facilitate noise reduction
- Remove the oil in the sewage and then discharge after it reaches the standard
- Take water pollution control measures for all tanks

Environmental protection and health measures adopted by the green building



## 8 Community Investment

The Group's management knows that only by consciously bearing social responsibilities in the development of the Company can we achieve a win-win result of economic and social benefits. Therefore, as a responsible large enterprise, by actively cooperating with China Disabled Persons Federation (CDPF), Shanghai CDPF and Charity Foundation, the Group is actively engaged in various public welfare undertakings and has made use of its own industrial advantages to donate clothes to disabled people in 20 provinces, autonomous

regions or municipalities, such as Jiangxi, Heilongjiang, Shanxi and Gansu, with a total donation of more than one million pieces. The clothing donation project of La Chapelle Charity Project — (love and warmth) which is in cooperation with the China Foundation for Disabled Persons (CFDP) was selected again after 2015 to be included in the 2016 China Poverty Alleviation and Development Yearbook edited by the State Council's Leading Group Office of Poverty Alleviation and Development.

Recipient	Date	Pieces
China Foundation for Disabled Persons	April 2016	162,191
China Foundation for Disabled Persons	May 2016	148,313
Shanghai Foundation for Disabled Persons	May 2016	81,994
China Foundation for Disabled Persons	June 2016	537,432
Shanghai Foundation for Disabled Persons	June 2016	88,849
Shanghai Charity Foundation	June 2016	4,234
Strategic CSR Network Limited	July 2016	30
<b>Total</b>		<b>1,023,043</b>

The fulfilment of social responsibilities is not only donations of money and materials, nor is only at the enterprise level. The Group also encourages employees to actively participate in various public welfare activities, such as blood donation, Warm Winter Action — La Chapelle's Trip to the Mountainous Area, La Chapelle's Trip to Chongqing. In addition, the Group also invited suppliers' representatives to participate in the public welfare activities.

In La Chapelle's public welfare trip to Chongqing, each employee spent money and made efforts, raising funds to buy supplies for poor families. La Chapelle's support team went to Chongqing's Lujing town to give supplies to 15 poor students' families and communicate with their parents to know the actual difficulties of each family, encouraging them to be optimistic while giving them some support.

The Group has also been encouraging employees to donate blood. We take blood donation as a good opportunity to make contribution to the society. The blood donation shows infinite love. Every drop of blood carrying the love from La Chapelle's employees is donated to patients we have never met before, making new contribution to the vitality of life.

These volunteer activities have improved employees' awareness of public welfare, better connected with suppliers and also made contribution to the community where we operate. In the future, the Group will continue to fulfil its social responsibilities and further improve its community work.



La Chapelle's public welfare trip to Chongqing



Employees who donated blood

## 9 Reference List for General ESG Disclosure

ESG Indicator	Key Performance	Description	Page	Section	Notes
<b>Environmental</b>					
A1	Emissions	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.	24	7	(1)
A2	Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	17		(2)
A3	Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	17		(3)
<b>Social</b>					
B1	Employment	Policies; and compliance with relevant 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.	10	4.1	
B2	Health and Safety	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.	10	4.2	
B3	Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	11	4.3	
B4	Labour Standards	Policies; and compliance with relevant laws and regulations relating to preventing child and forced labour.	10	4.1	
B5	Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	15	5	
B6	Product Responsibility	Policies; and compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	16	6	
B7	Anti-corruption	Policies; and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	14	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.	23	8	

- (1) For emissions, as the Group's operations do not involve heavy industrial production or use fossil fuels directly, and do not possess a logistics fleet, air emissions are relatively insignificant to the Group. Although the Group's operations involve greenhouse gas emissions, greenhouse gas emissions are insignificant to the Group at the moment based on the reasons mentioned above. Meanwhile, the Group will also pay further attention to any change in significance of emissions.

In addition, since the use of electricity is the primary factor of greenhouse gas emissions of the Group, we will continue to further monitor the situation and take practicable measures to reduce the use of electricity to lower greenhouse gas emissions resulting from the use of electricity.

- (2) The Group's primary use of resources relates to the use of electricity and packaging materials, and we have made detailed explanation above.
- (3) The environmental aspects on which the Group has a significant impact mainly relate to A1 (Emissions) and A2 (Use of Resources). As such, all significant factors have been included in the report.