

361°

361 DEGREES INTERNATIONAL LIMITED
STOCK CODE: 1361



2017

Environmental, Social and
Governance Report



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

Being one of the prominent brands in the sportswear industry in the People's Republic of China (the "PRC"), 361 Degrees International Limited (the "Company") and its subsidiaries (collectively, the "Group") stringently adhere to their environmental and social responsibilities.

The Group has developed its sustainability strategy with aims to create sustainable values to its stakeholders and bring positive impact to the environment and society. In order to carry out the sustainability strategy from top to bottom, the Board of Directors (the "Board") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("ESG") policies. The Board has built dedicated teams to manage ESG issues within each business division in the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant ESG policies. The Group is also committed to constantly reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of its management approach in environmental and social aspects can be found in the different sections of this ESG Report. The Group believes that sustainability is essential to the long-term development of the Group.

Upholding the core value of "One Extra Degree of Passion" (多一度熱愛) and keeping being one of the China's most renowned brands in the sportswear industry, the Group is committed to making continuous improvements in environmental and social responsibilities in order to meet the changing needs of an advancing society.

The Group is pleased to present this ESG Report as a means to demonstrate the Group's approach and performance in terms of sustainable development for the year ended 31 December 2017. This ESG report is prepared in compliance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited's website.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG Report covers the environmental and social performance within the operational boundaries of the Group that include the data and activities of the Group's head offices in Hong Kong and China, manufacturing facilities in Fujian province and overseas sales offices. The reporting period of this ESG Report is the financial year from 1 January 2017 to 31 December 2017 ("FY2017"), unless specifically stated otherwise. This ESG Report will be issued on an annual basis.

III. INFORMATION DISCLOSURE

The information in this report was gathered from the official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by the subsidiaries of the Group. A complete content index is available at the end of the report for readers' convenience to check efficiently. This report is prepared in both Chinese and English and has been uploaded to the Group's website at www.361sport.com.

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IV. STAKEHOLDER ENGAGEMENT

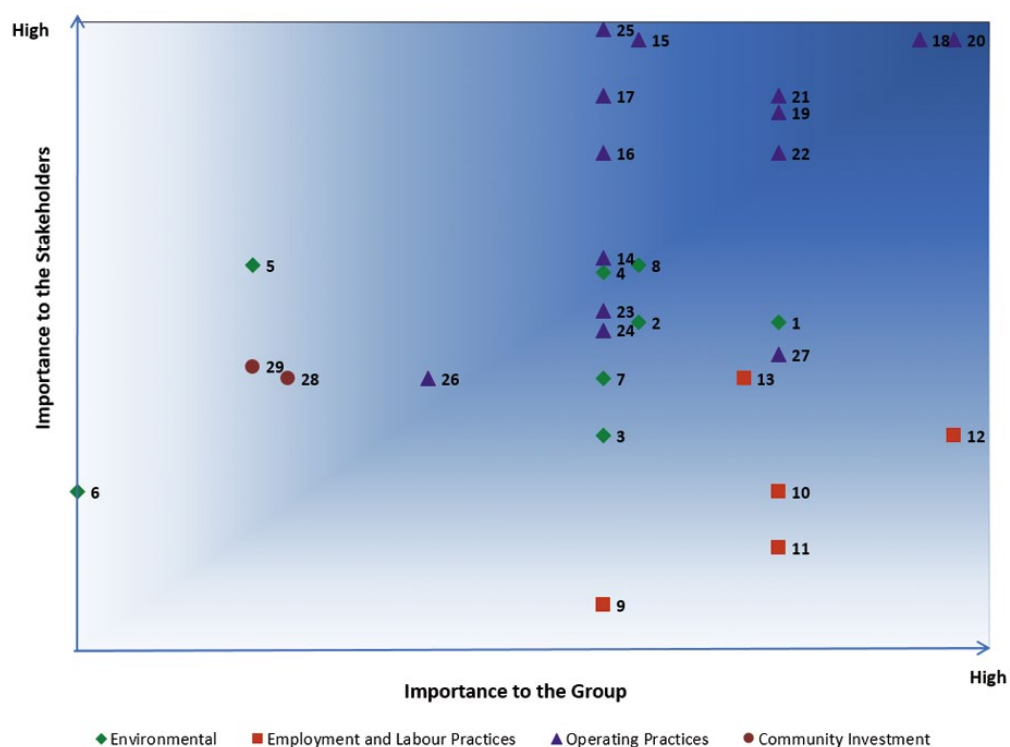
With the goal to strengthen the sustainability approach and performance, the Group has put tremendous effort to listening to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders in order to maintain a high standard of sustainability within the group while also building a trustful and supporting relationship with them. The Group connects with its stakeholders through their preferred communication channels as listed in the table below.

Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	<ul style="list-style-type: none"> — Compliance with laws and regulations — Support economic development 	<ul style="list-style-type: none"> — Supervision on complying with local laws and regulations — Routing reports and taxes paid
Shareholders	<ul style="list-style-type: none"> — Return on investments — Corporate governance — Business compliance 	<ul style="list-style-type: none"> — Regular reports and announcements — Regular general meetings — Official website
Employees	<ul style="list-style-type: none"> — Employees' compensation and benefits — Career development — Health and safety working environment 	<ul style="list-style-type: none"> — Performance reviews — Regular meetings and trainings — Emails, notice boards, hotline, caring activities with management
Customers	<ul style="list-style-type: none"> — High quality products and services — Protect the rights of customers 	<ul style="list-style-type: none"> — Customer satisfaction survey — Face-to-face meetings and on-site visits — Customer service hotline and email
Suppliers	<ul style="list-style-type: none"> — Fair and open procurement — Win-win cooperation 	<ul style="list-style-type: none"> — Suppliers' satisfactory assessment — Face-to-face meetings and on-site visits — Industry seminars
General public	<ul style="list-style-type: none"> — Involvement in communities — Business compliance — Environmental protection awareness 	<ul style="list-style-type: none"> — Media conferences and responses to enquiries — Public welfare activities — Face-to-face interviews

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Materiality Assessment

The Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG Report. In FY2017, the Group engaged its stakeholders to conduct a materiality assessment survey. Specifically, both internal and external stakeholders were compared based on their influence and dependence on the Group. Stakeholders with high level of influence and dependence on the Group were selected by the management of the Group, and invited to express their views and concerns on a list of sustainability issues via an online survey. As a result, the Group was able to prioritise the issues for discussion. The result from the materiality assessment survey has been mapped and presented as below.



1	Air and greenhouse gas emissions	11	Occupational health and safety	21	Marketing and promotion
2	Sewage treatment	12	Employee development and training	22	Observing and protecting intellectual property rights
3	Land use, pollution and restoration	13	Preventing child and forced labour	23	Product quality assurance and recall percentage
4	Solid waste treatment	14	Suppliers by geographical region	24	Protection of consumer information and privacy
5	Energy use	15	Selection of suppliers and assessment of their product/services	25	Labelling relating to products/services
6	Water use	16	Environmental protection assessment of the suppliers	26	Preventing bribery, extortion, fraud and money laundering
7	Use of other raw/packaging materials	17	Social risks assessment of the suppliers	27	Anti-corruption policies and whistle-blowing procedure
8	Mitigation measures to protect natural resources	18	Procurement Practices	28	Understanding local communities' need
9	Composition of employees	19	Health and safety relating to products/services	29	Public welfare and charity
10	Employee remuneration and benefits	20	Customer satisfaction		

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The Group built a two-dimensional materiality analysis matrix and prioritised the 29 issues accordingly. With respect to this ESG Report, the Group identified procurement practices and customer satisfaction as issues of the highest importance to its stakeholders and the Group. This review has helped the Group to prioritise its corresponding sustainability issues and highlight the material and relevant aspects so as to align them with stakeholders' expectations.

Stakeholders' Feedback

As the Group always strives for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcome to share your views with the Group at "361@361sport.com".

V. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community in which it operates. The Group stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in Hong Kong, the PRC and other operating regions in its daily operation. All offices and manufacturing facilities of the Group have implemented effective energy conservation measures to reduce emissions and resource consumption.

This section primarily discloses the policies and practices of the Group on emissions, use of resources, the environment and natural resources during FY2017.

A.1. Emissions

The Group strictly adheres to emission related laws and regulations, including but not limited to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and the Waste Disposal Ordinance, set out in Hong Kong, the PRC and other operating regions. It is included in the Group's policy to reduce the impacts of these emissions on the environment through measures such as control of the Group's energy consumption and special treatment of wastewater and solid wastes.

Sportswear business

The Group through its wholly-owned subsidiaries currently operates two factories, both of which are located at Jinjiang City, Fujian Province, which is under the administration of the larger prefecture-level of Quanzhou City.

The Group conducts regular treatments on the wastes during the manufacturing process, and keeps meticulous monitoring and controlling on the emissions, especially air emission, wastewater, solid wastes and noise, to guarantee its emissions are complied with the corresponding discharge standards of the People's Republic of China (the "PRC"). In FY2017, the Group did not receive any complaints on the environmental pollution issue from the surrounding residents and regulators.

The Group is committed to making its sportswear products in ways that protect the environment and customers by optimising the manufacturing line to reduce or even eliminate the emissions including solid wastes, wastewater and greenhouse gas. The Group strictly controls the chemical use during the manufacturing process and ensures that there are zero hazardous chemical exposed in both the supply chain and production line. There are no hazardous waste produced by the Group during the year under review.

Air Emissions

Air emissions are mainly generated from combustion process and transportation process in the factories. The Group mainly uses natural gas and coal as the fuel for production activities, therefore, the exhausted gases generated from the combustion process were mainly SO₂, NO_x and particle material ("PM"). The relevant amount of each emitted in FY2017 is shown in Table 1.

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Greenhouse Gases ("GHGs")

The Green House Gases emission from the Group's sportswear segment is mainly generated from its purchased electricity consumed by its manufacturing line and daily operation. As GHG emission is positively correlated to electricity consumption, the Group has tried to reduce the electricity consumption in its daily operation through specific measures, which are further explained in the subsection headed "Electricity" under section A.2. "Use of Resources" of this ESG Report.

Besides, the Group has been continuously paying attention to greening work within its operating boundary, with the greening area covering 40,000 m². The Group has been taking good care of these plants, and the flourishing greening area surrounding the workshop plays an important role in reducing and offsetting certain GHG emissions simultaneously.

Wastewater

The Group recycles the wastewater from the boiler combustion process in the production line after rigorous treatment. Another kind of wastewater generated from sportswear business is the domestic sewage consumed by the daily usage from internal staff. The domestic sewage then discharges into the local municipal waste water treatment plant for further treatment. It is in compliance with the Law of the People's Republic of China on the Prevention and Control of Water Pollution (中華人民共和國水污染防治管理法). In FY2017, the Group had generated 519,750 m³ domestic wastewater, and specific measures had been adopted by the Group to reduce the water consumption, which are further explained in the subsection headed "Water" under section A.2. "Use of Resources" of this ESG Report.

Solid Wastes

The main solid wastes from the production process are the leftover material and offcuts from the manufactured products. To minimise the solid wastes generated from production process, the Group strictly follows 3R principle (Reduce, Reuse and Recycle). Pulveriser is adopted for crushing the leftover material and offcuts, after which the crushed materials will be reused and recycled accordingly. For some of the leftover material and offcuts that cannot be recycled, the Group has sent them to the qualified material recycling centre for further treatment to avoid pollution.

The Group continuously performs the separate collection method on the daily domestic garbage to ensure the reuse of the recyclable waste, for example, the plastic and cans were collected by the municipal sanitation department for further disposal. Apart from the daily domestic garbage, the Group collects waste packaging materials by category, such as paper, cardboard and used boxes. To avoid unnecessary waste, the Group sells them to recycling stations for centralised recycling and reusing.

In FY2017, the Group generated 1,351 tonnes and 1,800 tonnes of non-hazardous solid wastes and domestic solid wastes respectively.

Noise control

The noise source of manufacturing process mainly comes from the transport of raw materials, fan and mechanical noise. The operating noise at daytime and night-time meets the noise control requirements. In FY2017, the Group did not receive any complaint on the noise issue from surrounding residents and regulators.

Overseas business and Hong Kong head office

The head office of the Group is located in Hong Kong. The overseas business of the Group is run by a group of seasoned professionals spread throughout Taiwan, the United States, Brazil and Europe, with its research and development team based in Taiwan. Since the main business is trading, and research and business development where no manufacturing process is involved, there is less impact derived from the emission issues on the surrounding environment.

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Air emission and Green House Gases emission ("GHGs")

The air emissions and Green House Gases emissions from this business segment is mainly generated from its purchased electricity consumed by the daily operation covering businesses in Taiwan, the United States and Brazil. As the advocated sustainable development concept entered Taiwan and the United States years ago, offices in Taiwan and the United States endeavour to reach the sustainability goals by using less energy and improving energy efficiency. The Group has managed the electricity consumption within the operation boundary. Records are being well kept, and by comparing and assessing electricity consumption by period, the Group is trying to reach a positive reduction of the GHG emissions progressively.

Wastewater

For the Group's overseas business and Hong Kong office, the only waste water is the domestic sewage generated from staff's daily usage, which will be discharged from the municipal drainage system to the municipal waste water treatment plant.

Solid wastes

The main solid waste is the domestic garbage from daily operation. The Group has been continuously performing the separate collection method on daily domestic garbage to ensure the efficient reuse of waste. Apart from the daily domestic garbage, the Group has relentlessly recycled packaging materials.

Table 1 Total emissions of the Group by category in FY2017

Item	Types of Resources		Unit	Amount	Intensity (Per employee)
Air emission	Vehicles and Combustion	SOx	Kg	2.8	–
		NOx	Kg	48.7	–
GHG emission	Scope 1	Mobile combustion	tonnes CO ₂ -e	449.3	0.1
	Scope 2	Purchased electricity	tonnes CO ₂ -e	15,435.1	2.3
	Total		tonnes CO ₂ -e	15,884.4	2.4
Non-hazardous waste	Non-hazardous wastewater		m ³	519,750	76.9
	Non-hazardous solid waste		tonnes	1,351	0.2
	Domestic solid waste		tonnes	1,800	0.3

During the year under review, the Group was not in violation of any relevant laws and regulations related to emissions, which have a significant impact on the Group.

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A.2. Use of Resources

The Group complied with the relevant laws and regulations in relation to its use of resources, including but not limited to Energy Conservation Law of the PRC (中華人民共和國節約能源法) and Provisions on the Management of Water Conservation in Cities (城市節約用水管理規定) during the year under review. Resources used by the Group mainly include electricity, water, paper and packaging materials. The Group strives to save energy and resources through persistent implementation of internal policies and uses advanced technologies to ensure that resources are efficiently utilised at each business operation.

Electricity

The Group keeps a detailed record of its electricity consumption. The total electricity consumption of the Group amounted to 21,966,458.8 kWh in FY2017. All subsidiaries of the Group stringently comply with the Group's policy of saving energy. Compared with manufacturing business, the electricity consumption of overseas business and Hong Kong office is insignificant. For the production factories, the energy saving policies are listed but not limited as follows:

- Replace the former facilities with energy-saving facilities;
- Remove unnecessary equipment;
- Use advanced production technologies, eliminate the unnecessary energy consumption;
- Switch off unnecessary facilities, light and air-conditioner;
- Replace high electricity consumption lamps with electricity saving lamps for office lighting;
- Place posters "Saving Electricity, Turn Off the Light When Leaving" in prominent places to encourage employees; and
- Clean equipment regularly to ensure they are running efficiently.

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Water

During the year under review, the Group has had no problem in sourcing water. The Group educates its employees to save water in the daily working hours. The total water consumption of the Group was 1,111,695.7 m³ in FY2017. To improve the utilization efficiency of water resources, the Group has formulated the internal policy, which requests the Group's employees to change their consumption behaviour including, but not limited, to the following:

- Set regular propaganda and education on water saving;
- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Carry out regular leakage test on water taps, washers and fix other defects in the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Strictly comply with the water saving principles in daily work;
- Turn off the water supply system at night or during the holidays;
- Appropriately reduce the water flushing in toilet; and
- Adopt advanced technology in order to improve the water recycling efficiency.

Energy

The Group's production process consumes gasoline, natural gas and diesel for manufacture purpose. The Group encourages energy saving through simple measures, such as adopting advanced production technology and removing unnecessary facilities. The Group is dedicated to making contributions to reducing the GHG emissions from transportation. The gasoline, natural gas and diesel consumed by the Group's vehicles during FY2017 amounted to 184,515 litres, 1,690 m³ and 4,000 litres respectively.

Packaging Materials

The Group understands that large amounts of packaging materials are consumed from sportswear business. To minimise the environmental impacts, the Group has selected environmentally friendly packaging materials such as cartons, paper and woven bags. The Group has also recycled and reused the plastic bags and woven bags if possible. Paper and cartons are well collected and sent to the recycling centres. Meanwhile, the Group encourages the customers to save packing bags and reuse the bags with good quality. The packaging materials consumed by the Group in FY2017 amounted to 337 tonnes.

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Table 2 Detailed resource consumption of the Group by category in FY2017

Item	Types of Resources	Unit	Amount	Intensity (Per employee)
Energy consumption	Gasoline	L	184,515	27.3
	Diesel	L	4,000	0.6
	Natural Gas	m ³	1,690	0.3
	Electricity	kWh	21,966,458.8	3,251.6
Water consumption	Water	m ³	1,111,695.7	164.6
Packaging materials	By box	Thousand pcs	2,950	0.4
	By paper	tonnes	42	—

A.3. The Environment and Natural Resources

In terms of the environment and the use of natural resources, the Group was in strict compliance with the relevant laws and regulations, namely Law of the PRC on Circular Economy Promotion (中華人民共和國循環經濟促進法) and Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法) during the year under review. The Group found no significant impacts of activities on the environment and natural resources during the year under review.

Paper

The main natural resources consumed by the Group include paper from office printing machines. The Group has adopted the following practices to reduce the consumption:

- Choose suppliers with more environmental friendly paper source, so as to indirectly reduce the amount of trees losses while consuming the same amount of paper;
- Promote paperless office, and disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Promote the idea of "Think before print" by using posters and stickers in the offices to remind the staff to avoid unnecessary printings;
- Place boxes and trays beside photocopiers as containers to collect single-sided paper for reuse and used paper for recycling;
- Use the back of old single-sided documents for printing or as draft paper; and
- Recycle used stationery whenever possible.

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VI. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group regards employees as its most important and valuable assets, seeking to provide a safe and sound working environment for employees and cultivating those talented in technology and management. By improving the remuneration system and career paths, the Group expects to establish a comprehensive incentive system based on physical, mental, emotional and growth motivations to carry forward the harmonious and stable employment relationship.

Law compliance

The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong, the PRC and other operating regions, including Employment Ordinance (僱傭條例), Mandatory Provident Fund Schemes Ordinance (強制性公積金計劃條例), Employees' Compensation Ordinance (僱傭補償條例), Minimum Wage Ordinance (最低工資條例), Company Law of the PRC (中華人民共和國公司法), Labour Law of the PRC (中華人民共和國勞動法), Labour Contract Law of the PRC (中華人民共和國勞動合同法) and the social security schemes that are enforced by the State Regulations of the PRC to provide employee benefits. The Group has also complied with the laws and regulations in respect to the employees' social security schemes and employee benefits. The human resources department of the Group and its subsidiaries review and update the relevant company policies regularly in accordance with the latest laws and regulations.

Recruitment and promotion

The Group sets "Annual recruitment plan" to recruit employees and adopts a transparent recruitment system to single outstanding applicant out among all candidates. The Group offers fair, competitive remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspirations. The candidates are officially employed under the approval of human resources department and managers after interview. Also, the Group uses various approaches to attract candidates such as posting information on the Internet, attending recruitment seminars and hiring headhunting companies. The Group references market benchmarks in determining its remuneration and benefit policies as well. This ensures that employees are recognised by the Group appropriately with respect to their efforts and contributions.

Compensation and dismissal

As talent retention is vital to the future business development of the Group, the Group constantly reviews its compensation packages and performs probationary and regular evaluations according to the overall market environment, profitability of the Group and employees' performance in the past. To motivate and retain talented employees, not only does the Group conduct regular compensation review, it also offers discretionary bonuses to its employees according to their performance, and sets share point scheme as a long-term incentive for key management staff.

Meanwhile, any appointment, promotion or termination of employment contract would be based on reasonable, lawful grounds and internal policies, such as staff handbooks and Implementation Rules for Staff Turnover and Movement on Positions. The Group strictly prohibits any kinds of unfair or illegitimate dismissals.

Working hours and rest periods

The Group sets the working hours and rest periods according to the laws and ordinance in Hong Kong, the PRC and other operating regions. Employees can receive overtime pay or compensation leave if they work at non-office hours. In addition to basic paid annual leave and statutory holidays stipulated by the Employment Ordinance of the local governments, employees may also be given additional leave entitlements such as marriage leave, maternity leave and compassionate leave.

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Equal opportunity and anti-discrimination

The equal opportunity policy allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations, such as Disability Discrimination Ordinance (殘疾歧視條例) and Sex Discrimination Ordinance (性別歧視條例) and the Labour Protection of Female Staff and Workers (女職工勞動保護規定). As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. Employees are encouraged to report any incidents involving discrimination to the human resources department of the Company. The Company will take responsibility for assessing, recording and taking any necessary disciplinary actions in relation to such incidents.

Other benefits and welfare

To fulfill the needs of manufacturing plant employees, the Group provides special uniforms, meals and fully equipped dormitories. In addition to statutory annual leave, the Group also offers other benefits to its employees, such as medical insurance, dental insurance, mandatory provident fund and year-end bonus. If the annual leave is not applied in a particular year, it can be extended to next March of the following year. Female workers pregnant less than 4 month abortion can enjoy 15 days of maternity leave. In terms of the internal supervision and cooperation, an effective two-way communication between the general and managerial staff is highly encouraged. Specifically, employees maintain timely and smooth communication with the management, colleagues and partners within the Group through the bulletin board posting, emails, training and meetings. The interactive communication benefits the Group's decision-making process and results in a barrier-free employer-employee relationship.

B.2. Health and Safety

The Group consciously takes the responsibility of safe production. To provide and maintain good working conditions and a safe and healthy working environment for its employees, the Group has established work safety and health policies that are in line with various laws and regulations in its operating regions. The safety and health policies are applicable to all staff and required to be fully understood and implemented in daily operations. In FY2017, the Group found no records of fire disaster, occupational disease or fatal injury.

The Group complies with all relevant laws and regulations in terms of health and safety, including Occupational Safety and Health Ordinance (職業安全與健康條例) and Employees' Compensation Ordinance (僱員補償條例), Occupational Disease Prevention Law in the PRC (中華人民共和國職業病防治法), Law of the PRC on the Protection of Production Safety (中華人民共和國安全生產法) and Regulation on Work-Related Injury Insurance (工傷保險條例).

The Group sets a people-oriented and reciprocal policy which is in constant pursuit of harmony, to ensure the health and safety of its employees. Specifically, the Group stresses that the development of enterprises should consider the harmonious development of shareholders, employees, society and adjacent communities. In addition, the Group prohibits smoking and drinking liquor in workplace and carries out the cleaning of air-conditioning systems and disinfection treatment of carpets, emergency drill and safety inspection at regular intervals with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment. The Group holds health and safety work trainings in emergency management, hazardous materials handling, machine safeguarding and occupational health and safety areas to remind employees to minimise the risk of accidents and enhance the employees' health and safety awareness. The safety performance is included in annual performance evaluation to manage the policy implementation.

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B.3. Development and Training

The Group offers comprehensive training and development programmes to its staff in order to strengthen their work-related skills and knowledge as well as to ensure their ability to meet job requirements, which have been clearly clarified and described by the Group. The purpose of this practice is to improve the Group's overall operational efficiency through the intranet and extranet platform.

Through theoretical training, mentorship programmes, case sharing, seminars, self-study and a great variety of approaches, the Group aims to ensure all employees are able to fulfil their job duties. Specifically, trainings provided to the employees of different levels in various departments include basic trainings, on-the-job trainings, technical and business operation trainings, policy trainings and management trainings. For newly hired employees, the Group provides comprehensive orientation training to understand the corporate culture, business flow, working health and safety, management policies and group development. For experienced staff, the Group offers technical and operational trainings such as physical and chemical testing of materials (材料理化測試), analysis of product quality control (產品品質控制解析) and wash label training (洗標知識培訓) to strengthen their work-related skills and knowledge, thereby improving operational efficiency and productivity. Apart from the traditional trainings, the Group utilises mobile applications as a learning platform as well. The training organiser is responsible for evaluating the training process to ensure its effectiveness. The Group regularly delivers corporate news and information, employee activities, latest production and management working skills and interaction with management through mobile social network called Super Entrepreneur (超級企業+).

The Group also encourages outstanding employees to attend external trainings for enhancing their competitiveness and expanding their capacity through continuous learning. The Group may arrange external training organisations and experts to provide job-related trainings to its employees.

The Group aims to foster a learning culture that could strengthen its employees' professional knowledge, so as to benefit the Group as employees are expected to achieve better working performance after receiving appropriate training. The human resources department keeps relevant record for reference. The employees' performance in the trainings, for example, is recorded and will be considered as an important factor in the employees' performance evaluations.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance, Labour Law of the PRC (中華人民共和國勞動法), Labour Contract Law of the PRC (中華人民共和國勞動合同法) and other related labour laws and regulations in Hong Kong, the PRC and other operating regions to prohibit any child or forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, the staff of human resources in the Group requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. The human resources department of the Company is also responsible for monitoring and ensuring the compliance by the Group with the latest relevant laws and regulations that prohibit child labour and forced labour.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

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OPERATING PRACTICES

B.5. Supply Chain Management

As a leading domestic sportswear and socially responsible enterprise, it is critical and vital to maintain and manage a sustainable and reliable supply chain. The Group has achieved this goal by conducting comprehensive evaluation of potential suppliers against different criteria including but not limited to the quality of suppliers' goods, previous track record on brands, ongoing projects, production capacity, reputation, staffing, qualification, transportation management and their social and environmental responsibility by purchasing management group. The principal raw materials used in the production of sport products are leather, synthetic leather, fabrics, rubber, soles and plastics.

A quarterly trial cooperation period is offered to the selected suppliers for further evaluation before becoming an approved supplier. At the same time, the Group has a detail assessment on whether:

- The suppliers comply with local laws and regulations on existing business;
- Supply capacity is flexible to meet our demand by understanding the processing and distribution process of the supplier for existing orders; and
- The qualifications of the supplier such as International Organisation for Standardisation ("ISO") and China National Accreditation Service for Conformity Assessment ("CNAS") are suitable to support customer's needs before confirming the cooperation.

Legal department, supplier management department and quality control department provide opinions if any risks may involve in the supplier selection process. The Group also conducts on-site investigations for assessment. If there are no significant quality problems and delay in delivery issue, the potential supplier can be qualified as an approved supplier. Purchasing management group is responsible for monitoring, reviewing and confirming those suppliers' records. If the products do not meet the Group's requirements after being formally introduced, the Group has right to adjust the orders and impose the penalty that has been agreed upon in the contact to supplier.

Furthermore, to enhance the effectiveness of the Group's risk management in terms of environmental and social aspects, the Group strives to engage with suppliers in lessening the environmental impacts from sourcing activities. Annual reviews are carried out fairly on suppliers with regard to the environmental impact, health and safety, and other potential hazards and the Group performs inspections in due course.

To facilitate better communication and maintain a long-term cooperative relationship with suppliers, the Group regularly provides quality management training and advice on production risk management and handling quality deficiency to its suppliers in supplier meeting. Through social media, phones and other communication channels, the suppliers update the product information, stock and price simultaneously. The Group has formulated supplier management policy by categorising suppliers into different groups based on cooperation duration, scale of production and inter-dependence analysis, which is also interpreted as a differentiated management strategy towards suppliers. Given the solid and steady relationships with suppliers, the Group did not experience any material delays in receiving supplies from suppliers in past years. The Group believes that maintaining a reliable and sustainable relationship with selected suppliers is of paramount importance, and to do so, establishing the mutual trust and understanding should be considered the foundation of the 'Pyramid' of building relationships.

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B.6. Product Responsibility*Law compliance*

With regard to the Group's product health and safety, advertising, and labelling, the Group is strictly in compliance with the related rules and regulations in the PRC such as Product Quality Law of the PRC (中華人民共和國產品質量法), Production Safety Law of the PRC (中華人民共和國安全生產法) and Law on Protection of Consumer Rights and Interests of the PRC (中國消費者權益保護法). As a leading participant in the sportswear industry in the PRC with a growing international presence, the Group pays great attention to product responsibility and quality. The Group's quality management system adheres to internationally recognized technical specification on ISO9001:2000. The Group has also been granted the "Certificate of Exemption from Product Quality Surveillance Inspection" (產品品質免檢證書) by the State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家品質監督檢驗檢疫總局).

Quality management

In monitoring the suppliers and factories in terms of quality management, the Group runs test on the raw materials, semi-finished products and finished products to track any potentially unqualified goods. Internal laboratory test, wear-test on fitting and practical test are held at every stage of production. Sportswear products must pass internal quality control assessment and meet the standard requirement of GB/T-15107-2013, GB/T19706-2005, HG/T2017-2011 and GB 25038-2010 in respect of their functionality, safety and quality before they are delivered to customers. If there is any defective product being purchased, the Group is responsible for contacting the customer, collecting the sample product from customers for quality test and analysis, and requiring distributors to recall unqualified products if necessary.

Advertising

The Group has issued internal guideline to ensure our sales materials provide accurate and precise descriptions and information to customers which comply with the relevant local laws and regulations such as Advertising Law of the PRC (中華人民共和國廣告法) and Interim Measures for the Administration of Internet Advertising (互聯網廣告管理暫行辦法). All the promotion and advertisement materials must be approved by the legal operation department before being published to ensure their legality, fairness and integrity. Any misrepresentation or exaggeration advertisements are strictly prohibited. If there is any non-compliance with Group's internal guideline, legal department would carry out corrective action immediately.

Customer complaints

The Group has set up customer service department to collect customer's feedback and respond any inquiry in time. The Group strives to provide a prompt response to customers' opinions and maintain good relationships with wholesalers and authorised retailers efficiently. Their experience and opinions are the key to products' success. The Group currently hosts trade fair quarterly for the 361° main brand to showcase new season products, in which all distributors and authorised retailers are invited to attend.

Customer privacy

The Group has strictly complied with relevant laws relating to customers' privacy such as the Personal Data (Privacy) Ordinance and other relevant laws and regulations to ensure customers' rights are strictly protected. Information collected by the Group from its customers would only be used for the purpose which was agreed upon mutually while being collected. The Group prohibits the provision of customer information to a third party without authorisation of the customer. All the information is secured and reserved safely, and only authorised staff could save and export the information according to the limits of authority. The employees are educated to enhance the awareness of the data release risks and necessitated to sign the confidentiality agreement. The IT department sets obstructions between office and commercial net to prevent unauthorized data use, exportation and copy.

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Labelling and intellectual property rights

The Group is dedicated to protecting and enforcing its intellectual property rights, which is crucial to its sustainable business growth in sportswear industry. 361° brand is highly recognised in the PRC and overseas markets. 361° trademark and patents have been registered in the PRC, Macau and hundreds of other jurisdictions by following Patent Law of the PRC (中華人民共和國專利法), Trademark Law of the PRC (中華人民共和國商標法), Regulation for the Implementation of the Trademark Law of the PRC (中華人民共和國商標法實施條例) and related local laws and regulations. The Group also actively applies for the registration of its intellectual property such as any new trademarks, labels, product designs or technological know-how developed by the Group, to protect its own exclusive rights after the risk assessment for potential infringement in the market.

In protecting and enforcing the intellectual properties, the Group generally enters into distributorship agreement with its distributors which sets out the protection of its intellectual property rights. The distributors are only allowed to use the Group's intellectual properties in connection with the sale of its products and the Group requires distributors not to participate or assist in any activities that may infringe upon Group's intellectual property rights. The employees also take responsibility of protecting trade secrets and other proprietary intellectual properties. The Group believes that it is effective to manage and protect intellectual property rights through registration, maintenance and enforcement measures.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as Law of the PRC on Anti-money Laundering (中華人民共和國反洗錢法) and Hong Kong's Prevention of Bribery Ordinance (防止賄賂條例).

The Group has formulated and strictly enforced its anti-corruption policies as stipulated in operational manuals such as regulation of receiving benefits and hospitality, and does not tolerate any form of corruption. The management conducts investigations on any suspicious or illegal actions such as bribery, extortion, fraud and money laundering to protect the interests of the Group. Specifically, once a suspicious misdemeanour is found, internal evaluations, consultations, investigations and punishment procedures will be immediately initiated.

The Group has set a whistle-blowing policy to report any corruption. The Group has built a confidentiality mechanism to protect the whistle-blowers against unfair dismissals or victimisation through security regimes and prevent any relevant information and records from leaking.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

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COMMUNITY

B.8. Community Investment

As a well-known Chinese sportswear brand, the Group deeply understands the importance of making a positive contribution to the communities in which it operates, and sees the interests of such communities as one of its social responsibilities.

Environment

The Group strives to take the environmental responsibility in its operating regions. In FY2017, the Group organised the replanting of vegetation in spring to rebuild the garden that was destroyed by Typhoon Meranti. Moreover, to diminish the environmental damage caused by natural disasters, the Group kept monitoring the potential typhoon risk during summer and drew up the contingency plans accordingly. Besides, the Group had planted certain types of vegetation in front of the office building in Xiamen to offset carbon emissions and maintain a decent working environment.

Sports

The sportswear industry plays a significant role in the soaring socio-economic development of China and sports has gradually become an indispensable part of the entire country. Adhering to the core value of "One Extra Degree of Passion" (多一度熱愛), the Group strives to seek ways to enhance its brand image. In 2017, the Group successfully applied for sponsorship of the 2018 Jakarta Asia Games and sponsored the 16th Asian Marathon Championships & 2017 Dongguan International Marathon. Spokesperson renewal this year including SUN Yang from national swimming team, marathon runner GUAN Siyang and Marcia ZHOU has been achieved. Besides, the Group successfully held the first sports carnival for the employees to increase their passion on sports.

Employees

The Group has optimised the human resource related policies and held various activities for employees' family to enhance their morale and the sense of belonging, including "Staff Family Day" and the establishment of running group, clubs and yoga classes. The Group introduces housing estate in the factory area such as U-one and Jinfuyuan, and provides preferential quota and group discount for employees on the real estate purchase to cater for their living environment. The Group also pays attention to the education of employees' children and has sponsored the education of kids from four families who had met financial difficulties. The sponsorship ranges from kindergarten to primary school.

The Group will insist on practicing its corporate culture: "One Extra Degree of Passion, One Extra Degree of Caring" ("多一度熱愛，多一份關愛") into every moment of its daily operation among the employees.

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VII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	Page
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) 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.	5
	KPI A1.1	The types of emissions and respective emission data.	7
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	6
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	8
	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).	10
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	10
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	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 tonnes) and, if applicable, with reference to per unit produced.	10
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	10
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	10

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Aspects	ESG Indicators	Description	Page
B. Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) 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.	11
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) 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.	12
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	13
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	13
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	14
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) 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.	15
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	16
Community			
B8: Community Investment	General Disclosure	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.	17

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