



ENVIRONMENTAL  
SOCIAL AND  
GOVERNANCE  
REPORT

2017



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## ABOUT THIS REPORT

Fountain Set (Holdings) Limited and its subsidiaries (“the Group”) is one of the world’s largest circular knitted fabric manufacturers with principle activities including fabric knitting, dyeing, printing, finishing, as well as garment manufacturing.

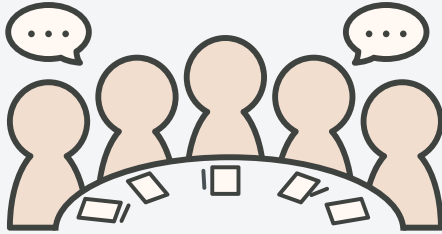
This is the second Environmental, Social, and Governance (“ESG”) report (the “Report”) by the Group, highlighting the ESG performance of its operations with relatively significant environmental and social impacts. Disclosures of the Report made reference to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited (“HKEx”) and relevant guidance set out by the HKEx.

Since May 2016, its subsidiary Dongguan Futian Oasis Heating Co. Ltd. (“Futian Oasis”) has signed an agreement with the Dongguan Shatian Town People’s Government for a centralized heat supply project (the “Project”), which supplies heat to the Shatian Town Industrial Park for electroplating, printing and dyeing industry (“the Park”), has commenced operation in the Reporting Period as defined hereunder. As a centralized heat supplier, Futian Oasis’s operation placed significant contribution to the Group’s ESG performance, especially for the environmental protection aspect. Therefore, apart from the reporting

scope of the 1st ESG Report, the scope of this Report was expanded to cover the respective performances of the Futian Oasis. The four production sites, all located in the People’s Republic of China (“PRC”), within the reporting scope (hereinafter collectively referred as “the Production Sites”), include:

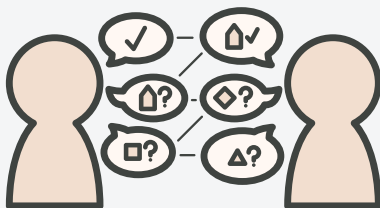
- Jiangyin Fuhui Textiles Limited (“Jiangyin Fuhui”);
- Yancheng Fuhui Textiles Limited (“Yancheng Fuhui”);
- Dongguan Shatin Lake Side Textiles Printing & Dyeing Co. Ltd. (“Shatin Lake Side”); and
- Futian Oasis

This Report covers the overall environmental and social performances of the Production Sites which are all located in the People’s Republic of China (“PRC”), from 1 January 2017 to 31 December 2017 (the “Reporting Period”), unless otherwise stated.



## STAKEHOLDERS' ENGAGEMENT AND MATERIALITY

In order to identify the most significant performance for the Group to report on for this Report, key stakeholders have been involved to discuss and to review material performance which will help the business to meet its potential growth and be prepared for future challenges.



## STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at [pr@fshl.com](mailto:pr@fshl.com).



## THE GROUP'S SUSTAINABILITY MISSION AND VISION

### Mission

The Group is committed to offering quality products and services of genuine value to our customers; to providing our employees with a challenging career and an opportunity for personal development; and to presenting our investors and stakeholders with equitable financial growth.

Based on our founding principles "diligence, frugality, sincerity and integrity", we continue to improve efficiency as well as to develop new markets and products to achieve long-term growth.

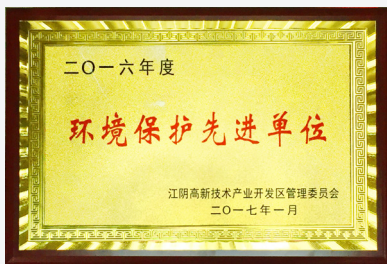
### Vision on Environment, Social and Governance

The Group recognizes no individual or any corporate organization can overexploit our limited natural resources and pose irreparable damage to the environment in an irresponsible manner. In terms of social responsibility, we understand that every business operation has an indivisible connection with stakeholders. The Group embraces environmental protection and stakeholder engagement as fundamental responsibilities of corporate organizations and is committed to upholding corporate's wellbeing.

# AWARDS AND RECOGNITION

The Group's devotion to the industry and environmental protection has been widely recognised and rewarded. Some of the awards and certifications rewarded to the Production Sites in the Reporting Period are shown below.

6



Award/Certification

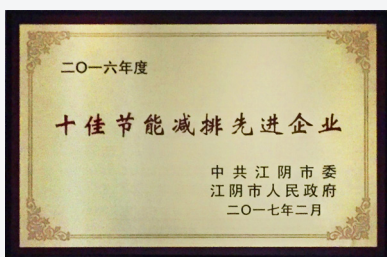
**2016 Outstanding Enterprise of Environment Protection\***

Issued by

**Administration Committee of Jiangyin High-tech Industrial Development Zone\***

Issued to

**Jiangyin Fuhui**



Award/Certification

**2016 Top 10 Outstanding Enterprise of Energy Conservation and Emission Reduction\***

Issued by

**Jiangyin Municipal Party Committee of Communist Party of China, Jiangyin Municipal People's Government\***

Issued to

**Jiangyin Fuhui**



Award/Certification

**Oeko-Tex Standard 100**

Issued by

**TESTEX AG, Swiss Textile Testing Institute**

Issued to

**Jiangyin Fuhui, Shatin Lake Side**



Award/Certification

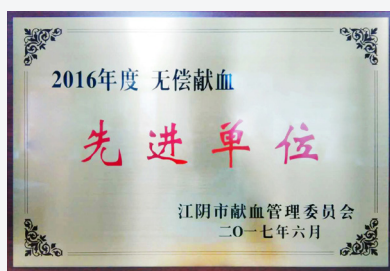
**2016 Safe Enterprise\***

Issued by

**Jiangyin Safe Enterprise Construction Work Leading Group\***

Issued to

**Jiangyin Fuhui**



Award/Certification

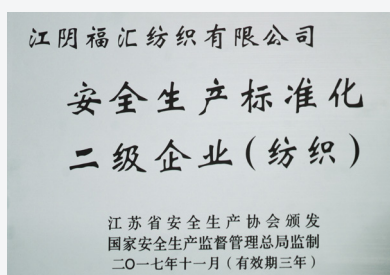
**2016 Outstanding Enterprise of Blood Donation without Compensation\***

Issued by

**Jiangyin Blood Donation Administration Committee\***

Issued to

**Jiangyin Fuhui**



Award/Certification

**Standardization of Safety Production (Grade II)\***

Issued by

**The Institute of Safety and Production Science in Jiangsu\***

Issued to

**Jiangyin Fuhui**





Award/Certification

## 2016 Clean by Design Environmental Improvement Program

Issued by

**International Finance Corporation,  
Natural Resources Defense Council,  
Sustainable Apparel Coalition**

Issued to

**Jiangyin Fuhui**



Award/Certification

## 2016 Watercraft unit\*

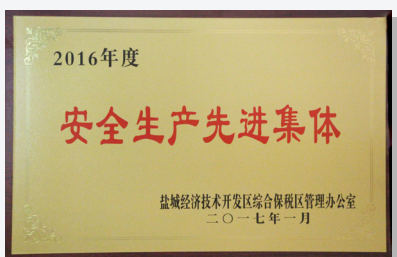
Issued by

**Jiangyin Environmental Protection  
Committee\***

Issued to

**Jiangyin Fuhui**

8



Award/Certification

## 2016 Outstanding Enterprise of Safety Production\*

Issued by

**Management Office of Yancheng  
Economic-Technological Development  
Zone and Integrated Duty-Free Area\***

Issued to

**Yancheng Fuhui**



Award/Certification

## 2016 Outstanding Enterprise of Fire Safety Management\*

Issued by

**Fire Brigade of Public Security of  
Development Zone of Yancheng City\***

Issued to

**Yancheng Fuhui**





Award/Certification

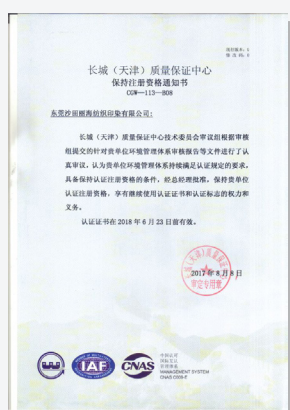
## 2016 Citywide "Ankang Cup" Competition Winning Unit\*

Issued by

**General Union of Yancheng City\*,  
Administration of Work Safety of  
Yancheng City\***

Issued to

**Yancheng Fuhui**



Award/Certification

## 2017 accredited Certificate on the Environmental Management System\*

Issued by

**Changcheng (Tianjin)  
Quality Assurance Center\***

Issued to

**Shatin Lake Side**



Award/Certification

## 2017 accredited Certificate - WWF Low Carbon Manufacturing Programme

Issued by

**World Wildlife Fund – Hong Kong Branch**

Issued to

**Shatin Lake Side**

The Group will strive to continuously improve its environmental, social and managerial performances to maintain its leading and outstanding position in the industry.

\* English names are only translation of their official Chinese names. In case of inconsistencies, the Chinese name shall prevail.

Three vertical lines of different colors (orange, white, and pink) are positioned on the left side of the image, extending from the top to the bottom. The background is a solid green color.

**ENVIRON-  
MENTAL**

Principal activities of the Production Sites are fabric knitting, dyeing, printing, finishing and garment manufacturing. Futian Oasis involves in heat generation. These activities primarily involve direct emission of (i) carbon dioxide ("CO<sub>2</sub>"), (ii) nitrogen oxides ("NO<sub>x</sub>"), (iii) sulphur dioxide ("SO<sub>2</sub>") and (iv) smoke and dust from combustion of coal, coal water slurry ("CWS") and diesel oil in boilers; and indirect emissions from consumption of purchased electricity, sewage processing and business air travels. Another major natural resource consumed is water, which is mainly used for the production processes. Wastes produced are mainly dye and oil waste, fabric waste, recyclable wastes, sludge and by-products from boilers. The business operations comply with national and local air, water and waste-related laws and regulations. The total floor area coverage for the Production Sites was 658,719 m<sup>2</sup>.

# 1 Performance Highlights

## IN THIS CHAPTER

- 1.1 Emission Reduction
- 1.2 Energy Conservation
- 1.3 Water Conservation
- 1.4 Waste Recycling



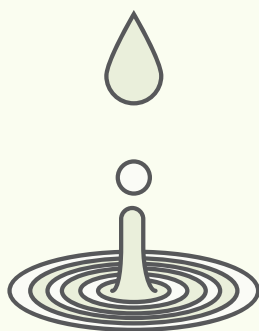
### 1.1 Emission Reduction

- ▶ Phasing out CWS-fired boilers in Yancheng Fuhui
- ▶ Phasing out coal-fired boilers in Shatin Lake Side



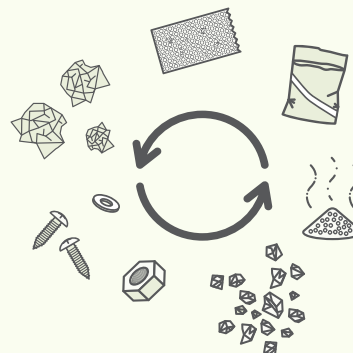
### 1.2 Energy Conservation

- ▶ Saving over 84,000 tonnes of steam
- ▶ Saving over 1,035,000 kWh of electricity



### 1.3 Water Conservation

- ▶ Saving more than 818,000 tonnes of water through streamlined procedures and new installations
- ▶ Reusing over 4,975,000 tonnes of water



### 1.4 Waste Recycling

- ▶ 100% recycling rates for scrap fabric, paper, plastic, scrap metal, boiler slag, coal ash and sludge

# 2 Emissions

## IN THIS CHAPTER

- 2.1 Direct and Indirect Emissions
- 2.2 Emission Reduction Results
- 2.3 Centralized Heat Supply Project of Futian Oasis

## 2.1

### Direct and Indirect Emissions

The direct and indirect greenhouse gas (“GHG”) emissions from the Production Sites' operation are shown below:

Scope of Greenhouse Gas Emissions	Emission Sources	Emission in tonnes of CO <sub>2</sub> e 2017	Total Emission %
1 Direct Emission from stationary combustion sources Direct Emission from mobile combustion sources	Combustion of coal	810,978	96%
	Combustion of CWS	50,128	
	Combustion of diesel oil	618,892	
	Group-owned vehicles	136	
2 Energy Indirect Emission	Purchased Electricity	54,394	4%
3 Other indirect Emission	Sewage processing	3,120	0%
	Business air travel	37	
<b>Total</b>		<b>1,537,625</b>	<b>100%</b>

Note:

- Emission factors were made by reference to Appendix 27 of the Listing Rules and their referred documentation as set out by HKEx, unless stated otherwise.
- Emission factors for combustion of coal, CWS and diesel oil for stationary source were made reference to GHG Emissions from Stationary Combustion, provided by the Greenhouse Gas Protocol.

- Combined margin emission factor (average) of 0.70 kgCO<sub>2</sub>/kWh and 0.63 kgCO<sub>2</sub>/kWh were used for purchased electricity in Jiangsu Province and Guangdong Province of the PRC respectively.



There were 1,537,625 tonnes of carbon dioxide equivalent greenhouse gases (“CO<sub>2</sub>e”) (mainly CO<sub>2</sub> and NO<sub>x</sub>) emitted from the Production Sites’ operation during the Reporting Period. The annual emission intensity was 2.33 tCO<sub>2</sub>e/m<sup>2</sup>. Total emission and emission concentration of NO<sub>x</sub>, SO<sub>2</sub>, and smoke and dust are shown below.

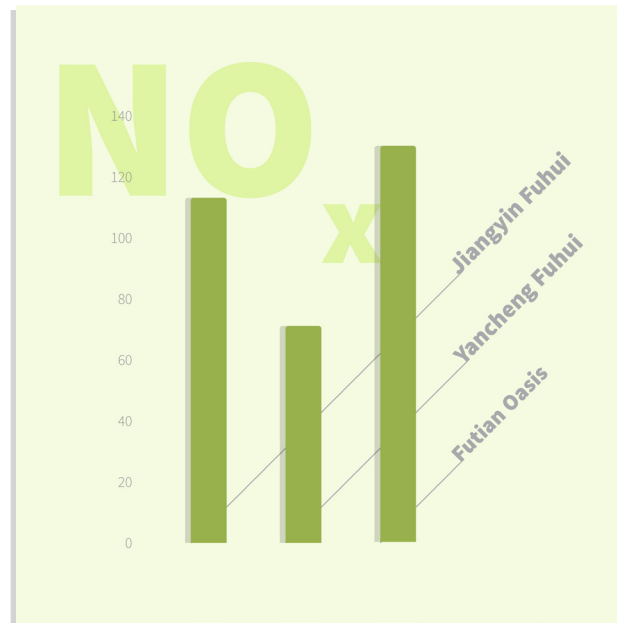
All emission quantity and emission concentration complied with the air-related local government and national regulations and standards including:

1. Environmental Protection Law of the PRC;
2. Environmental Impact Assessment Law of the PRC;
3. Prevention and Control of Atmospheric Pollution Law of the PRC;
4. Emission Standard of Air Pollutants for Boiler of the PRC (GB13271-2014); and
5. Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011).

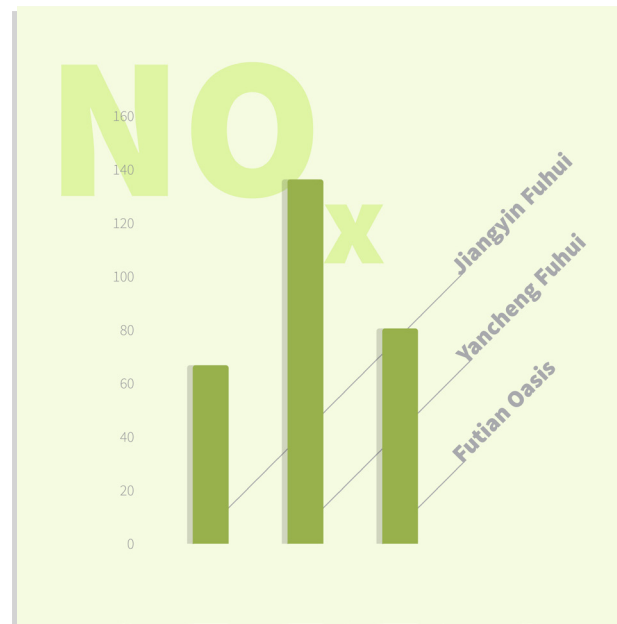
In the last reporting year, emissions of NO<sub>x</sub>, SO<sub>2</sub>, and smoke and dust were mainly generated from the operations of production sites including Jiangyin Fuhui, Yancheng Fuhui and Shatin Lake Side. During the Reporting Period, the Project of Futian Oasis commenced operation, it supplied heat to enterprises in the Park, including Shatin Lake Side. Since Shatin Lake Side purchased heat from Futian Oasis after it has phased out all coal-fired boilers and used the purchased heat to generate power. There was no significant direct emission from the operation of Shatin Lake Side during the Reporting Period. The reported emissions of NO<sub>x</sub>, SO<sub>2</sub>, and smoke and dust during the Reporting Period were therefore mainly generated from the operations of production sites from Jiangyin Fuhui, Yancheng Fuhui and Futian Oasis.

As part of the environmental upgrade measures, Shatin Lake Side had completely phased out all the coal-fired boilers during the Reporting Period. Thus, there was no significant direct emissions from Shatin Lake Side during the Reporting Period. Group-owned vehicles also emitted NO<sub>x</sub>, sulphur oxides (“SO<sub>x</sub>”) and particulate matter (“PM”), but such emission is insignificant compared to its other direct emissions.

### Emission of Nitrogen Oxides (NO<sub>x</sub>)



Total Emission (In tonnes)



Concentration (In mg/m<sup>3</sup>)

Emission of Sulphur Dioxides (SO<sub>2</sub>)



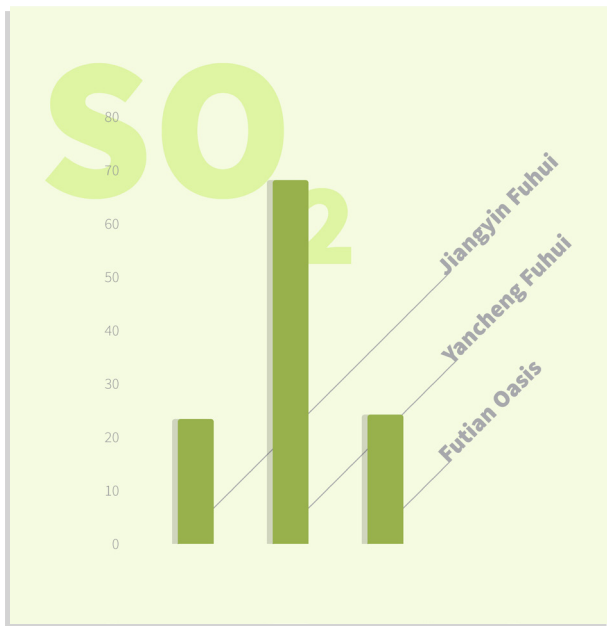
Total Emission (In tonnes)

Emission of Smoke and Dust



Total Emission (In tonnes)

SO<sub>2</sub>



Concentration (In mg/m³)

Smoke and Dust



Concentration (In mg/m³)

## 2.2 Emission Reduction Results

To reduce emission, Jiangyin Fuhui upgraded a coal-fired boiler in December 2017 which significantly reduces its pollutants emission. Other two coal-fired boilers will also be upgraded successively. Jiangyin Fuhui will continue to reduce emissions through improving thermal efficiency of boilers and using high-quality coal.

During the Reporting Period, Yancheng Fuhui was using CWS-fired boilers. CWS has a low ash and sulphur content. It has a high combustion efficiency (84%) and burnout rate (98%) and it produces less  $\text{NO}_x$ ,  $\text{SO}_2$ , and smoke and dust when compared to other fuel. The CWS-fired boilers are also featured with dry and wet dual desulphurization and dust removal system, with exceeding 86% of desulphurization efficiency and 98% of dust removal efficiency respectively. To support the government's scheme on reducing coal consumption by 2020 and to further reduce emission of pollutants, Yancheng Fuhui had ceased the use of CWS boilers at the end of the Reporting Period and will switch to purchasing energy in the next reporting period.

Meanwhile, Shatin Lake Side had phased out the use of coal-fired boilers and purchased electricity and steam from Futian Oasis. This significantly reduced its direct emissions of pollutants. It participated in the low-carbon manufacturing programme ("LCMP") sponsored by the World Wide Fund for Nature. The LCMP aims to reduce carbon emissions generated by manufacturing facilities in the Pearl River Delta. With the evaluation criteria (including carbon intensity, greenhouse gas management practices and energy efficiency best practices) assessed, Shatin Lake Side was accredited with the LCMP Gold Label for the period 2015 to 2017.

### About the CWS:

**84%**

combustion efficiency

**98%**

burnout rate

**produce less  $\text{NO}_x$ ,  $\text{SO}_2$   
and smoke and dust  
than burning other  
fuel oil.**

## 2.3

### Centralized Heat Supply Project of Futian Oasis

Since 2016, the Group has started a revolutionary new business – the centralized heat supply project (“the Project”). The Project is located in the Park, one of the seven largest environmental industrial parks in Dongguan, China, that integrates and assembles the industry’s enterprises within the Park and those outside Shatian Town which are required to be relocated.

The Project is one of the ancillary projects of the Park’s development and also a key project of the Implementation Plan of Centralized Heat Supply in Guangdong Industrial Park and Industrial Cluster Areas. It supplies heat to enterprises in the Park (including Futian Oasis itself and Shatin Lake Side) with 4 sets of 100 t/hr clean circulating fluidized bed boilers (3 sets for operation and 1 set as backup). Flue gas is cleaned by denitrification using selective non-catalytic reduction and selective catalytic reduction, limestone-gypsum desulfurization, dust collectors and wet electrostatic precipitator for dust removal to ensure cleaner emission (with  $\text{NO}_x < 50\text{mg/m}^3$ ,  $\text{SO}_2 < 35\text{ mg/m}^3$ , smoke and dust  $< 10\text{ mg/m}^3$ ). The business model of the Project is a pioneer in the industry and will contribute to a cleaner air emission by reducing overall emissions of  $\text{NO}_x$ ,  $\text{SO}_2$  as well as smoke and dust by continuing replacement of the remaining coal-fired heaters within the district.

During the Reporting Period, 1 set of the 100t/hr clean circulating fluidized bed boilers has commenced operation, supplying more than 1,321,000 tonnes of steam and more than 1,011,000 MWh of electricity to over 10 plants in the Park.



# 1,011,000+ MWh

electricity supplied to over 10 plants  
in the Shatian Town Industrial Park

# 4 sets of 100 t/hr

clean circulating fluidized bed boilers adopted

# 3 Energy

## IN THIS CHAPTER

- 3.1 Energy Consumption
- 3.2 Energy Saving Results

### 3.1

## Energy Consumption

The Production Sites consumed coal, CWS, diesel oil, electricity and steam for their boilers operation and other production processes. Insignificant amount of petrol and diesel oil were also consumed for the Group-owned vehicles. The total energy consumption of the Production Sites was 4,959,694 MWh. Below shows the energy consumption of resources used during the Report Period.

**Consumed Resources**

**Direct Energy Consumption**

**Indirect Energy Consumption**

**Energy Intensity**



**Coal**

401,698 tonnes

2,333,162 MWh

3.54 MWh/m<sup>2</sup>

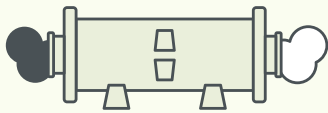


**Diesel oil**  
(for stationary combustion)

195,908 tonnes

2,321,256 MWh

3.52 MWh/m<sup>2</sup>



**CWS**

26,150 tonnes

127,656 MWh

0.19 MWh/m<sup>2</sup>



**Electricity**

177,620 MWh

177,620 MWh

0.27 MWh/m<sup>2</sup>



**Steam**

1,777,757 tonnes

NA

2.70 tones/m<sup>2</sup>

Note: Indirect energy consumption of steam is not calculated due to unavailable information for conversion.

## 3.2

### Energy Saving Results

The Group is dedicated to conserve energy by upgrading equipment and refining technologies since 2015. The Production Sites continued to save energy through improving production technologies, production procedures, its heat recovery system and switching to LED lights. These efforts brought a substantial saving of more than 1,035MWh of electricity and 84,000 tonnes of steam in the Reporting Period.

**Efforts brought a substantial saving of more than 1,035 MWh of electricity and 84,000 tonnes of steam in the Reporting Period.**

### Implementation

#### Upgrading Equipment and Systems

### Description

Invested more than RMB 85 million in upgrading boilers, equipment and thermal pipe systems, which includes:

- ▶ Switching to more efficient boilers;
- ▶ installing more efficient fabric softening machine and textile setting machines;
- ▶ Adopting photoelectric weft straightener and density meters to control quality of products, hence reducing use of resources for corrections; and
- ▶ Enhancing heat insulating strength of the thermal pipe systems to reduce heat dissipation.

These upgrades resulted in a saving of more than 687,872 kWh of power and 22,160 tonnes of steam.

### Implementation Company

Jiangyin Fuhui,  
Shatin Lake Side,  
Futian Oasis



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## **Streamlining Fabric Processing Procedure**

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With more advanced technologies, drying process for TC/CVC dyed fabrics and reduction clearing (“RC”) process for dark fabric are omitted without compromising quality of products. These technologies resulted in a saving of 347,693kWh of power and 4,252 tonnes of steam.

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Shatin Lake Side

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## **Recovering Residual Heat**

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Steam from coal-fired boilers is used for its production heating processes. Residual heat from treated wastewater is also used to heat water for dyeing. The residual heat recovery system contributed to a saving of 57,606 tonnes of steam.

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Yancheng Fuhui,  
Shatin Lake Side

# 4 Water

## IN THIS CHAPTER

- 4.1 Water Consumption and Discharge
- 4.2 Water Saving and Discharge Quality Control Results

## 4.1

# Water Consumption and Discharge

Surface water is taken from Yangtze River along Jiangyin City, Tongyu River along Yancheng City and Dongyin Canal in Dongguan City for the Production Sites' production processes. There was no reported difficulties or issues in sourcing water. Water intake are all legally permitted by the local government and wastewater is treated by self-built treatment facilities before use. The Production Sites have consumed 16,532,711 tonnes of water, with water intensity of 25.10 tonnes/m<sup>2</sup> during the Reporting Period.

The Group supervises its discharge in strict compliance with the:

1. Environmental Protection Law of the PRC;
2. Environmental Impact Assessment Law of the PRC; and
3. Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012).

Wastewater is first treated on site, meeting the standard on tertiary treated wastewater (typically at Chemical Oxygen Demand ("COD") < 200mg/L), and then conveyed to a third-party sewage treatment plant for re-treatment, meeting a more stringent standard (COD < 120 mg/L) before directly discharge to the nature. 15,444,782 tonnes of wastewater was discharged during the Reporting Period, with the intensity of 23.45 tonnes/m<sup>2</sup>, which is within the permitted discharge limit. The below direct discharge standard had been complied with.

	Jiangyin Fuhui	Yancheng Fuhui	Shatin Lake Side	Futian Oasis
<b>Chemical Oxygen Demand ("COD")</b> (mg/L)	50	120	80	80
<b>Biological Oxygen Demand ("BOD5 days")</b> (mg/L)	10	35	20	20
<b>Total Ammonia</b> (mg/L)	5	4.8	10	10
<b>Total Nitrogen</b> (mg/L)	15	17	15	15
<b>Total Phosphorus</b> (mg/L)	0.5	0.3	0.5	0.5

Note: Wastewater from Futian Oasis was treated in Shatin Lake Side before discharging to third party sewage treatment plant.

## 4.2

### Water Saving and Discharge Quality Control Results

The Group recognizes the importance of water conservation. It strives to explore opportunities in saving water at source and reusing water. During the Reporting Period, the Group had streamlined fabric processing procedure, installed new heat exchangers and changed water softening resin in water softeners, which saved more than 818,000 tonnes of water in total. Other initiatives on water consumption and treatment include:

- ▶ establishment of in-house water conservation regulations to enhance employee awareness;
- ▶ reinforcement of overall water management by reducing leakage and wastage during production and water transport processes;
- ▶ enhancement of wastewater treatment efficiency to reduce pollutants in discharge water (e.g. upgrading aeration biological filter and water treatment blowers);
- ▶ better control of water level and flow in dyeing machines to minimize water consumption and wastewater discharge;
- ▶ reuse of on-site treated and less-polluted water for floor and toilet cleaning; and
- ▶ separate collection of cooling water for reuse.

During the Reporting Period, more than 4,975,000 tonnes of cooling water and wastewater had been reused.

**818,000  
tonnes**

**of water saved in total**



# 5 Waste

## IN THIS CHAPTER

5.1 Waste Disposal

5.2 Waste Reduction Results

## 5.1

### Waste Disposal

The Production Sites generate both hazardous and non-hazardous waste in their operations. Hazardous waste is collected by licensed collectors in compliance with national regulations, while non-hazardous waste is properly collected and recycled when possible. Treatment and disposal of wastes are in compliance with the Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB18599-2001).







Hazardous waste included dye waste, waste materials with dye, oil waste (e.g. lubricant oil and engine oil), oil-containing waste and waste organic solvent. Non-hazardous waste included fabric waste, waste paper and plastic for packaging, scrap metal, boiler slag, coal ash, sludge and general wastes. The table below shows the amount of waste generated in the Reporting Period.

#### 1. Hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 <b>Dye Waste</b> (including materials with dye)	Dyeing processes and expired dye materials	109.75
 <b>Oil</b> (including lubricant oil and engine oil)	Machines and equipment	0.8
<b>Others</b> (including oil-containing wraps, waste organic solvent)	Fabric processing and machine cleaning procedures	0.2
<b>Total Hazardous Waste</b>		<b>110.75</b>



## 2. Non-Hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 <b>Fabric</b>	Fabric processing procedures	2,147.37
 <b>Paper</b>	Packaging materials and waste paper	1,559.46
 <b>Plastic</b>	Production processes and packaging materials	135.01
 <b>Scrap Metal</b>	Production process, replacement parts of machines and equipment	98.48
 <b>Boiler Slag</b>	Coal-fired and CWS-fired boilers	40,710.70
 <b>Coal Ash</b>	Coal-fired and CWS-fired boilers	49,332.37
<b>Sludge</b>	Wastewater treatment processes	31,828.24
<b>General Waste</b>	Daily operations of business	1,185
<b>Total Non-Hazardous Waste</b>		<b>126,996.63</b>

## 5.2

### Waste Reduction Results

To reduce hazardous waste generation, hazardous materials will be fully utilized before disposal. Scrap fabric from production is analysed to support relevant trainings to employees, to reduce scrap fabric generation and lower cost of production. Apart from general waste that cannot be recycled, waste fabric, paper, plastic and scrap metal are sold to recycling collectors. Boiler slag, coal ash and sludge (after being pressed) are collected by qualified waste processors for recycling into bricks or construction materials without polluting the environment. Fabric, paper, plastic, scrap metal, boiler slag and coal ash were 100% recycled during the Reporting Period.

**100%**

**fabric, paper, plastic,  
scrap metal, boiler slag and  
coal ash recycling rates**

# **6 Packaging Materials**

## 6.1

### Packaging Materials

The Production Sites mainly consume plastic and paper for packaging materials. The Group gives preferences to packaging materials with higher recyclability. Packaging material suppliers are required to provide environmental certificates, test reports for hazardous materials, and material safety data sheets to ensure environmental and safety performances of the packaging materials. Any waste packaging materials will be sent to related recyclers for recycling.

Type of Material	Source of Material	Consumption (in tonnes)
Plastic	Plastic film and polypropylene strap	772
Paper	Paper box	271
Total		1,043



**SOCIAL**





# 1 Employment and Labour Practices

## IN THIS CHAPTER

- 1.1 Employment
- 1.2 Occupational Health and Safety Awareness
- 1.3 Training and Development Programs
- 1.4 Employee Engagement Programs
- 1.5 Labour Standards
- 1.6 Equal Opportunities

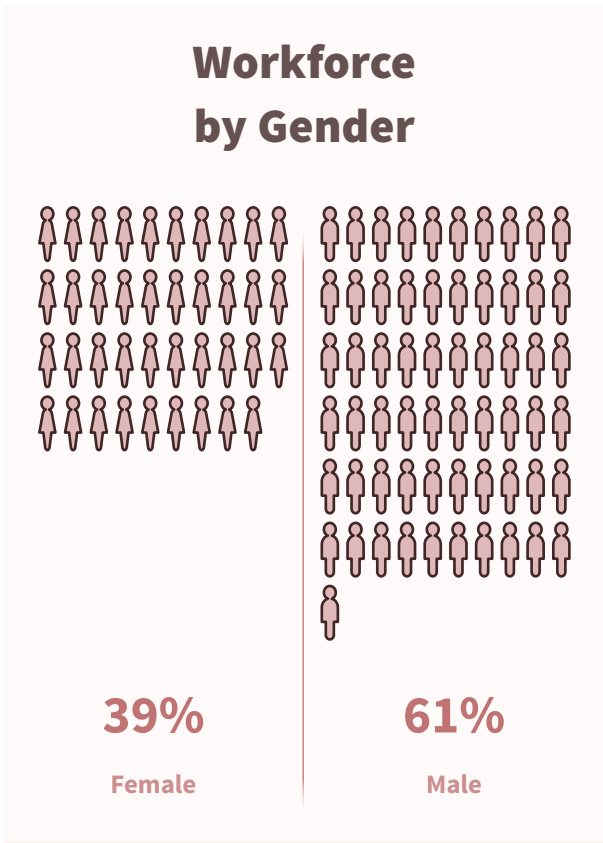


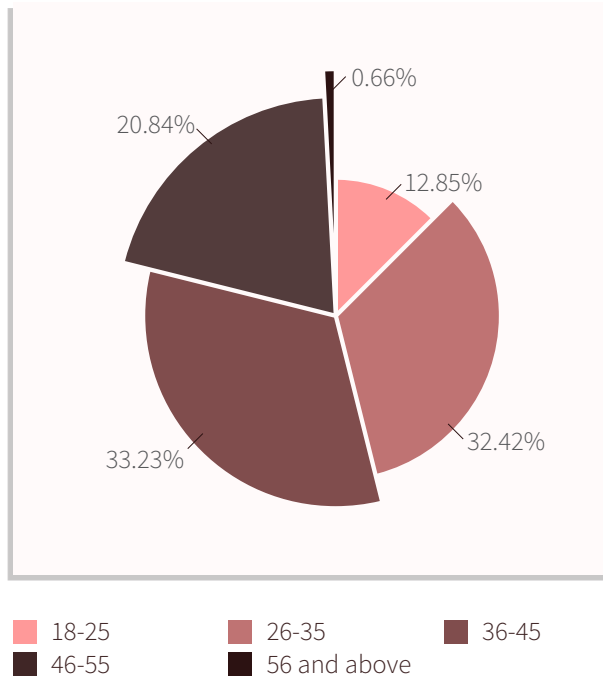
# 1.1

## Employment

### Employment Data

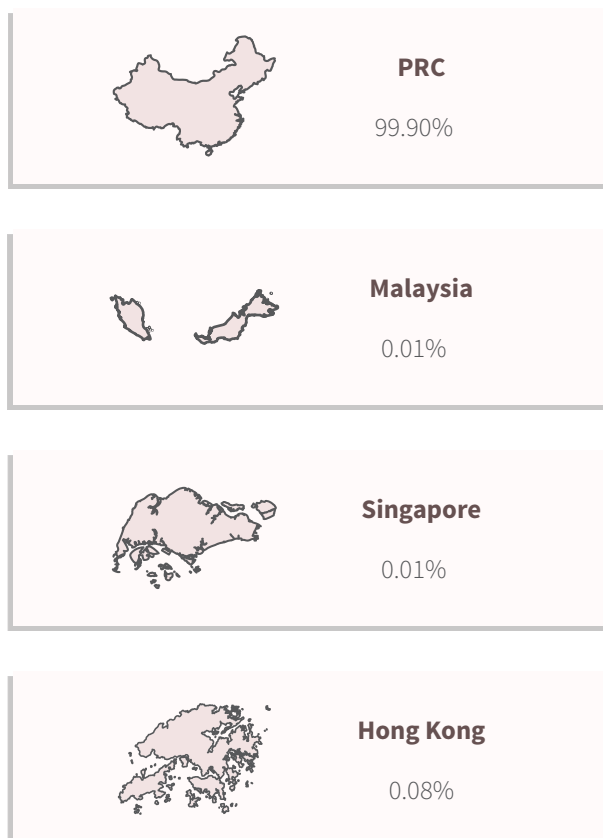
The Group offers competitive remuneration, promotion opportunity, compensation and benefit packages to attract and retain talents. The Production Sites had a total number of 6,551 employees as of 31 December 2017, in which all employees were full time staff. The total workforce by gender, age group and geographical region are shown below:



**Total Workforce by Age Group****Employment Welfare and Insurance**

The Group is in compliance with the Labour Law, Labour Contract Law, and the Social Insurance Law of the PRC. Labour disputes are settled through the Labour Union and Labour Dispute Mediation Committee set up by the Production Sites. The Production Sites provides basic social insurance (including pension, unemployment, work-related injury, medical and maternity insurance) and group personal accident insurance for all qualified employees on top of those required by the local laws and regulations. In addition, some employees are also entitled to employer's liability insurance to protect employees in a broader extent.

The Group recruits through various channels including job fairs, online recruitment platforms, recruitment agencies and internal referrals. Salary is reviewed and adjusted annually according to the Group's production performance, the market trend and individual employee's performance. Apart from various types of leave from work, employees are also entitled to year-end double pay and subsidies. The employee handbook clearly describes workplace behaviour that the Group expects from employees and is regularly reviewed. During the Report Period, Jiangyin Fuhui had revised the handbook and extended the maternity leave.

**Total Workforce by Geographical Region**

## 1.2

### Occupational Health and Safety Awareness

The Group attaches great importance to health and safety of employees. Pursuant to the Law of the PRC on Prevention and Control of Occupational Diseases, the Production Safety Law of the PRC, the provisions on Supervision and Administration of Occupational Health at Work Sites and other relevant laws and regulations, the Group established an Industrial Safety Committee (“the Committee”) to oversee its overall safety management. The Committee convenes bimonthly meetings to discuss safety issues raised by departments and holds safety promotion activities (such as fire drills, public health seminars, and the Production Safety Month Campaign) to raise safety awareness of employees. These activities effectively enhanced employees' awareness on production safety, which provided a crucial foundation for avoiding future workplace accidents and supporting continuous improvement of the Group's safety performance.

Every year, the Group conducts an occupational health risk factors assessment, evaluates on assessment results, analyzes existing risk factors in each production lines, and provides occupational health check for employees exposed to the potential hazards. All employees are required to undergo three stages of safety trainings before working in the Production Sites, which comprise of trainings regarding safety laws and regulations, the Production Sites' safety policies, the use of safety protection equipment and prevention of associated occupational diseases.

To ensure employees' safety during production and operation, the Production Sites provide appropriate personal protective equipment to employees and ensures that qualified first aiders are on duty in every work sessions. Each department is also equipped with a first aid kit. During high temperature season,

employees are provided with cooling materials and medicine to avoid heat stroke. During the Reporting Period, there was zero work-related fatalities. The Group will continue to place emphasis on management practices that effectively protect health and safety of employees at work.

**The Committee convenes bimonthly meetings to discuss safety issues raised by departments and holds safety promotion activities (such as fire drills, public health seminars, and the Production Safety Month Campaign) to raise safety awareness of employees.**

### 1.3

## Training and Development Programs

Training and development programs enhance employees' motivation to work, understanding and execution of the management decisions. These programs not only boost employees' satisfaction but also improve their work performances. Therefore, the Group allocates optimal resources on training and development programs.

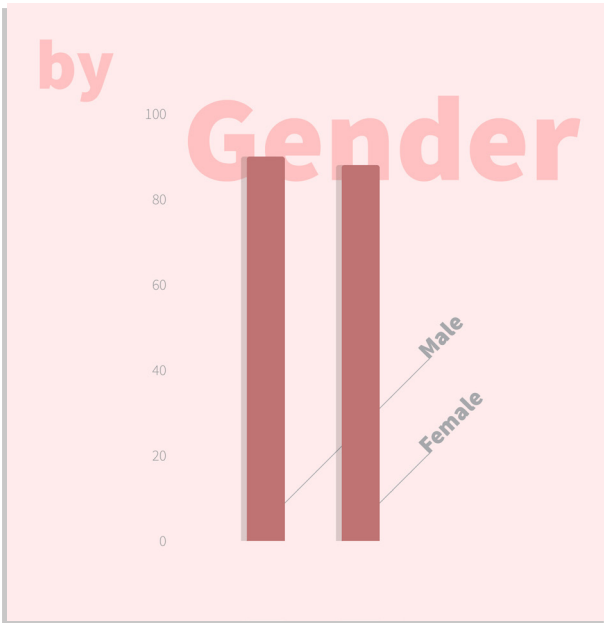
The Production Sites provide various training programs, such as managerial skill improvement training for managers, induction training for new employees, management courses for newly recruited university graduates. Other types of training include laws and regulations training, on-site training, and professional skill training. Professional skill training cover topics of hazardous chemical handling, forklift truck driving, boilers operating, high voltage operating, welding and thermal cutting, etc.

A total of 442,586 hours of training courses were conducted in the Reporting Period, the average training hours per employee is 67.56 hours. The percentage of employees trained and the average training hour per employee by gender and employment category are shown below.

A total of

**442,586**

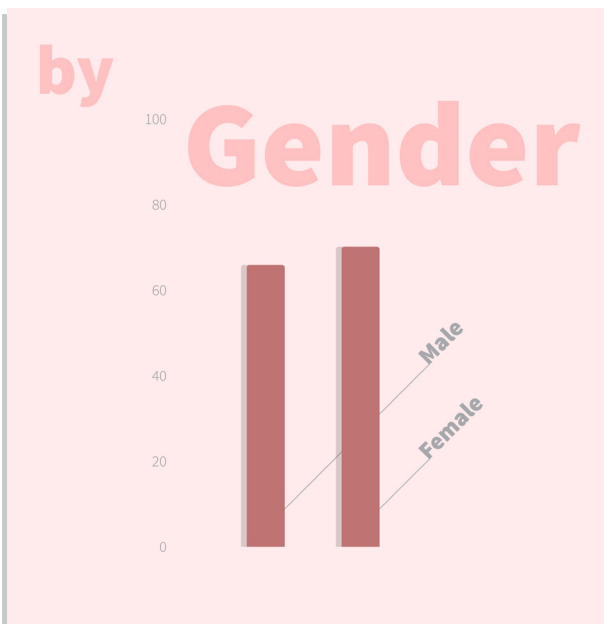
hours of training courses were conducted



Trained Employees by Gender



Trained Employees by Employment Category



Average Training Hours per Employees by Gender



Average Training Hours per Employees by Employment Category

## 1.4 Employee Engagement Programs

The Group believes that work life balance is essential to employees' personal development and work efficiency. Therefore, various facilities including gym room, dance room, table tennis room, basketball court, library, KTV room and chess room are provided for employees to build team spirit and for their relaxation. The Group also arranges activities during festivals (including Chinese New Year, Women's Day, Labour's Day, Mid-autumn festival and Christmas) to enhance employees' sense of belongings to the Group. Some other activities include:

- ▶ travel tour;
- ▶ annual lucky draw;
- ▶ sports competitions;
- ▶ arts competitions;
- ▶ photographic competitions;
- ▶ general knowledge quizzes; and
- ▶ essay competitions.



## 1.5

### Labour Standards

The Group's recruitment policy clearly requires that employee should be aged 18 or older. During interviews, candidates must provide formal identification documents for the human resources department to check and verify his/her age and identity. No child labour nor forced labour was involved within the Group during the Reporting Period. Apart from complying with Labour Law of the PRC, clauses of the Group's employment contract stipulate that in case of any forced labour by violence, threat, or illegal restriction of personal freedom, or any degrading treatment or infringement of the legitimate rights and interests of employees initiated by the Group, the employment contract may be terminated by employees, with a compensation fee to be paid by the Group.

**Employees should be aged**

**18**

**or older**

## 1.6

### Equal Opportunities

The Group is in compliance with provisions on Equal Employment of the Labour Law and the Employment Promotion Law of the PRC. Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other unlawful reasons. The Group also appreciates the importance of cultural diversity in its development, and employs employees of different age groups, genders, and ethnicities.

**Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other unlawful reasons.**





# 2 Operating Practices

## IN THIS CHAPTER

- 2.1 Supply Chain Management
- 2.2 Product Responsibility
- 2.3 Anti-corruption

## 2.1

### Supply Chain Management

To ensure that all raw materials used meet industry and customer standards, the Group maintains a stringent management system on raw materials procurement:

- ▶ Suppliers must provide detailed information, including its corporate structure, product details, production capacity and equipment details during supplier application process.
- ▶ Yarn procurement is only made from sources which pass the quality test, on a gradual and prudent basis to balance the risks:
  - ▷ Any supplier without purchase record within six months shall re-provide yarn sample to determine its quality;
  - ▷ Suppliers are required to provide shipment sample of bulk goods for testing, to prevent delivery of any sub-standard products; and
  - ▷ Responsible unit is assigned to follow up new yarn brands to track their quality performance.
- ▶ Raw materials must meet certain standards:
  - ▷ Yarns must be OEKO-TEX standard certified;
  - ▷ Yarns with organic cotton content must be Control Union or ECOCERT certified;
  - ▷ Cotton must be Better Cotton Initiative certified;
  - ▷ Recycled polyester must fulfill the Global Recycled Standard; and
  - ▷ Artificial fiber materials (mainly rayon) must be Programme for the Endorsement of Forest Certification or Forest Stewardship Council certified upon clients' request.

The Group pays special attention to child labour, forced labour and prevention of dissemination of cotton to extremist groups. It avoids sourcing raw materials from countries using child labour, forced labour and those involved in terrorism. It also responds to the international call in preventing the use of cotton from Uzbekistan, Turkmenistan and Syria, and products that contain cotton or fabric made in Bangladesh. The Group requires suppliers to sign an undertaking to ensure that no cotton from the above countries will be used in their supplied goods. To diversify risk and enhance competitiveness, the Group purchases yarn and dyeing materials from different regions including the PRC, India, Pakistan, Korea, Thailand, Indonesia and Taiwan.

## 2.2

### Product Responsibility

#### Management Guideline for Standardized Safe Production

The Group engages in knitting, dyeing and finishing and garment manufacturing in the PRC, and garment manufacturing in the PRC is subject to the management guideline for standardized safe production (“the Guideline”). The Guideline defines a series of measures to regulate production activities including establishment of a health and safe production management system, regular inspection of accident hazards, monitoring of major hazard sources, and establishment of a mechanism to avoid accidents and ensuring safe production. The Guideline ensures that the Group meets laws, regulations and standards on production safety and continues to strengthen standardization of safe production in each process of its daily production. This also make sure that workforce, machines, materials and the working environment remain in good and healthy conditions for safe production. There was no material non-compliance with laws and regulations in relation to health and safety of products provided in the Reporting Period.

#### Quality Assurance

Product quality is the fundamental of survival and source of development for enterprises. The Group always pays attention to quality and customers’ feedback on their product-consuming experience. Its quality control department (“QCD”) is independent from its production system to follow up with customers’ expectations so as to further enhance the Group's market competitiveness. The QCD supervises quality tests and spot checks as a third-party function. It also exercises full-range quality control in the production area:

Type of Inspection	Quality Control Requirement
Grey fabric inspection	30% sampled to examine yarn source and check for fabric flaws
Dyed fabric inspection	30% sampled to check for dyeing flaws
Preprocessed fabric inspection	30% sampled to check for preprocessing flaws
Post-printing inspection	100% tested to check for printing defects
Finished fabric inspection	100% tested to check for flaws of any kind on the fabric and sent to the laboratory for physical and chemical indicator testing  Standardized packaging and warehousing, and delivery as per customer instructions

### **Complaints Handling**

The Group carries out product verification process in accordance with the standards agreed with customers. Upon receiving a customer complaint on product quality, the Group will request customer to provide the sample which he/she raised concern, and/or assign its quality control team to verify with the customer whether the Group is responsible for the problem involved. If the Group is responsible for the problem involved, the Group will take immediate remedial actions and review internally to avoid recurrence of the same incident. There was no material non-compliance with laws and regulations relating to advertising and labelling of products and services provided in the Reporting Period. Also, no products had been recalled due to safety and health reasons.

### **Intellectual Property (“IP”) and Confidentiality**

The Group has established a proprietary management system for patents and IP. When developing a new product, the Group will first make sure whether the product involves self-owned IP. If it involves self-owned IP, the Group will sign a confidentiality agreement with the associated suppliers and customers on IP, privacy and trade secrets. When receiving customers’ design draft and internal documents (such as testing standards manual), the Group adopts measures to ensure that their IP, privacy and other trade secrets are protected and kept confidential.

Employees and former employees of the Group shall not disclose to third parties any trade secrets and/or confidential information that may cause direct or indirect damage to the Group. No material non-compliance with laws and regulations in relation to IP and privacy was recorded in the Reporting Period.

## 2.3

### Anti-corruption

The Group commits to managing all businesses without undue influence and has regarded honesty, integrity, and fairness as its core values. The Group has strict anti-corruption internal guidelines in place, and it cooperates with customers in implementing their whistle-blowing policy. Its internal anti-corruption policies are set out in the employee handbook, employee confidentiality agreement and the guidelines on conflict of interest, together with a dedicated e-mail account for integrity to receive complaints about corruption. Any corruption or bribery act in procurement activities are strictly prohibited. Anti-corruption monitoring and investigation committee is also established to monitor anti-corruption performances. The Group is in compliance with the provisions on bribery and corruption of the PRC's Criminal Law, and no corruption case was brought against the Group or its employees in the Reporting Period.

**Any corruption or bribery act in procurement activities are strictly prohibited. Anti-corruption monitoring and investigation committee is also established to monitor anti-corruption performances.**



# 3 Community

## IN THIS CHAPTER

### 3.1 Community Investments



## 3.1 Community Investments

During the Reporting Period, the Group focused on discharging its social responsibilities through blood donations and education programs. The Group will continue to deliver economic, social and environmental benefits for its community in the coming years.



### Voluntary Blood Donation

The Group encourages employees to contribute through voluntary blood donations and believes that every small contribution makes a difference to the society. In August 2017, two voluntary blood donation activities were organized in Jiangyin Fuhui, Shatin Lake Side and Futian Oasis, in which a total of 136 employees participated in the blood donation during the Reporting Period.



### Family Engagement Programs

To extend love and care to employees' families, at the same time enhance all-rounded development of the young generation, Jiangyin Fuhui offered free summer courses to children of its employees from July to August 2017. The courses covered various aspects including music, arts, public speaking, dancing, sports, chess, and summer homework tutorial. During the courses, tutors established an interactive environment in which a total of 60 children participated and showed their enthusiasm in learning. Employees followed up on their children's learning progresses through mobile chat groups and were pleased to see how their children learned actively with peers. The Group also received excellent feedback from the representatives of the Education Bureau and the trade union.

# Reference to "HKEx ESG Reporting Guide"

## Environmental

Aspect A1: Emissions		Pages
“Comply or explain” Provisions	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:	11-33
	KPI A1.1      The Types of emissions and respective emissions data.	15-17
	KPI A1.2      Greenhouse gas emissions in total and, where appropriate, intensity.	15
	KPI A1.3      Total hazardous waste produced and, where appropriate, intensity.	29
	KPI A1.4      Total non-hazardous waste produced and, where appropriate, intensity.	30
	KPI A1.5      Description of measures to mitigate emissions and results achieved.	18-19
	KPI A1.6      Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	31

Aspect A2: Use of Resources			Pages
“Comply or explain” Provisions	General Disclosure		
	Policies on the efficient use of resources, including energy, water and other raw materials.		21-26
	KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	21
	KPI A2.2	Water consumption in total and intensity.	25
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	22-23
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	25-26
	KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	33
Aspect A3: The Environment and Natural Resources			
“Comply or explain” Provisions	General Disclosure		
	Policies on minimising the issuer’s significant impact on the environment and natural resources		11-33
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	11-33

## Social

### Employment and Labour Practices

Aspect B1: Employment			Pages
“Comply or explain” Provisions	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.		37-38, 43, 44
Recommended Disclosures	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	41
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	NA
Aspect B2: Health and Safety			
“Comply or explain” Provisions	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.		39
Recommended Disclosures	KPI B2.1	Number and rate of work-related fatalities.	39
	KPI B2.2	Lost days due to work injury.	NA
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	39

Aspect B3: Development and Training			Pages
“Comply or explain” Provisions	General Disclosure  Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.		40
Recommended Disclosures	KPI B3.1	The percentage of employees trained by gender and employee category.	41
	KPI B3.2	The average training hours completed per employee by gender and employee category	41
Aspect B4: Labour Standards			
“Comply or explain” Provisions	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.		43
Recommended Disclosures	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	43
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	43

## Operating Practices

Aspect B5: Supply Chain Management			Pages
“Comply or explain” Provisions	General Disclosure Policies on managing environmental and social risks of the supply chain.		47
Recommended Disclosures	KPI B5.1	Number of suppliers by geographical region.	NA
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	47
Aspect B6: Product Responsibility			
“Comply or explain” Provisions	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.		48-49
Recommended Disclosures	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	49
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	NA
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	49
	KPI B6.4	Description of quality assurance process and recall procedures.	48
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	49

Aspect B7: Anticorruption			Pages
“Comply or explain” Provisions	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.		50
Recommended Disclosures	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	50
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	50
Community			
Aspect B8: Community Investment			
“Comply or explain” Provisions	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.		53
Recommended Disclosures	KPI B8.1	Focus areas of contribution.	53
	KPI B8.2	Resources contributed to the focus area.	53



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