

環境、社會及管治報告 2017

Environmental, Social and Governance Report



Stock Code: 1146
Incorporated in the Cayman Islands
with limited liability

Environmental, Social and Governance Report

For the year ended 31 December 2017

Introduction

The board (the “Board”) of directors (the “Directors”) of China Outfitters Holdings Limited (the “Company”, together with its subsidiaries, “the Group”) is pleased to present its Environmental, Social and Governance (“ESG”) report. The report discloses the sustainability initiatives by the Group and is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this report covers the Group’s progresses and performances on ESG issues from 1 January 2017 to 31 December 2017 (the “Reporting year”).

Being a responsible corporate citizen is the core fundamental of our corporate culture and therefore, the Group is committed to the operation concept of “maximizing interests of customers, returns of shareholders, values of employees and responsibility of society”.

The Board provides overall direction on the management of sustainability issues and ESG risks. Reporting and disclosure of ESG initiatives are implemented by a dedicated team, and is responsible for collaborating with other functional areas in the integration and implementation of sustainability initiatives throughout the Company.

A. ENVIRONMENTAL PROTECTION

The Group is principally engaged in the design, manufacturing, marketing and sale of apparel products and accessories. Its operating activities do not generate any emissions or wastes that would severely pollute the environment. However, the Group undertakes environmental protection as part of its corporate responsibilities, and it is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations.

The Group encourages the conscientious use of resources through a daily process of awareness-raising among employees, along the supply chain, with partners and suppliers to spread the culture of environmental sustainability and to continue to seek out new opportunities to reduce waste.

The Group implements a number of green measures at our headquarters in Shanghai, manufacturing plant in Dezhou, Shandong Province, retail points and warehouses to minimise environmental footprints. To this end, the Group introduced several initiatives to improve energy efficiency, better waste management and enhance indoor environmental quality.

The Group also abides by the Environmental Protection Law of the People’s Republic of China (the “PRC”), the Energy Conservation Law of the PRC and other related laws and regulations of Hong Kong and the PRC. During the year ended 31 December 2017 and up to the date of this report, the Board was unaware of any non-compliance with relevant laws and regulations in relation to environment protection that had a significant impact on the business and operations of the Group.

Emission**KPI A1.1 The type of emissions and respective emissions data***Emissions from Vehicles*

The major source of air pollutant emissions is from the vehicles owned by the Group for operating purposes. Running the vehicles generates the air pollutants including nitrogen oxides (NOx), sulphur oxides (SOx) and particular matters (PM). The approximate amount of NOx, SOx and PM emissions from our operation in China are shown in the table below:

Total NOx emissions (g)	Total SOx emissions (g)	Total PM emissions (g)
360,759.28	1,463.40	18,353.22

KPI A1.2 Greenhouse gas emission

The greenhouse gas (GHG) emission produced by the Group is mainly due to direct emission (Scope 1) principally resulted from usage of vehicles, indirect emissions (Scope 2) resulted from purchased electricity for operation of the Group in China and other indirect emission (Scope 3) resulted from paper usage by the Group. The approximate direct (Scope 1) and indirect amount (Scope 2 & 3) of carbon dioxide ("CO2") generated from our factory, the figures are shown in the table below:

Emission type	Total CO2 generated equivalent (kg)
Direct emission (Scope 1)	265,568.52
Indirect emission (Scope 2)	1,525,665.61
Other indirect emission (Scope 3)	49,543.10
Total emission	1,840,777.23
Emission Intensity	Intensity figure (kg/unit)
Emission per unit of production	2.70

The Group attaches importance to protect our living environment and greenhouse gas emission. Although air pollutants and GHG emissions generated by the Group's operating activities are limited, the following initiatives have been taken to minimise emissions from our electricity and fuel consumption:

- In the aspect of delivery manner, most of our products are manufactured in China. We also deliver our finished product to third party retailers directly by our manufacturing plant in Dezhou and maintain a centralised dispatching warehouse in Shanghai for self-operated retail points in order to cut down the delivery distance and optimise efficiency of delivery for reducing unnecessary GHG emissions.
- We seek to purchase and consume clean or renewable energy for electricity used, particularly for the manufacturing plant in Dezhou.

- We make use of solar energy, which does not generate GHG emissions, as a way to provide major of the heat energy in the boiler for heating water to produce steam in the process of ironing in the manufacturing plant in Dezhou.
- Our part of the heating source come from natural gas instead of other fossil fuel which produces significant amount of GHG emissions.
- We arrange a professional and qualified third-party organisation to detect the exhaust emissions from the boiler to ensure the result is complied with relevant laws and regulations in relation to environment protection.

In order to reduce paper consumption, the Group adopted the followings during the year:

- using office automation system and emails for internal communication;
- electronic marketing materials and newsletters are used to minimise massive printing of promotion materials;
- encouraging our staff to view documents on electronic devices instead of printing out hard copies. When printing is unavoidable, staff members are required to reuse paper for internal documentation, print on both sides and few pages per sheet; and
- collecting waste paper to government recognised recyclers for recycling purpose regularly.

KPI A1.3 Hazardous waste

The Group recognises the importance of responsible natural resource use and waste management. We conducted an analysis of the processes carried out and waste produced in each phase of the operating activities. The analysis enabled to optimise the available resources, thereby reducing waste production and increasing waste recycling.

Our hazardous waste mainly included paint buckets, white latexes, filters with waste residue and UV lamps. All hazardous waste is handed over to the institutions which are qualified to handle hazardous waste in accordance with relevant laws and regulations.

During the Reporting Year, we recorded the following hazardous waste figures:

Waste type	Amount (kg)
Total hazardous waste	840.00
Hazardous waste intensity	Intensity figure (kg/unit)
Hazardous waste per unit of production	0.0013

KPI A1.4 Non-hazardous waste

Our non-hazardous waste from the Shandong factory operation mainly attributed to boards, clothes, metals, paper boxes and other domestic wastes. Boards, clothes, metals and papers boxes are recyclable waste which we sell to waste recycling companies. Waste separation in the workplace has also been a valid method of transmitting to the employees the opportunity to be more attentive to good practices in daily life.

During the Reporting Year, we recorded the following non-hazardous waste figures:

Waste type	Amount (kg)
Total Non-hazardous waste	38,400.00
Non-hazardous waste intensity	Intensity figure (kg/unit)
Non-hazardous waste per unit of production	0.058

Use of Resources

The Group adheres to the concept of energy conservation and emission reduction for green production. The major resources used by the Group are principally attributed to electricity, water and packaging materials consumed at the Shandong factory. We aim to improve our energy efficiency to achieve low-carbon practices and emission reduction throughout our production and operation, and strive to save the resources. The Group's electricity, water and packaging materials are shown in the following tables:

KPI A2.1 Direct and indirect energy consumption

Type of energy consumption	Unit
Indirect electricity	1,833,744.98 kwh
Natural gas	161,863.00 m ³
Steam	2,494.00 m ³
Diesel	19,480.54 L
Petrol	78,215.35 L

Energy consumption controls and testing have been used to design a long-term plan to improve energy efficiency both in the industrial and retail environment. The initiatives of the plan include:

- gradual replacement of all air conditioners with advanced energy-saving functions;
- gradual replacement of store and office lighting with energy-saving lighting systems such as LED technology etc;
- putting reminder message about the importance of energy and resources savings on or next to office equipment;

- security guards in office, logistic centres and manufacturing plant in Dezhou ensuring air conditioning systems, office equipment and lighting in vacant working areas are switched off after operation hours; and
- residual heat energy in boiler chimney at manufacturing plant in Dezhou was recovered and used for the boiler as preheating.

KPI A2.2 Water consumption

Type of resource consumption	Unit (m ³)
Water consumption	18,469.12

The operating activities of the Group do not involve high water consumption. Most of the water resources used are for the daily use of employees, and only a small part is used for the manufacturing activities in Dezhou. The Group takes the following measurements for using water efficiently:

- adopts water saving measures, such as putting up reminder message in the office area and across the plants to remind our staff members to use water resources conscientiously and effectively; and
- establish return conduits to save and recycle the condensate formed when boiler is heated at manufacturing plant in Dezhou, as wash water in factory quarters and water for boiler heating.

Raw materials consumption

The Group keeps close communication with suppliers and complies with the Environmental Protection Law of the People's Republic of China in using all major raw materials. The Group also discusses with the suppliers on the use of environment-friendly materials in our products.

The Group strictly controls the use of raw materials and the amount of fabrics through the use of computerised software to compute and optimise cutting layouts. Automatic fabric-cutting machines have been used in the manufacturing plant in Dezhou to improve the accuracy in cutting fabrics.

With regard to the product package, the Group will never excessively package our products. Most of the shopping bags are made from environment-friendly paper bags. Periodically review has been made on level of inventories kept by the Group and the Group evaluates the usage of material to avoid over-stocking.

B. SOCIAL

Employment and Labour Practices

The Group believes that outstanding talents are the cornerstone for facilitation of the healthy and steady development of an enterprise. Therefore, the Group values its staff members as an important asset and puts strong emphasis on recruitment, reserve, training and development of talents and commits to achieving a win-win situation for both the Company and employees through effective communication, trainings and safety education.

The Group recruits qualified talents through campus and social recruitment as well as internal referral, regardless of nationality, gender, age or religion, and strictly prohibits discrimination of any kind. As at 31 December 2017, the Group had 2,586 employees in the PRC and Hong Kong, and they were stationed at our retail points, offices, warehouses and manufacturing plant in Dezhou.

The Group's staff handbook sets out the Group's working hours, rest breaks, holidays, leave entitlements as well as termination of employment and compensation matters.

The Group provides competitive remuneration packages to employees to ensure that the Group can attract and retain the best talents. The remuneration package is determined based on salary level of labour market in related fields and professions, responsibility and complexity of the job, and appraisal result of the employee. The Group also commits to contribute social securities, such as medical insurance, pension etc., for its employees based on the requirements of local regulations. In addition, the employees are entitled to annual leaves, maternity leaves and marriage leaves as well as other occasion leaves according to the Labor Law of the PRC.

The Group strictly adheres to all applicable labour laws and regulations in the PRC and Hong Kong. No violation was recorded for the year ended 31 December 2017.

Health and Safety

The Group is committed to maintaining a good occupational safe and healthy environment. The Group provides training on safety education for our employees.

In order to minimise workplace incidents and arouse employees' awareness of safety precaution, the Group provides regular educational courses and training programs on occupational safety with its employees, particularly those involved in store decoration and warehousing.

During the year ended 31 December 2017, no serious injury of employee was recorded.

Development and Training

As the Group values its employees as an important asset, the Group believes that learning and self-enrichment are the principal methods for employees' career advancement and professionalism development.

The Group provides training courses to employees including knowledge about the Group's corporate culture, business ethics, production and logistics planning, customer service etc. In addition to internal orientation, the Group also encourages employees to take part in training courses and workshops that are relevant to their roles at external organisations in order to strengthen their job skills and knowledge.

Directors attended their requested continuous professional training courses organised by various professional institutes.

Maintaining a professional design team is our key success. During the year ended 31 December 2017, the Group organises its designers to make visits to England for learning and trainings. The designers kept abreast of the latest fashion trend through working and communication with the top designers in England.

During the Reporting Year, we recorded the following trainings figures:

Type of Trainings	Attendees (person)	Total man hours (hours)
Director training	9	393
Design team overseas training	3	120

Labour Standards

No child nor forced labour has been employed by the Group for the year ended 31 December 2017.

Supply Chain Management

As at 31 December 2017, the Group had 145 outsourcing suppliers and raw material suppliers.

The Group's suppliers have been carefully selected. The Group prefers those suppliers with ISO14000 standards and will carry out on-site visits before the commencement of the business with suppliers. Evaluation on the performance of suppliers and contractors will be made, at least on an annual basis, through day-to-day communication, business meetings, on-site visits, sampling, product quality inspection etc., in order to ensure that the suppliers and contractors' operations are fully complied with the applicable laws and regulations in relation to social and environmental aspects.

Most of the procurements made by the Group shall undergo a tender and quotation process. The Group implements a just and fair process to ensure adequate competition.

Product responsibility

The Group takes product safety obligations seriously so as to meet the regulatory standards in relation to health and safety, fair advertising and labelling that are applicable to our products and services.

All fabrics used by the Group are subject to quality inspection conducted by state-approved independent third-party institutions. All finished goods must pass the quality control inspection of the Group before packaging for delivery. These inspection activities help identify in-process improvements and enable us to receive quality products.

During the year ended 31 December 2017, the Board was unaware of any material non-compliance or breach of legislation related to product safety or any recalls of products due to product safety or health issues.

Intellectual Property Rights

The Group primarily relies on intellectual property laws and contractual arrangements with our employees, business partners and other parties to protect our intellectual property rights. Our employees are required to enter into employment agreements where they are required to keep confidential relating to our intellectual property and trade secrets.

The Group also operates 5 licensed brands. All staff members are well aware of the respect of third parties' intellectual property rights and pay extreme attention to ensure the proper usage of these intellectual properties.

During the year ended 31 December 2017, the Group handled with 3 cases regarding counterfeit products with Jeep trademarks available in the wholesale market. The Group has reported findings to relevant authorities.

Customer Data Protection

The Group is committed to protecting customers' privacy. All VIP customers' information was kept in a database and only relevant authorised personnel of the Group can access to the database.

During the year ended 31 December 2017, the Board was unaware of any non-compliance with the relevant requirements.

Anti-Corruption policy

The Group strictly prohibits any acts of corruption or bribery during its business operation and reminds its employees to avoid any acts which may cause conflicts of interest from time to time. Code of conduct in relation to anti-corruption has been set out in the employees' handbook and has been signed by employees for acknowledgement when they entered into the labour contract with the Group.

The Group also signs commitment letters with suppliers and service providers that strictly prohibits employees from receiving private benefits including gifts, commissions or any form of remuneration to eradicate corruption or bribery.

During the year ended 31 December 2017, the Board was unaware of any non-compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

Community Investment

As a corporate citizen, the Group has been supporting and engaging in community and charitable activities in order to achieve a harmonious development between enterprise and the community.

During the year ended 31 December 2017, the Group participated in the sponsorship of an animal protection program organised by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金) and the sponsorship of "I fly" (愛飛翔) training program for village school teachers that organised by the Chinese Red Cross Foundation and Cui Yong Yuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.7 million was made by the Group to the above program during the year.