



le saunda holdings ltd.  
萊爾斯丹控股有限公司  
(Stock Code : 0738)

# 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





## About this Report

This Report discloses the performance of Le Saunda Holdings Limited (stock code: 0738) (“the Company”) in corporate social responsibility for the year ended 28 February 2018.

Scope of report: It covers the environmental and social responsibility performance of the business in Hong Kong and its affiliated companies in Mainland China retailing and the operation of Shunde factory (together as “the Group”).

Reporting period: From 1 March 2017 to 28 February 2018.

Interval for publication of report: The Report is an annual report. The reporting period is the same as the financial year of the Company as its annual report.

Reporting standard: The Report has been prepared in accordance with the “comply or explain” provisions as well as “recommended disclosures” of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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## Background of the Group

Le Saunda Holdings Limited (“Le Saunda”) is a reputable footwear manufacturer and retailer that adopts a vertically-integrated business model in its operation. It is engaged in the design, research and development, manufacturing and sales of ladies and men’s footwear, handbags and accessories in Mainland China, Hong Kong and Macau.

**1977** Since its establishment, Le Saunda has developed rapidly and become one of the leading footwear brands in PRC.

**1991** The Group sets up production lines at Shunde district in Foshan, PRC. Since then, the factory in Shunde has gone through a series of expansion to enhance its production capacity.

**1992** Le Saunda is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

**90's** The Group expands its retail network by setting up self-owned stores and franchise stores. Le Saunda entered into retail market in PRC as early as 1990s when it opened its first retail store in Shanghai to develop the huge market in PRC and unveil a brand new chapter for its business.

**2001** Besides “le saunda” brand, the Group has launched a footwear brand “CNE” that targets at the young and fashionable market.

**2011** It launched a high-end brand “LINEA ROSA” featuring trendsetting designs and premium quality. It has attracted overwhelming attention and has been well received by the market. In addition, le saunda MEN has been repositioned as the light luxury brand for fashionable men.

**2017** The Group has launched an online brand “PITTI DONNA”.



Production base of the Group in Shunde, Foshan, PRC.



The Group's Service Associate (Hong Kong and Macau region) won the championship at “The 32nd Service & Courtesy Award – Footwear Category (Frontline Level)” issued by the Hong Kong Retail Management Association for her swift response, positive attitude and sincere service.



## The Group's Policy on Social Responsibility

The Group recognizes the importance of good environmental management and sustainable development, so the Group has all along been in strict compliance of the environmental protection laws and standards enacted in the places of its operations, including the People's Republic of China ("PRC") and Hong Kong.

The Group has implemented a number of environmental protection measures in various business processes and work premises, including **factories, retail stores, warehouses and offices**.

For examples:



### Purchasing Materials

In the procurement process, priority is given to environment-friendly materials and environmental performance management has been adopted in supply chain.



### Production Process

The Group has dealt with the exhaust gas emitted in the course of production by activated carbon treatment.



### Facility Configuration

In the configuration of the facilities at the retail stores, the Group has implemented energy saving measure by using LED lighting fixtures.



### Daily Operations

In the day-to-day operations, the Group advocates the "paperless" office and actively promotes electronic information management systems. It has also set up equipment to arrange different types of meetings through the use of telephone and video conferencing in order to save time and resources.






## Relationship with Stakeholders

The Group believes that effective communication and accurate and timely information disclosure will strengthen the confidence of the various stakeholders. The management establishes regular communication and timely exchange of views with the respective stakeholders as well as solicits feedbacks from them. Where appropriate, it will also share the latest business information. It seeks to understand the demand for corporate social responsibility from the respective stakeholders for achieving corporate sustainable development of the Group in different goals.

The Group believes that employees are important assets for our success. Therefore, the Group has maintained the relationship with the employees and strived to maintain a low employee turnover rate for improving the operational capability and efficiency of the employees as well as promoting team spirit among them. Upholding the quality of the products and services is the way to meeting the consumers' needs and will help to improve the business, so the Group also recognizes that maintaining long-term good partnership with the suppliers is one of the main goals of the Group.

### Main stakeholders and their communication channels:

Stakeholders	Main communication channels
 Consumers	Visit and meeting Telephone conference Customer survey through questionnaire Market survey
 Employees	Employee communication
 Suppliers	Suppliers review events Signing of code of practice with the suppliers



## Compliance with the Relevant Laws and Regulations

In accordance with the requirements of general disclosures at all levels of the “Environmental, Social and Governance Reporting Guide”, the Group has undertaken the disclosure obligation of “comply or explain” pertaining to the compliance of the relevant laws and regulations of significant impacts.

As of 28 February 2018, the Group **did not violate** any **relevant laws and regulations** at all levels that have significant impacts on the Group.



## Contents in Environmental and Social Categories

### Environmental

#### Emissions

Currently the hazardous wastes generated from the Group’s Shunde factory are those activated carbon wastes. While the consumption of the activated carbon is subject to the emission volume of exhaust gas, totally 6 tonnes of this type of waste was generated from all production workshops during the year. On the other hand, non-hazardous wastes are mainly industrial wastes. They come from the remaining materials after cutting, and other wastes such as paper residues, crushed leather residues, which totally amounted to 57 tonnes in the same period.

Apart from solid wastes, the Group also concerns the greenhouse gas emission incurred from the business. For example, the Group adopts video conferencing to replace the attendance of remote meeting by transportation like aircrafts. This helps reducing the generation of greenhouse gas. In addition, the Group is striving to identify and monitor the relevant emission sources of greenhouse gases, despite the Group did not identify any emission incident which violates the relevant environmental regulations. The emission volume of greenhouse gases generated in the reporting period was depicted as below:

		Annual consumption
Emission sources of greenhouse gases	Unit	Group overall <sup>Note 1</sup>
Diesel oil consumption	litre	3,500
Gasoline consumption	litre	15,491
Natural gas consumption	cubic metre	300
Refrigerant (R22) consumption	kg	136
Electricity consumption	kWh	5,810,661
Greenhouse gas emission volume	tonne carbon dioxide equivalent	5,283

Note 1 : This column includes the figures from business in Hong Kong, Mainland retail and Shunde factory. However, since most of the Mainland retail shops are located at department stores which are not controlled by the Group’s management; therefore, this column for Mainland retail only includes the relevant figures from the operation of e-commerce business and Guangzhou office.

Annual production volume (handbags)	ten thousand pieces	8.12
Annual production volume (shoes)	ten thousand pairs	147.65
Group' s total annual production	ten thousand pieces	303.42
Group' s overall greenhouse gas emission intensity	kg carbon dioxide equivalent / piece	1.74

The Group has implemented various types of measures in the course of operations to reduce the negative impact on the environment. Energy-saving facilities and emission treatment equipment have been set up within the production factories where the operations take place. Furthermore, we have also stepped up our effort in adopting recycle and reuse principles and waste reduction measures within the office areas.

Exhaust ventilation equipment has been installed throughout the factory. **Activated carbon absorption equipment** has also been installed at the production lines to reduce the organic exhaust gas emitted at the production lines.

Through technological transformation, **“non-application of adhesive” technology**, which is more environment-friendly, is adopted in producing paper bags so as to reduce environmental pollution.

The Group advocates 5R principles, namely Refuse, Reduce, Reuse, Repair and Recycle. For instance, recycle and reuse of waste papers in the office, requirement for double-sided printing and other measures. For those wastes that could not be recycled nor reused, the Group is striving to reduce their generation and emission.

## 5R Principles

Refuse

Reduce

Reuse

Repair

Recycle

For emission of wastewater, the Group's factory has established sewage treatment facility for centralized management. Only treated sewage would be discharged and would not be reused. In addition to ensuring compliance with the local regulations, the Group also considers the needs of other stakeholders, for example in October 2017, the residents nearby Shunde's factory reported domestic sewage discharged from the factory, the factory responded immediately and changed the drainage route. In addition, the Group is striving to identify equipment advancement and technological optimization for reducing water consumption, such as change of straight ball valves to delayed flushing valves in factory's toilets and reformation of toilet flushing switches. Apart from the Group's factory operation, they are mainly retail shops and offices and there were no significant consumption of water resources. For employees in those areas, the Group is raising their awareness of water conservation, with the aim to reduce water consumption and unnecessary wastage.

## Use of Resources

The Group has always been implementing the principle of rational use of resources through energy saving and efficient means, including:



Changing most of the lamps and tubes in the factory to LED lighting for energy conservation. During the reporting period, the LED replacement plan has been fully completed and the factory is using new LED lamps and tubes. Through this replacement, the entire factory has saved electricity of around 20,000 kWh per month.

In June 2017, Guangzhou's office lightings have been replaced with LED lamps and tubes and the average monthly saving of electricity was around 1,500 kWh.



In 2011, the Shunde factory installed solar water heating system at the dormitory for provision of hot water to employees. This would reduce the reliance on the consumption of electricity as the single fuel. During the reporting period, the Shunde factory adopted this solar energy system for generating totally 5,050,840 cubic metre of hot water for domestic use. This fully utilizes the renewable energy to reduce the consumption of municipal electricity.



In response to the electricity consumption by production facilities occupying 80% of the factory's total electricity consumption, the factory is striving to raise the utilization rate of each set of equipment. Whenever appropriate, the unnecessary equipment would be shut down or used at limited period. For example, two sets of transformers have been shut down since mid-January 2018 so that this saved electricity of around 51,000 kWh per month.



Advocation of "paperless" office. The Group has all along been promoting electronic information management systems. With the use of computerized information and documents, unnecessary use of papers has been reduced. In addition, by means of office administrative measures, all employees are required to switch off the power supply of office equipment that is not in use.

Through implementation of the aforesaid measures for raising resource utilization, the consumption of key resources by the Group during the reporting period was summarized as below:

		Annual consumption
Resources	Unit	Group overall <sup>Note 1</sup>
Electricity	kWh	5,810,661
Diesel oil	litre	3,500
Gasoline	litre	15,491
Water	cubic metre	266,913
Packaging material (paper)	tonne	381.7
Packaging material (plastic)	tonne	4.7

Note 1 : This column includes the figures from business in Hong Kong, Mainland retail and Shunde factory. However, since most of the Mainland retail shops are located at department stores which are not controlled by the Group's management; therefore, this column for Mainland retail only includes the relevant figures from the operation of e-commerce business and Guangzhou office.



The resource utilization rates during the year are listed as below :

		Consumption intensity per production piece
Resources	Unit	Group's overall rate
Electricity	kWh/piece	1.9151
Diesel oil	litre/piece	0.0012
Gasoline	litre/piece	0.0051
Water	cubic metre/piece	0.0880
Packaging material (paper)	kg/piece	0.1258
Packaging material (plastic)	kg/piece	0.0015

## Environment and Natural Resources

As a responsible company, the Group endeavours on maintaining a clean environment, reducing the environmental pollution and wastage of resources. "Green procurement" is the policy of the Group. Through establishing clear procedure for environment-friendly procurement and reinforcing the requirements for environmental management along the supply chain, it would raise the suppliers' awareness on environmental protection. During the reporting period, the existing key suppliers possessed the certification of environmental management system. Also, the procurement of raw materials were maximizing the use of those having degradable characteristics (including: fabrics and packaging materials) for reducing hazards to the environment.

For raising the employees' awareness in environmental protection and reinforcing the effectiveness in implementation of the Group's environmental measures, environmental trainings were arranged in according to different goals set for the whole workforce and the individual responsible units.



## Contents in Environmental and Social Categories

### Social

### Employment

Recruitment and Promotion Policies :

The Group only considers the capabilities of applicants as the primary assessment criteria, while takes the job performance, experience, business performance and competence of employees in-service as conditions for promotion. We have developed practices of "employment management for persons with disabilities" to actively consider the job applications by persons with different disabilities. In the past, ethnic minorities have been employed to create a diversified working environment. The Group neither rejects the job application by an applicant based on factors such as gender, disability, race, family status, etc., nor takes any of the foregoing factors as one of the considerations for the promotion of an employee in-service.



During the reporting period from March 2017 to February 2018, the “monthly average” number of employees in the Group and their distribution were summarized as below:

		Number of employees
		Group overall
Gender	Male	704
	Female	3,592
	Total	4,296
Age group	18–30	2,331
	31–45	1,808
	46–60	156
	> 60	1
	Total	4,296
Employment type	Full-time	4,164
	Part-time*	132
	Total	4,296

\*According to the business needs, the Group would recruit a considerable number of part-time employees. In Guangzhou, the part-time employees were generally warehousing and retailing staff, including the part-time workers responsible for transporting cargoes, and part-time salespersons responsible for the sales and other tasks in retail shops.

#### Remunerations and Employee Benefits:

The Group not only meets the minimum wage requirements in each location where it has operations, but also offers remunerations which are competitive on the market to attain a higher staff retention rate.

		Monthly average employee turnover rate (%)
		Group overall
Gender	Male	5.22
	Female	5.32
	Overall average	5.31
Age group	18–30	8.16
	31–45	3.39
	46–60	2.58
	> 60	0
	Overall average	5.31

In terms of employee benefits, the Group has always been complying with the requirements on social insurance and various other benefits in PRC, including making social insurance contributions for all employees. In addition, long service awards will be granted to permanent employees after they have completed every five consecutive years of service with the Group as incentives to enhance the employees’ sense of belonging. Other employee benefits include cash gift for wedding and child-birth, condolence money, birthday cards and gift vouchers, earlier release on special festivals, etc.

#### Working Hours :

To achieve work-life balance, the Group neither advocates nor forces employees to work overtime. However, due to the needs of different positions, certain employees may still need to work overtime provided that all overtime work must be done on a voluntary basis and in compliance with the regulations on overtime that are applicable in the locations where the Group has operations. In addition, our factory in PRC is equipped with basketball courts, badminton courts and other recreational facilities to enrich the leisure time of the employees to

help them strike a balance between work and life. To let employees enjoy a more vibrant life after work, we had organized badminton competitions, barbecues, Christmas parties, Spring Festival galas, ad hoc trips and participated in Walks for Millions of Hong Kong in the past. Besides, festive gifts were given to employees in Mid-Autumn Festival and Chinese New Year. During the reporting period, the Group has organized a total of 9 recreational events amongst various operating sites and was awarded “Happy Company” from Hong Kong Productivity Council.



### Health and Safety

The Group is committed to ensuring the safety of its working environment, and continuously enhances employees' awareness of occupational health and safety. We have formulated procedures and operating rules related to the occupational health management system for reference and compliance by the employees to reduce accidents. Apart from personal protection gears with standard specifications, all of our production premises are equipped with ventilation systems to ensure fresh air in workplace. Furthermore, all new employees are provided with basic safety training, while more comprehensive safety training is provided in a targeted manner for those who will be exposed to occupational hazards.

During the reporting period, the Group's factory has arranged 36 classes of safe production training, with the attendance reaching up to 555 persons. In the same period, the Shunde factory has also arranged physical examination to each employee who was exposed to occupational hazards. Totally 266 employees have participated in the examination and no incident of occupational disease was confirmed nor any suspect case was identified. Apart from the factory's area, the Group's office operation is also concerned on the occupational safety, for example, in Hong Kong office, 5 classes of safe production training has been arranged with the attendance of 45 persons during the reporting period. Moreover, the Group would carry out fire drills and inspections of all firefighting equipment on a regular basis to avoid accidents.

During the reporting period, the Group did not violate the relevant legislations and provisions on occupational health and safety in all locations where it has operations. In the same period, the Group did not identify any employee's fatality incurred from work, and the number of work days lost due to work injury was consolidated as below :

	Group overall
Number of work days lost due to work injury	1,096

## Development and Training

To upgrade the professional knowledge and skills of the employees, the Group has established the Le Saunda Training Institute to provide appropriate training for different ranks of employees, and help them to master professional product knowledge of new products upon new season launch. In addition, we organize different study workshops and contests each year such as outstanding salesperson contests, outstanding shop manager contests, etc. to facilitate individual employees to enhance their abilities or achieve their goals.

During the reporting period, the total number of trained employees in the Group was 10,648, and the total training hours achieved by all employees amounted to 32,779 hours. Overall, this illustrates the Group's dedication in resources for training effectiveness and promoting employees' development.

		Number of trained employees
		Group overall
Gender	Male	602
	Female	10,046
	Total	10,648
Employee category	Senior management	232
	Middle management	1,242
	Junior staff	9,174
	Total	10,648

		Monthly average proportion of trained employees (%)
		Group overall
Gender	Male	12.92
	Female	24.87
Employee category	Senior management	18.91
	Middle management	10.67
	Junior staff	38.07

		Total hours of employee training (Hour)
		Group overall
Gender	Male	2,195.5
	Female	30,583.5
	Total	32,779.0
Employee category	Senior management	819.5
	Middle management	3,246.0
	Junior staff	28,713.5
	Total	32,779.0

		Monthly average training hour per employee
		Group overall
Gender	Male	0.47
	Female	0.80
Employee category	Senior management	0.54
	Middle management	0.27
	Junior staff	1.29

## Labour Standards

The Group has been committed to safeguarding the rights and interests of, and building a fair working environment for employees and has been strictly complying with regulations to ensure that no form of forced labour is imposed and no child labour is recruited. During the reporting period, the Group did not identify any recruited child labour nor legal violation of forced labour.

## Supply Chain Management

All suppliers must ensure that their materials meet the environmental protection requirements of relevant industries or PRC authorities. The Group gives priority to partnering suppliers who have obtained environmental management system certification. In addition, all suppliers must comply with our “Transparent Procurement and Non-corrupt Code of Practice” which requires suppliers to uphold integrity and self-discipline, and refrain from acts such as commercial bribery to avoid any damage to the rights and interests of the Group.

As of 28 February 2018, the Group had about 70 suppliers which were mainly located in China and Italy. During the reporting period, 6 new suppliers were engaged and all of them have been evaluated to ensure the compliance with the customer and other relevant requirements prior to procurement. The means of evaluation included on-site inspection, documentation review, material and sample testing, etc. Only after passing the supplier evaluation, the relevant new supplied materials could be formally procured and proceeded in the pilot production, etc.

## Product Responsibility

The Group, throughout the process of product provision, including manufacturing, sales, and after-sales services, provides customers with accurate and true information on the quality and safety of products. All products must pass quality inspections, and all products provided are accompanied by quality and safety warranties.

A “Three-R” provision (i.e. Return, Replacement, Repair) applies to products sold according to the categories of shoes and handbags, provided that it should meet with specific conditions. First: items guarantee for return and replacement; second: items guarantee for repair; third: handling methods of product replacement. During the reporting period, the Group’s operating regions (i.e. Hong Kong, Guangzhou and Shunde factory) did not receive any incident of legal violations or complaints, nor any product recalled because of product safety or health reason. On the other hand, according to the Group’s “Three-R” provision, there were return requests for 1,120 pairs of ladies’ shoes and 95 handbags as well as repair requests for 1,933 pairs of ladies’ shoes and 1,060 handbags in the same period.

Furthermore, in August 2017, the Group was awarded the “Most Trusted Brand of the Year Award” of InStyle iLady Icon Awards which fully demonstrated the Group’s product quality and customer’s satisfaction towards the brand.

With regards to customer data, the Group uses hardware firewall to protect internal data from attacks by hackers according to different risk levels of information security, enables behaviour management equipment, requires login passwords and enhances methods of encryption by requiring passwords to be changed every three months, and access to internal file servers according to permission.



## Anti-Corruption

The Group is convinced that fairness, honesty and integrity are its important commercial assets, and therefore requires all employees (including directors) at all levels to strictly adhere to business ethics to ensure that the Group's reputation will not be compromised by acts of dishonesty, disloyalty or corruption. We have incorporated the requirements of relevant ordinances and regulations in the “Employee Code of Practice” which provides concise and clear guidance for all employees in terms of the prevention of corruption and bribery, solicitation of benefits, acceptance of benefits, conflict of interest, confidential information, etc., so as to reduce the risks of involvement in acts of corruption and bribery.

At the same time, the Group requires all employees at all ranks to declare and state any possible conflict of interest that may arise during its operations. In addition, the Group encourages employees to raise concerns about misconduct, fraudulent activities and malpractices related to the Group under confidential whistleblowing mechanism.

The Group has included the integrity trading terms in the procurement contracts. For those suppliers in long-term partnership, both parties have signed the designated integrity contracts. During the reporting period, no incident was identified for violation of the code behavior nor corruption. Also, no incident of relevant whistleblowing was received in the same period.

During the procurement, the Group seeks quotations from more than one supplier to ensure fair and reasonable offers. In addition, managerial personnel of different positions have been designated to review and approve orders of different monetary thresholds to reduce the risks of corruption and bribery. During the reporting period, there was no declaration found for conflict of interest in any relevant procurement.

## Community Participation

The Group is dedicated to be an active participant and supporter of community and charitable activities, and in the past, had taken part in the activities of various community and charitable organizations, such as the Hong Kong Hereditary Breast Cancer Family Registry, hosting of the Pink Heels Race for several years in a row, charity bazaar and book donation, etc. During the reporting period, the Group's Guangzhou company has participated in the "Charitable Campaign for Blind Children". In October 2017, the Group's Guangzhou company partnered with "Instyle Youjia Huabao" to produce one thousand pieces of guide dog dolls for charity bazaar. Half of the funds received would be used for charity purpose to support "Shanghai Xing Yan Qianshou Disabilities Assistance and Development Centre" for the research and development of touching recognition technology for blind children.

