



La Chapelle

Shanghai La Chapelle Fashion Co., Ltd.



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



ESG REPORT
2018
(Stock Code: 06116)



CONTENTS

1	Message from Senior Management	2
2	About This Report	4
3	Summary of Environmental, Social and Governance Aspects	6
	3.1 The Group's ESG Strategies	6
	3.2 The Group's ESG Structure	6
	3.3 Stakeholders' Participation and Assessment of Significance	6
4	Employment and Labour Standards	8
	4.1 Employment	8
	4.2 Health and Safety	10
	4.3 Development and Training	12
	4.4 Labour Standards	16
5	Anti-corruption	17
5	Supply Chain Management	18
	Product Responsibility	20
8	Community Investment	24
9	Environmental Protection	27
	9.1 Emissions and Use of Resources	27
	9.2 Environment and Natural Resources	30
	Appendix: Disclosure Index	32

1 Message from Senior Management

Dear friends of La Chapelle,

In the spring of 2019, we here meet you again as promised. Looking back to the year of 2018, it marked the 40th anniversary of China's reform and opening up, and the 20th anniversary of the establishment of La Chapelle. Since its inception, La Chapelle has always been insisting on the objectives of creating value for the community, building a platform for its employees and achieving returns for its shareholders. While seeking for business growth, La Chapelle proactively undertakes corporate environmental and social responsibilities and strives to contribute to harmonious development. Twenty years old is a tender age for a company, during which we have witnessed the reform and opening up and the reformation and transformation of beautiful China, and delivered the stories of the fashion, exploration, creation and growth of the Group. On this occasion, we are pleased to present our third environmental, social and governance report.

2018 is also a joyful year for the completion of the La Chapelle headquarters building, the five buildings look like the stylish shape of "La Chapelle", which are beyond the buildings, rather an elegant and ethereal artwork. In respect of environmental responsibility, the Group has strived to reduce its environmental impact during the construction process, including, among others, energy consumption, water resource management and waste management. At the beginning of the design of the headquarters park, we have designed the elements of energy conservation and environmental protection: reuse of recycled water, rainwater collection and drip irrigation, to cherish the recycling of water; glass curtain wall, energy-saving lamps and solar panels, to emphasize light and heat effect of light source; green park, bright and simple office design, low-carbon and safe solid wood furniture, to take care of the physical and mental health of employees. The Group has devoted three years' efforts to build an open-style, beautiful, energy-saving and sustainable park in which the humanistic feelings and environmental care are reflected represented our sincerity in fulfilling environmental protection and social responsibility.

The growth and promotion of employees is crucial for companies with social responsibilities, which is also fully reflected in the design and planning of the headquarters park. The No. 3 building of the headquarters park was built as the conference hall and employee training center of the Group to enhance the overall quality of employees and facilitate two-way communication between the company and employees, management and employees. After the launch of the training center, we immediately organized all the store staff in Shanghai in turns to the headquarters for a week of professional skills training. At the training center of the headquarters, in collaboration with Parsons, a famous American fashion design school, the Group organized the La Xia-Parsons Executive Education course to work with the team to grow together. With an equal and respectful attitude, the Group focuses on the material and spiritual needs of its employees, and attached great importance to tap the willingness of development and potential of the employees, which in turns has intensified the Company's centripetal force and cohesiveness.

We also always bear in mind the expectations and great trust of our shareholders. Thanks to great vision and dedication of our shareholders, the Group has access to the capital for development. Every step in the past twenty years has demonstrated the painstaking efforts and support of our shareholders. We are well aware of the concerns and needs of our shareholders. In this regard, we keep our shareholders informed of highly transparent information of business development and financial performance through various platforms and well-known publications at home and abroad, actively carry out roadshows, enhance external cooperation relationships and establish effective communication channels with shareholders. This long standing trust relationship with shareholders enables the Group to develop steadily and overcome the hardships. In the future development process, we will bear in mind the trust and respect of shareholders and create more value for shareholders through practical actions.

I Message from Senior Management

Meanwhile, we always remember the original aspiration in the fulfillment of social responsibility, exert the advantages of our resources of the industry, actively participate in social charitable activities, and carry out several activities, such as clothes donation, cash donation, charity sale and charity activities to address the actual difficulties and particular needs of vulnerable people and adopt the principle of people-oriented and goodwill first to make a little bit contribution to the harmonious community.

Through twenty years of diligent cultivation and forging ahead, we deeply recognize that the development of the Company depends on the suppliers we grow together with, the loyal consumers of the group brands and the investors who always have confidence in us, as well as the staff who are working or have worked at La Xia, and partners who are working with or have worked with La Xia. I, hereby, on behalf of board of directors and management of the Group, would like to express my heartfelt gratitude to the suppliers, customers, investors, employees and other sectors of society who have always cared for and supported our development.

In the past two decades, we have experienced rapid growth, and also have encountered the setback and frustration in the process. In the future, we will continue to uphold spirit of originality and innovation, and strive to bring more beneficial explorations to society and create more sustainable value for all stakeholders by offering more products that cater for a better life.

Xing Jiaying

Chairman



2 About This Report

STATEMENT FROM THE BOARD

The board of directors of the Company together with the directors thereof guarantee that the information contained in this report does not include any false statements, misleading representations or material omissions, and all members jointly and severally accept responsibility as to the truthfulness, accuracy and completeness of the report's content.

BASIS OF PREPARATION

This report was prepared in accordance with 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 and the Environmental, Social and Governance Reporting Guide on the Shanghai Stock Exchange. The reporting period is from 1 January 2018 to 31 December 2018. A portion of the content consists of a brief review of previous and recent related activities. This report will be published on the website of The Stock Exchange of Hong Kong Limited and on the Group's official website.

THE GROUP'S BUSINESSES

Shanghai La Chapelle Fashion Co., Ltd. (the "Company") was incorporated in the People's Republic of China on 23 May 2011, converting from its predecessor, Shanghai Xuhui La Chapelle Fashion Limited, founded in 1998. Shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9 October 2014, and on the Main Board of the Shanghai Stock Exchange since 25 September 2017. The company and its subsidiaries (the "Group") are a multi-brand and omni-channel operated fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market ladies' casual wear.

During the reporting period, the Group's revenue was RMB10.176 billion. On the basis of the direct sales model in 2018, the Company commenced to launch piloting on terminal sales models, i.e. joint operation, different and franchise. In light of the development stages of different brands and the differences in sales network coverage, the Company further demonstrated and steadily promoted the joint operation model. As of 31 December 2018, we have a total of 9,269 offline retail outlets, including 31 retail outlets under franchise model, which were widely distributed in about 2,908 commercial buildings. In the meantime, relying on the offline retail network throughout China, we have connected and integrated offline retail outlets and online sales platforms based on O2O strategy to offer our consumers with a more convenient and comprehensive omni-channel shopping experience.

The Company implement multi-brand strategy. Up to now, the Company owned 10 proprietary brands: La Chapelle, Puella, 7m, La Babité, Candie's, JACK WALK, Pote, MARC ECKÖ, 8eM and UlifeStyle.



2 About This Report

For a long time, the Group has established a leading position in the industry in the sector of domestic mass-market fashion and casual wear with its rapidly expanding and widely distributed full-scale direct sales network based on its flexible, multi-faceted and cost-effective product positioning. In 2018, the Group was granted the “Best Shareholder Return Award” by Sina and the “Brand Value Pioneer Award” by the International Finance News, which represented recognition of the Group’s past performance and an encouragement for its future development. Meanwhile, we are also actively exploring the business model to shift from a full-scale direct sales model to a diversified business model which focuses on direct sales, supported by the combination of joint operation, and franchise. As a fast fashion, multi-brand and diversified fashion group in the mass consumer market, the Company strives to provide a variety of stylish and quality fashion products with high performance/price ratio to the public market.

PUBLICATION INTERVAL

This report is published annually. It is our third Environmental, Social and Governance Report follows the Group’s first, which was published in April 2016. The Environmental, Social and Governance Report for the next reporting period (2019) is expected to be released in April 2020.

REPORTING SCOPE

The scope of this report comprises Shanghai La Chapelle Fashion Co., Ltd. and its subsidiaries. The information on policies and society herein covers all businesses, while information on the environment and use of electricity covers properties under the Group’s control, including the new headquarters complex in Wujing Town, Minhang District, Shanghai; two headquarters office buildings in Xuhui District, Shanghai; and three warehouse logistics centers (located in Tianjin, Taicang, Jiangsu and Chengdu, Sichuan, respectively).

SOURCES OF DATA

The data in this report was derived from internal document and related statistics of the Shanghai La Chapelle Fashion Co., Ltd. and its subsidiaries.

REPRESENTATIONS

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



3 Summary of Environmental, Social and Governance Aspects

3.1 THE GROUP'S ESG STRATEGIES

The Group has always regarded corporate social responsibility as a core obligation as well as a sublimation and extension of its corporate value. We put people first, and work to maintain high standards in such areas as employment equality, training and development, and employee welfare. We also firmly oppose improper business conduct, and work with various stakeholders to maintain fair trade principles through publicity and education as well as punishment. These are among our most important contributions to the healthy and orderly development of a socialist market economy.

Ensuring the health and safety of customers and employees is a company's basic responsibility and also one of the foundations of sustainable development. Our supply chain management system not only ensures that the Group's products comply with quality, environmental protection, fashion and other standards, but also focuses on communication with suppliers to strengthen sustainable development hand in hand.

To create a harmonious and beautiful environment demonstrates a corporate citizen's accountability to the society. The Group discourages the excessive use of water, electricity and other resources, and even encourages reductions in the use of eco-friendly packaging materials. The Group realises that effective environmental protection encompasses all aspects of architectural design, construction and daily operation.

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

3.2 THE GROUP'S ESG STRUCTURE

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

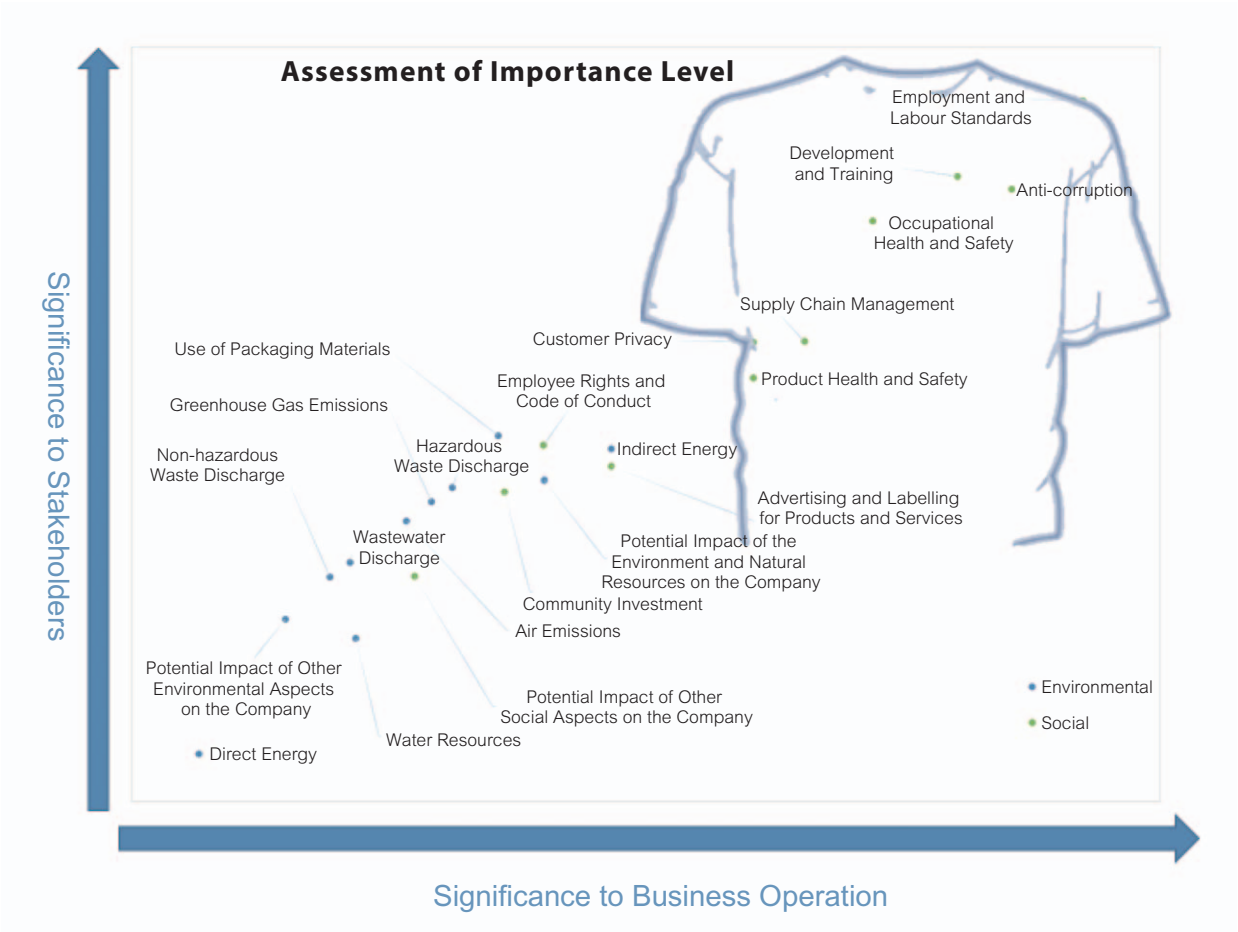
3.3 STAKEHOLDERS' PARTICIPATION AND ASSESSMENT OF SIGNIFICANCE

The Group's ESG stakeholders include employees, suppliers, customers, shareholders and investors, the government, and the communities in which the Group operates. In respect to the annual stakeholders' participation in this report – apart from the members of the Board and the senior management who serve as the decision-makers and designers of the Group's strategies – we extend the scope of internal stakeholders participating in the assessment of significance to the middle level management. In doing this, we expect to receive a more diverse perspective on corporate social responsibilities and the planning of related practical activities. The assessment of significance in this report was mainly conducted via interview and questionnaire. For next year and beyond, we will continue to focus on stakeholders, will review and update the assessment of significance, and will introduce external stakeholders when conditions permit, to ensure that the report reflects the Group's latest progress in sustainable development.



3 Summary of Environmental, Social and Governance Aspects

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



4 Employment and Labour Standards

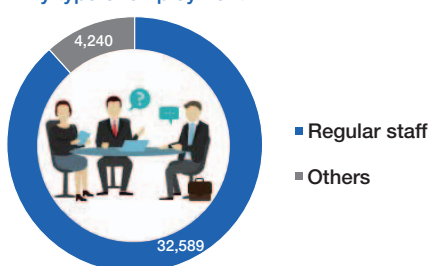
Happiness is one of the Group's core values. For us, employees are akin to family. A cornerstone of our human resource work is the aim to make our "family" happy by providing employees with a comfortable, friendly working environment and a competitive remuneration package. Their happiness directly contributes to the happiness and satisfaction of our customers.

4.1 EMPLOYMENT

Legal compliance and equality in employment

The Group and its subsidiaries strictly enforce social insurance and housing provident fund regulations in accordance with the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China and other relevant national laws and regulations. We pay salaries and make contributions to social insurance and housing provident funds in a full and timely manner to protect employees' legitimate interests. The Group promotes fair competition, offers equal opportunities for all staff, and does not discriminate against any employee by gender, age, marital status, religion, race, nationality or physical condition during the processes of recruitment, appointment and promotion.

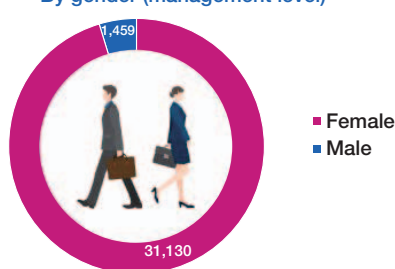
By type of employment



By function (regular staff)



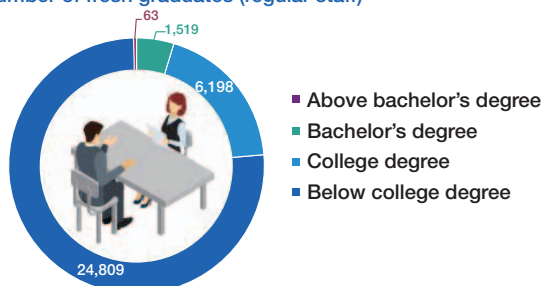
By gender (management level)



Creating opportunities and attracting talent

The Group attaches great importance to young people's development, and recruits a large number of fresh college graduates every year. During the reporting period, a total of 203 graduates joined our Group.

Number of fresh graduates (regular staff)



To help students gain social experience before they leave school, the Group's subsidiaries also host intern students as circumstances permit. At the end of the reporting period, the Group had 776 trainees.

4 Employment and Labour Standards

The Group's regard for national unity is reflected by the 160 members of minority groups it officially employed at the end of the reporting period.

Hard work and happy life

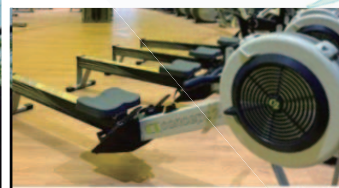
The Group recognizes the importance of a stable workforce for the steady development of the Company. Employees are required to hard work to create value for the Company and realize their own value, and happy life allows employees to have plenty of energy and enthusiasm at work.

In June 2018, the headquarters of the Group relocated to the new headquarters building where it has spacious and bright working environment, green pastoral scenery, well-designed roof garden and design-oriented spiral staircase, which allow the hard-working employees to have the unique experience and also inspire the fashion designers to design more outstanding works.

We not only offer employees with a high-class office environment, but also give attentive care in their life. In order to reduce the impact of relocation on the distance and time

of commuting of staff, and also for the purpose of energy efficiency and environmental protection, we have opened three shuttle lines covering the time range from 8 am to 8 pm. The new headquarters building has a canteen, which allows employees to reduce the possibility of ordering take-away, which is beneficial to the health of employees and reduce the packaging waste caused by the take-away. In addition, coffee shops and convenience stores are introduced to provide employees with more options.

Besides, in consideration of the long lasting desk work and lack of sports of the headquarters staff, which is extremely unfavorable for physical and mental development, the new headquarters building has a gym, which is equipped with modern fitness equipment and professional fitness instructors. The fitness equipment are available to internal staff free of charge for 24 hours, the gym has a wide range of courses, such as Zumba, yoga, spinning, etc., employees can take exercise based on individual needs for physical fitness and balance between work and rest.



4 Employment and Labour Standards

In regard of happiness, it is our understanding that as to the Group, the staff is more like a member of family. During the staff birthday parties, Halloween and Christmas festivals, we will grant in-house shopping discount coupons and birthday cake coupons, which are all tangible benefits for our employees.

20th Anniversary, Forging Ahead

Adhering to the philosophy of “working with customers, being a pioneer of life aesthetics”, the Group has gone through 20 years. From 1998 to 2008, it was the decade in which the Company laid a solid foundation and the founding employees committed continuing dedication. From 2008 to 2018, it was the decade in which we made our success and the La Xia people realized their dreams on this platform. At the 20th anniversary celebration, the Company selected and granted awards to employees who have served for more than 10 years and 20 years.



The picture above shows the scene of La Chapelle's 20th anniversary celebration

Up to now, the general managers of brand business units of the Company's proprietary women's clothing brands La Chapelle, Puella, La Babité, 7m, and Candie's have been serving the Company for more than 10 years. They joined the Group as young designers and worked in a down-to-earth and innovative way for many years, achieving great development in both professional and management positions. With their commitment of precious youth, they have made the success of the brands and achieved a win-win situation between personal value and corporate value.

4.2 HEALTH AND SAFETY

The Group manages health and safety from three aspects: workplace safety, physical health and safety as well as mental health.

Workplace safety

The Group has more than 9,000 physical retail points in department stores and shopping centers built in various decades. We adhere to the proportionality principle and scientific planning during store decoration to ensure decoration quality and minimize indoor pollution. We put customers' health and safety first in the store display while giving consideration to store aesthetics.



4 Employment and Labour Standards

The Group complies fully with the Production Safety Law of the People's Republic of China, the Construction Law of the People's Republic of China and other relevant laws. The construction of the new headquarters complex in Wujing Town is based on the principle of energy conservation and environment protection. Its construction standards are even higher than general environmental protection standards for commercial buildings. The examples are as follows: As for water utilization, there are devices for the reuse of reclaimed water, rainwater collection, and drip irrigation. As for energy saving, glass curtain walls (with natural lighting) and energy saving lamps are used. As for furniture, the Group persists in using only solid wood furniture and lays emphasis on material safety, environmental quality and employees' usage experience. As for greening, the Group makes every effort to increase the green coverage ratio and comprehensively build a green park from the park ground to the roofs to the sunken courtyards.

The prevailing design strategy for the traffic flow inside the base aims at the separation of pedestrian and vehicles, with streamlined lanes designed to slow down vehicles. Annular fire lanes are arranged around it and two-story underground garages are provided to meet parking requirements for employees' daily work and outsiders' parties, social activities, and leisure experience under the condition of ensuring safety. The motor vehicle garage has an area of 65,080 m² and a total of 1,057 parking spaces including 1,050 passenger car parking spaces and 7 light truck parking spaces. The non-motor vehicle garage has an area of 350 m² for parking 350 non-motor vehicles.

Physical health and safety

Health and safety are basic guarantee for people's pursuit of a better life. In response to the call of the *Healthy China 2030 Planning Outline*, the Group attaches great importance to employees' physical health. Physical examination has been adjusted to once a year from once per two years, which helps find and treat a disease early by arranging all employees for physical examination and establishing a physical examination archive.

The headquarters of the Group provides a dining hall and a gym for employees. Five independent buildings in the headquarters park are equipped with four basement catering areas with a total area of more than 5,000 m². What's more, a domestic famous third-party catering brand is introduced as a manager. All of this provides the employees and visitors in the park with a homey atmosphere. Located on the first floor of the headquarters building, the gym covers an area of more than 400 m² and is equipped with 30 kinds of multi-functional fitness facilities and a training room, which is in line with La Chapelle's flexible, energetic, healthy, and positive brand image.

Mental Health

As well as helping to safeguard employees' physical health, the Group is also devoted to take care of and pay attention to their mental health. Overall, the Group advocates "happiness from the six senses" of health, respect, caring, growth, sharing and social responsibility.



4 Employment and Labour Standards

As the retail service industry is intensively customer-oriented, the Group believes that helping employees to reduce stress and maintain a happy mood will enhance both their sense of belonging and improve their ability to create a positive shopping experience for customers.

For example, the headquarters of the Group organises theme activities, dresses up workplaces, has a little surprise for employees in holidays such as Halloween and Christmas. In the Taicang logistics park, we organise a parents-child campaign that enhances employees' sense of belonging. In the Chengdu base, we organise a football match that strengthens team cohesion.

4.3 DEVELOPMENT AND TRAINING

"An enterprise booms with talents and is doomed without talents." The core competitiveness of an enterprise will lie in talents in the future and "talent cultivation" is a top priority of its future development. La Chapelle always believes that an excellent organisation is necessarily a learning organisation. By centering on "talent cultivation" and initiating talent cultivation programmes such as "Team Construction of Senior Executives", "Team Development", "La New Stars", and "Headquarters Professionalism Course", La Chapelle fully enhances the insiders' professionalism and learning ability from the top down to build a learning enterprise of high quality.

Shaping people and a long-lasting enterprise

La Chapelle has developed for 20 years. The company's founder always maintains empty cup mentality and keeps on learning through channels such as Xiamen University, CEIBS, and PBCSF EMBA. This attitude of humility and eagerness to learn has a great effect on everyone in La Chapelle and virtually forms a corporate culture.

The company as a whole is a learning organisation that "performs training in work and inspection in practice" and "learns how to work in work". For example, the departments take turns to perform work-related learning and sharing including market observation and consumption experience from 8:30 to 10:30 a.m. every Monday, with the attendance of two or three departments every time, which promotes mutual exchange, understanding, and progress.

It takes ten years to grow a tree and a hundred years to bring up a generation of good men

A 10,000 m² area is reserved as a training site in the headquarters complex in Wujing. The short-term plan is to provide various trainings for middle management from the headquarters and employees from the national regions, primarily including general knowledge trainings on comprehensive management skills and leadership as well as professional skill trainings on fashion trend, retail market reporting, merchandising, etc. The long-term vision is to let this training site and La Chapelle's invaluable experience serve both the Group's employees and more people and provide relevant courses to students who pursue further education in the clothing industry or to people from all walks of life who want to improve their clothing match skills.

The personal quality, business ability and working attitude of employees have an important impact on the Group's store sales while the development of the Group is driven by the growth of employees to some extent. Thus, we attach great importance to the personal development of employees. The La Chapelle School of Management adheres to the mission of "inheritance, development, and effectiveness", opens learning resources to all employees, and designs a complete course system. From the vertical perspective, it is divided into a series of courses involving new employee orientation training, store assistants, store heads, store managers, and regional leaders. From the horizontal perspective, there are trainings on sales skills and clothing fabrics knowledge that focus on soft skills and hard technology, respectively. Instructors range from full-time training instructors from the School of Management to senior employees in various positions.

During the reporting period, the School of Management organised training to focus on corporate culture, brand publicity and operational requirements, i.e. it enhanced cohesion and publicized the corporate brand image through comprehensive training on corporate culture of La Chapelle; planned, designed and developed various characteristic training courses based on operational requirements, shared, studied, popularized, and implemented excellent benchmarks and typical cases within the Group; and further established the online course system to better support business requirements in accordance with the actual work pace. The specific performance was as follows:

4 Employment and Labour Standards

1. Operational terminals:

To strengthen the comprehensive operation skills of excellent store heads, the Group planned and organized four sessions of national and regional gold store head training camps with more than 160 participants in 2018. The Group improved the online course system to make it more professional and comprehensive, planned and organized online and offline learning activities as a whole; synchronously rolled out online star-rated store head courses and growth paths.

From the above-mentioned two points, training supports the company's human resources development strategy. The Group opens up a way to internal growth of terminal personnel by establishing a hierarchy of terminal personnel's capabilities, designing a learning path and courses, and taking into consideration the salary system. The Group also sorts out and establishes a national training team to match La Chapelle's multi-brand operating mode better and give full play to training value.



A group participating in LB branded commodity layout training

4 Employment and Labour Standards

2. Headquarters:

Training Data of La Chapelle Group Headquarters for 2018

No.	Trainees	Courses	No. of classroom sessions	No. of in-store sessions	Training hours*	Number of participants*
1	New employees (functional departments)	Company introduction, brand introduction, company system, corporate culture and professional ethics regarding anticorruption	12	–	1,254	420
2	New key positions	Company introduction, brand introduction, corporate policies, corporate culture and professional ethics regarding anti-corruption; rotational training in key departments	24	6	653	24
3	Training programmes and open classes	TTT; commodity layout training; training on office system operation; Gold of the Desert King; 2018 retail market report; 2019 fashion trend conferences, anti-corruption training, etc.	87	69	634	3,630
Total			123	75	2,541	4,074

La Chapelle National and Regional Training in 2018

No.	Trainees	Courses	No. of classroom sessions	No. of in-store sessions	Training hours*	Number of participants*
1	New employees	Introduction to the company and brands, corporate culture, basic techniques of service and sales, basic display knowledge and anti-corruption policy	729	1,049	4,677	18,733
2	Store assistants	Sales skills, clothing fabric knowledge, clothing match skills and motivation	643	1,661	3,758	20,605
3	Store heads and managers, sales officers, management team	Corporate organisational structure and corporate policies, the process of opening a new store, corporate core values and mentality, team building, data analysis, display skills, transfer and inventory specifications, team leadership, Super Team, TTT	359	409	2,485	12,087
4	Training helpers (Terminal sales gold lecturer certification)	Clothing match aesthetics, how to teach a new staff, how to organise a training course, the professional skills of product teaching	69	103	637	1,574
5	La new stars	Corporate organisational structure and system, the process of opening a new store, corporate core values and mentality, team building, data analysis, display skills, transfer and inventory specifications	267	151	1,132	3,321
6	Special projects in areas managed by headquarters	National Double Eleven special projects, national anticorruption training, RFID project, mainstay projects in southwest region, national gold store heads training camp in north China	198	83	923	48,378
Total			2,265	3,456	13,612	104,698

* Class hours are calculated based on training hours. Calculation for the number of participants is based on the number of trainees.

4 Employment and Labour Standards

At the same time, we also encourage our employees to learn outside the La Chapelle School of Management to gain an understanding of new concepts and trends, update their knowledge, master new technology and even obtain higher degrees.

A nine-storied tower rises from a heap of earth

La Chapelle is a company whose main business is clothing sales. The income of over 9,000 business outlets is undoubtedly its lifeblood to endure. Every business outlet depends on a store head for planning as a whole. Thus, La Chapelle attaches great importance to the training of store heads.

The fourth station (East China region) for 11-day national gold store head training was formally completed in the Taicang logistics center in September 2018. This training aimed at enhancing the professional skills and teamwork abilities of store heads. La Chapelle always laid stress on the image and quality of terminal stores and specially engaged a senior advanced lecturer team in the industry to train potential gold store heads whom the company picked up. After the company gathered excellent talents, this team took this rare opportunity to elaborate professional store management and marketing skills to store heads based on future development from 3 September to 13 September. We believe that more gold store heads will emerge in the future. La Chapelle will bring a new experience and a leap of professional skill to everyone and give adequate future growth space to outstanding talents, which will create more value for La Chapelle.

Heavy investment and high-end customization

La Chapelle had a good understanding that the core of future enterprise competitiveness lies in “talents”. Accordingly, La Chapelle made a heavy investment to create a great learning opportunity for 100 internal middle and senior management personnel together with the Parsons School of Design in late May 2018. This PARSONS programme was also the first one in the future talent cultivation system. All trainees including the internal executive team, holding company’s directors, some brand managers, senior store operating officers, regional sales managers, design, planning, and relevant functional departments of La Chapelle participated and jointly launched a brilliant learning activity characterized by active innovation, humble learning, happy sharing, and effective implementation.

This senior executive education curriculum entered into the investigation and preparation stage from the end of 2017. An interview team led by the Parsons School of Design came a long way to Shanghai for a deep interview with personnel of operating departments of La Chapelle in Shanghai. According to the results of the interview and investigation, a set of courses tailored for middle and senior managers based on the background of current challenges faced by La Chapelle were then set up. The courses were divided into planning and design and sales management parts with a total of 12 modules of practical excellent courses. In La Chapelle, a list of 100 trainees including the executive team of La Chapelle and the directors of the holding company was finally determined by planning the internal registration, matching the information, and screening the personnel under the leadership of the La Chapelle School of Management.

All courses involved in the PARSONS programme were based on the background of current challenges faced by La Chapelle. A strong teacher team consisting of senior professors and enterprises from around the world was established in the half-a-year learning period. This was designed to meet the future strategic development requirements. We expected that the trainees would expand their horizons and break through themselves through the six-month dedicated learning, and lead La Chapelle to a new height in the future.



4 Employment and Labour Standards



4.4 LABOUR STANDARDS

We believe that all people should “take care of one’s own children first and then extend the same care to others’ children”. Adolescents and children are in a critical period of physical and educational growth, and should be protected to the full extent of the law. Therefore, in accordance with national laws and regulations such as the Law on the Protection of Minors of the PRC and Provisions on the Prohibition of Using Child Labour of the PRC, the Group explicitly prohibits the employment of child labour and conducts a rigorous recruitment process to avoid employing child labour inadvertently. Once identified, child labourers will be dismissed immediately and person(s) concerned will be held responsible. At the same time, the Group includes the prohibition of child labour in its standards for supplier selection. During the reporting period, there were no occurrences of the use of child labour.

We adhere to the philosophy of “do unto others what you would have them do unto you” and fully respect the concept of employment freedom. During the employment period, the Group will not detain employees’ valid documents, impose a deposit charge, or obtain labour by means of any form of force. The Group disapproves of overtime work. If overtime work is unavoidably needed, the Group will provide employees with alternative leave or overtime pay in accordance with relevant laws and regulations including the National Labour Law and the Provisions on Payment of Wages. During the reporting period, there were no incidents of child labour, forced labour, or any related discrimination and harassment.



5 Anti-corruption

Improper business conduct such as corruption, bribe-taking and bribe-giving, either under the premise of sacrificing the interests of the enterprise, or in violation of the principle of fair competition and damaging the reputation of the enterprise, will severely disturb the normal management order of the enterprise. Hence, our Group is strongly against and explicitly prohibits this improper business conduct in all its forms.

LEARN FROM PAST MISTAKES TO AVOID FUTURE ONES AND CURE THE SICKNESS TO SAVE THE PATIENT

As far as anti-corruption is concerned, the Group adheres to the principle of “prevention and education first”. The supervision department has compiled an Anti-corruption Training Cases according to the actual situations of the Group, and cooperates with the School of Management to regularly organize anti-corruption training and assessment so that employees can strengthen their awareness of anti-corruption, continuously improve self-discipline, and regulate their own behavior.

In December 2018, the supervision department and the School of Management organized all employees to take an online annual anti-corruption examination so that they could have a good understanding of the company's anti-corruption policy and determination and enhance their awareness of anti-corruption. The supervision department worked out a *Regional Managers' Corruption Prevention Checklist* according to the practical cases and the practical situations of the regions. The regions organized a monthly self-inspection to pinpoint and eliminate any risk points as soon as possible. The anti-corruption skills of the regional management and store heads were improved through actual cases. Risks were nipped in the bud through routine inspection.

During the reporting period, the Supervision Department organised 140 anti-corruption training sessions, with the total number of participants reaching nearly 130,000.

COMBATING CORRUPTION IN AN OPEN, TRANSPARENT AND THREE-DIMENSIONAL MANNER

Anti-corruption is not only a matter of importance to the Group, but is a subject of concern across society. La Chapelle became a member of the Trust and Integrity Enterprise Alliance and the Enterprise Anti-Fraud Alliance in September 2017 and June 2018, respectively. Together with a number of domestic famous enterprises and the Criminal Law Science Research Center of Renmin University of China, La Chapelle implemented resource integration and data sharing and established career dishonesty archives to improve the anti-fraud ability of enterprises and create an uncorrupted business environment.

The Group has always stood firm on anti-corruption issues. Since establishing its Supervision Department in 2015, the Group has taken comprehensive measures to rectify bad practices and enforce discipline to eliminate potential sources of corruption. Internally, we require relevant undertakings or agreements be signed between the Group and its employees as well as partners. Externally, we announced reporting hotlines and e-mail and postal addresses and set up the “Clean La Chapelle” WeChat account (which has gained 35,000 followers), thus forming a three-dimensional anti-corruption network.

The Supervision Department has specially assigned staff to receive complaints via WeChat, e-mail or letter, with replies given within three working days. If warranted by the nature of the reported incident, we will communicate with the head of the department concerned and work out an investigative plan within three working days, based on which follow-up measures will be formulated. Results will be returned to the relevant complainants after prudent investigation. All the content, investigation process and results of the complaint will be put on record and will be sorted and filed in a timely manner.

6 Supply Chain Management

CENTRALISED PURCHASING TO REDUCE COSTS AND IMPROVE EFFICIENCY

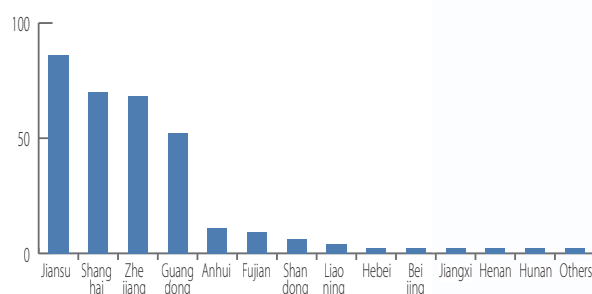
During the reporting period, the Group launched the system for product life cycle project and firstly implemented it in 7M brand, so as to establish a main business platform underpinning the development status and future demand of LaCha brand. The system effectively helps the Group to communicate with suppliers efficiently, realize knowledge sharing, improve the decision-making level and enhance the performance level of both parties.

Some of the Group's brands originated through endogenous development, while some were added via acquisition. All their procurement channels were operated under the brands' respective management departments.

In 2015, this situation began to change with the Group's establishment of a Centralised Purchase Centre (CPC). Its operations began in the area of surface accessories with huge demand, high generality and price competitiveness, and it gradually improved the Group's purchasing efficiency while reducing commodity and management costs. As of the end of the reporting period, the Group's centralized procurement center cooperates with 53 suppliers.

During the reporting period, compared with last year, the Group implemented differentiation management on the selection of suppliers, setting different access criteria for women's apparel, men's apparel and children's apparel. Meanwhile, the implementation of exclusive criteria among suppliers of women's apparel was beneficial to the differentiation among brands, so as to improve the core competitiveness of brand products. In addition, the Group optimized, amended and collected the access criterion of suppliers and set up a procurement control system related to centralized procurement. In terms of the inspection of centralized procurement suppliers, the Group, together

with the finance department, the business center under the brand department, the quality department and supplier management department, conducted multi-dimensional and all-round inspection to ensure introduce high-quality centralized suppliers and purchase high-quality products. During the reporting period, the Group streamlined the labels of various brands, and optimized the number of labels from 294 last year to 168, with an optimization rate of 42%.



GREEN ONLINE PURCHASING

The Group launched development of its BOM information system in 2016, and subsequently rolled it out to suppliers. The system enables the Group to place paperless orders, and provides suppliers with real-time tracking of demand.

This facilitates both parties' in accurately adjusting inventories and purchasing strategies. Since its introduction in March 2017, the system has effectively reduced the use of paper and dramatically reduced redundant products or materials. It demonstrates how the Group and suppliers can work together in green development. The Group has adopted various measures to conduct environmental protection. Information on the Group headquarters' total reduction in paper use during the reporting period is disclosed in the chapter on environmental protection.

6 Supply Chain Management

During the reporting period, the Group optimized the process of procurement and order placement and implemented digital signature for online order procurement. The delivery time agreed by both parties through signing the contract was shortened from five days to two hours, laying a foundation for quick counter-order. Meanwhile, the Group further practiced its environmental protection concept, and realized paperless office for approximately 16,850 sub-orders throughout the year. In the second half of 2018, the Group launched the informatization of supplier settlement, realized the system automatic reconciliation and payment, shorten the cycle of reconciliation and payment, which once again reflects the environmental protection concept of the Group. For the digitalization of quality testing reports, the Group cancelled offline paper reports and realized the digitalization for 6,738 reports.

RESPONSIBLE PURCHASING WITH ON-SITE EXAMINATION

The Group is not directly engaged in apparel manufacturing and all products provided to customers are from suppliers. Therefore, as one of its social responsibilities, the Group is dedicated to helping suppliers in the industry chain operate in a safe, healthy, environmental-friendly manner. As part of its commitment to responsible purchasing, the Group has also adopted the conditions for open tendering. During the reporting period, the Group carried out the new procurement model and purchased products via design studio platform, which enriched the novelty of the Group's products and greatly enhanced the adhesion of the cooperation between the two parties.

For apparel suppliers, the Group changed its passive mode of signing Social Responsibility Commitment Letter (《社會責任承諾函》) to the active mode of entrusting third-party institution (SGS-CSTC Standards Technical Services Co., Ltd. (通標標準技術服務有限公司), Intertek (上海東方天祥檢驗服務有限公司) and Bureau Veritas Consumer Products Services (必維國際檢驗集團) to conduct on-site inspection. We also cooperate exclusively with environmentally qualified raw accessories suppliers, which also guarantees the stability and reliability of the Group's purchase as the whole society is increasingly concerned about environmental protection and relevant authorities are stricter in environmental protection currently.

During the reporting period, the Group cooperated with the National Quality Supervision and Inspection Center for Textile and Apparel Products (Guangzhou) (國家紡織品服裝服飾產品質量監督檢驗中心(廣州)), a leading institution in testing industry, and also took pre-control measures for product quality. Starting from the raw material, the internal quality engineers of the Group carried out spot check on the collection of raw materials at different stages, such as the centralized procurement supplier site, the garment supplier site and terminal product, and monitored the improvement of product quality. The overall quality of down jacket was obviously enhanced as compared with that of last year during the reporting period.

On the basis of entrusting the internationally recognized third-party testing institution to conduct supervision on appearance and quality of products, the Group implemented internal supervision and counter-spot check mechanism, controlled product quality in various aspects including setting up quality acceptance level in warehouse, and carried out spot check on the appearance and quality of products on the counter to ensure the quality of products purchased by consumers.



7 Product Responsibility

MASS MARKET FASHION WITH HIGH QUALITY

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

To ensure product quality, starting from procurement, we prohibit purchasing products that contain toxic and hazardous substances, and we ensure that all our products sold at retail points meet relevant national quality standards such as the National General Safety Technical Code for Textile Products (GB18401-2010) and the Safety Technical Code for Infants and Children Textile Products (GB31701-2015). All the products for sale have been issued with a certificate of qualification by a state-certified testing agency.

La Chapelle is positioned in mass market fashion, with its products meeting basic functional requirements as well as aesthetic needs. The Company closely follows the spirit of “following the nature of retails and addressing the concerns of customers”. We can satisfy customer’s needs for fashion in different situations with our cost-effective costumes with clear image and high-quality. To achieve this, the Group has a design team with nearly 400 members who track fashion trends and analyze feedback from sales to inspire new items of apparel for the target customer, which have become the live card of La Chapelle.



WARM SERVICE, DIGITAL MANAGEMENT

The Group strongly emphasizes dedicated customer service as a part of its brand appeal. Despite an increasing number of stores and a commensurate expansion of the service team, the Group has never “watered down” its standards of customer service. For new stores, partners with retail experience in the same category conduct in-store staff training to better pass on the cultural concept of La Chapelle and continue the consistent warm services of La Chapelle.

In all retail stores, we emphasize respect for customers and understanding their needs and preferences as individuals. The skill and enthusiasm of store assistants in these areas are key factors affecting the quality of our service. To enhance their selling skills, the Group use a combination of centralized learning and on-the-job training which places equal emphasis on soft skills and hard technological knowledge. Our goal is to mould store assistants into trusted customer advisers.

In order to provide better services for customers, the Group launched the membership digitalization project in July 2016. Members can receive exclusive benefits and interests through the Wechat official account, the carrier of the membership digitalization system. Meanwhile, the Group established new channels for the communication with customers and strengthened the contact and interaction between the enterprise and customers. With the construction of member base, the Group integrated operation with user’s thinking and set up a reasonable membership system.



7 Product Responsibility

In November 2018, the membership digitalization project was implemented in thousands of smart stores, connecting the online Tmall flagship store with the offline store members of brands. As of 31 December 2018, the number of accumulative registered members was more than 6 million, the number of accumulative Wechat fans was more than 4 million. The members' contribution in 2018 increased by 22.4% compared with the same period of 2017.

EMBRACING TECHNOLOGY, STRIVING FOR INNOVATION

In 2018, La Chapelle released the "LaCha Cloud New Retail Strategy": focusing on improving customer's experience, relying on the national retail network and fashion shopping guide to connect the community e-commerce and realize more possibilities including multi-scenarios links with members and upgrading of consumption scenario. Previously, La Chapelle had reached strategic cooperation with Tencent. As the model and benchmark for Tencent to explore upgrading of consumption scenario in fashion retail field, combined with the strong social traffic and technical capacity, the two parties will set up a smarter "LaCha Cloud Smart Retail Brain" to communicate with customers on fashion product, aesthetic concept in a more convenient and more vivid manner via eco platforms including official account, mini program and Moments, and keep the "customer, products, shopping scenarios" always online and keep the consumption behavior can always be tracked. In the future, La Chapelle will also cooperate with Tencent in fields including cloud computing, AI and big data to further improve the insight ability of data, streamlined the operation ability of stores and lead the new experience in fashion retail.



KEEP PACE WITH THE TIMES, SEEK FOR TECHNOLOGICAL INNOVATION

Innovation is an important driving force for the development of enterprise. The Group attaches importance to the development of scientific technology and actively applies it into practice. After nearly a year of intensive preparatory work (planning started from 2016), in December 2017, the electronic labels, corollary equipment and software based on the radio frequency identification technology (hereinafter referred to as "RFID") was officially put into use, covering the whole process of supply, logistics and sales of clothing, case and bags. In 2018, the Company realized the full brand coverage of RFID.

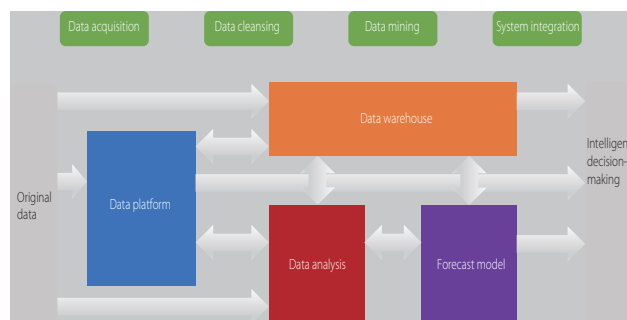
7 Product Responsibility

The introduction of RFID not only greatly improves the management efficiency of the Group, but also brings certain environmental and social benefits. From the perspective of environment, it speeds up the feedback from sales data to the supply side, enabling the Group to quickly respond to the market, avoiding excessive stock-up and reducing the waste of resources, and many suppliers in the industry chain also benefit from it. From the perspective of society, it makes the sales persons to change the original operation mode of closing down or working overtime due to stocktaking, and also greatly reduces the labor intensity of store and warehouse staff.

USE DATA TO MAKE EFFICIENT DECISIONS

During the reporting period, La Chapelle conducted in-depth cooperation with the big data research center of Duke Kunshan University to build a big data analysis and decision-making platform for clothing industry from various aspects, including data acquisition, data cleansing, data mining and system integration. At present, the smart decision-making system based on big data analysis has been successfully applied in two big application scenarios, i.e. commodity replenishment and goods allocation for stores.

Facing the challenge of long cycle required for clothing commodity replenishment, the Group took some brands of La Chapelle as the pilot, integrated the data of sales, inventory and other aspects and proposed a new smart forecast model. The model can quickly identify best-selling products and unsalable products at the early stage of sales when commodities were launched, and precisely select the commodities that require replenishment. Compared with the existing forecast methods, the new method can shorten the forecast time by 1 to 2 weeks, which provide a data decision-making basis for rapid and accurate response to the market.



For the matching problem between products and stores, a multi-dimensional indicator based on sales data is proposed to classify and categorize stores. A series of influence factors including store sales are taken into account in the new store classification system to achieve the best match between products and stores, and thus to provide most suitable choice of products for target customers, enhance the sales rate of stores and avoid overstock of unsalable products in store warehouse.

ENCOURAGING INNOVATION AND FIGHTING FAKES

As a large multi-brand group, we are acutely aware of the importance of innovation in fashion. We therefore take the protection intellectual property, patents and other innovative achievements very seriously. We also respect others' innovations, and abide by industry standards and norms in this area. The Group encourages innovation and welcomes creative talents to join its "family". Every year, we make a large investment in design and textile innovation, and continuously enhance our capacity for independent design and development. At the end of the reporting period, the Group held a total of 458 trademarks, licenses, copyrights and appearance designs.

7 Product Responsibility

The Group pays close attention to La Chapelle products' market performance, especially on the e-commerce platform, and regularly inspects its sales channels and investigates abnormalities to stamp out fakes. The Group's online implementation of RFID tech has added greatly to our ability to identify and fight fake products.

GUARANTEEING CUSTOMER PRIVACY

We are committed to protecting customer data, and will not disclose customer information to any third party without their consent. For this purpose, the Group has adopted strict management practices which ensure that unauthorized employees cannot access private information. We regularly educate and train employees about the customer privacy, and have taken steps to strengthen cyber security for our TMALL, JD and other online stores to protect customer data.

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8 Community Investment

SYSTEM PROTECTION, TARGETED POVERTY ALLEVIATION

The Group believes in development with “win-win” economic and social benefits. Therefore, as the Company has developed steadily over the years, it has actively participated in public charity projects and has demonstrated its responsibility and commitment as a large enterprise. The Group conscientiously implements relevant poverty alleviation policies, takes effective measures to deepen poverty alleviation work, ensures that it is making the real poverty alleviation, truly making the poverty alleviation, donates materials, cares and solves real life difficulties of employees in need within the Group and vulnerable groups in areas which it has operated.

For La Chapelle, public welfare and charity means more than donating money; it is about integrating social responsibility with corporate strategic planning. During the reporting period, the Group continues to implement the External Donation Management System in accordance with the Laws

and Regulations of the People’s Republic of China on Donation of Public Welfare and the Company Law of the People’s Republic of China, and based on its past donation practices and current actual conditions, to strengthen its management of external donations. This laid a foundation to enable the Group to better fulfill its corporate social responsibilities and effectively promote and enhance its public image.

CHARITY CULTURE GOES DEEP INTO HEART

In the last decade, the Group has made frequent donations of clothing through the Foundation for Disabled People’s Welfare and local Red Cross societies. During the reporting period alone, the Group donated 831,824 items of clothing to vulnerable groups through cooperation with charity organisations:

Donors	Donation partners	Pieces
Shanghai La Chapelle Fashion Co., Ltd.	China Welfare Fund for the Handicapped	500,973
Shanghai La Chapelle Fashion Co., Ltd.	Shanghai Welfare Foundation Fund for the Disabled	221,218
Shanghai La Chapelle Casual Fashion Co.,Ltd.	Hengshan Foundation in Binhu District, Wuxi City	68,287
	Civil Affairs Bureau of Mengcheng County, Anhui Province	
Shanghai La Chapelle Casual Fashion Co.,Ltd.	Bulenggou Primary School in Gaoshan Town,	30,916
La Chapelle Fashion (Taicang) Co., Ltd.	Dongxiang Autonomous County, Gansu Province	3,231
Total		831,824



8 Community Investment

NEVER STOP DONATING WITH A WARM HEART

From senior leaders to basic employees and from individual to the enterprise, everyone is faithfully implementing the charity spirit of “the rose’s in her hand, the flavor in mine.” We have listed part of our donation activities as follows:

Time	Location	Activities	Descriptions
May 8th	Beijing	Collecting kindness project – (love and warm) clothing project donation	Donating 400,000 pieces of brand new clothes to the foundation, focusing on supporting disabled people and people in need in Yunnan, Shandong and Linze County, Gansu Province.
May 17th	Daqing	Summary of the 10 years donation from La Cha to the Heilongjiang Provincial Welfare Foundation for the Disabled	For the recent 10 years, the project has supported and helped 94,000 disabled people in need and their family, benefiting 13 cities (prefecture), 51 counties, 27 districts and 32 villages throughout the whole province.
June 1st	Gansu	Local primary and secondary school visits and donations	Donating 10,000 pieces of clothes to some difficult schools; Launching a “Love Lunch” program for students in need.
September 3rd	Anhui	Clothing love donation ceremony	Donating 30,000 clothes to Mengcheng county, Anhui province.
December 4th	Yunnan	La Chapelle Yunnan winter warming plan	The major stores in Kunming City collecting clean and tidy winter clothing, such as coats, down jackets, woolen fabrics, etc., neat backpacks or stationery, and each donator will be offered a La Chapelle love voucher of RMB50.

On 8 May 2018, the donation ceremony and working meeting of “collecting kindness project – (love and warm) clothing project” are held in Beijing. La Chapelle donated 400,000 pieces of new clothes which worth of RMB12.37 million, focusing on supporting disabled people and people in need in Yunnan, Shandong and Linze County, Gansu Province. La Chapelle has been a long-term partner of China Foundation for Disabled Persons for nearly 10 years, it has donated 3,400,000 pieces of new clothes accumulatively with a total value of RMB260 million, which supported and helped more than 1 million disabled people and people in need in 22 provinces, districts and cities across the country. The donated new clothes bring confidence and self-respect to the disabled and constitute an important part of helping them to jointly build a “beautiful China”. The project has also made outstanding contributions to the work and construction of the foundation project. In 2014, the foundation won national social poverty alleviation commendation for carrying the project and other work to help the disabled. In 2015 and 2016, the project was included in the Year Book of China’s Poverty Alleviation and Development (《中國扶貧開發年鑒》).



Photographed in the donation ceremony



8 Community Investment

SPONSORING MARATHON, BE BETTER IN RUNNING

In October 2018, the 710 brand under of the 7M brand of the Company participated in the international marathon held in Jingan District, Shanghai. In this women's marathon, the Company's 710 brand sponsored 3,500 event suits, reflecting the brand's fashion and professionalism, allowing sporty women to highlight fashion in sports and inspire more vitality out of them thorough fashion.



DONATING BLOOD, CARE AND CONCERN

The Group has a large number of young and middle-aged employees. This is not only the foundation for us to grasp the fashion trend and serve consumers, but also the source of our ability to support local volunteer donation and use blood to convey love over the years. In the mobilization of voluntary blood donations, we emphasize the importance of voluntarily donating blood for salvaging patients and, on the other hand, let employees know that proper blood donation is beneficial to the body through science education.

During the reporting period, the Group's administrative department organised 71 employees, who were qualified in the body check, into five groups to participate in voluntary blood donation. The total volume of blood donated was 19,200 millilitres. Employees who successfully donated blood were rewarded with three additional days of paid holiday (excluding the blood donation day) and RMB800-1,200 of nutritional subsidies to express the Group's support and concern for employees' participation in blood donation.



9 Environmental Protection

ENVIRONMENTAL POLICY AND COMPLIANCE STATEMENT

Environmental protection is one of our core values, while the Green Earth is the purpose of our life; La Chapelle supports the world's environmental protection is our long-term motto. With the Group acting in full compliance with laws and regulations including the Environmental Protection Law of the PRC and Energy Conservation Law of the PRC, and other relevant laws in the places where we operate, we are committed to implementing green, low-carbon development and recycling in business operations to achieve the mission of "creating a better life".

The Group's major environmental protection concepts include:

- Using renewable packaging materials;
- Using energy-saving equipment in offices and other places of business;
- Encouraging employees to save resources in their daily work;

- Integrating environmental protection concepts into the design and production of clothing;
- Integrating the concept of energy conservation into site planning and construction.

During the reporting period, the Group did not violate any environmental laws and regulations.

9.1 EMISSIONS AND USE OF RESOURCES

ENERGY-SAVING FACILITIES TO REDUCE ENERGY CONSUMPTION

The Group has 9,269 outlets and online sales channels including TMALL and JD stores, three logistics centers, and headquarters buildings in mainland China. As they all consume electricity continuously, energy is a major contributor to the Group's use of resources, and also comprises its major source of greenhouse gas emissions.

Table 1: Electricity Consumption in 2018

	Location	Number	Electricity consumed (kWh)
New headquarters complex	Wujing Town, Minhang District, Shanghai	1	2,065,883
Warehouse Logistics Centre	Tianjin, Taicang of Jiangsu, Chengdu of Sichuan	3	4,582,705
Caoshi Office building ²	Shanghai	2	154,408
Exclusive shops in shopping centers	30 provinces, autonomous regions and municipalities in Mainland China.		Not included in the statistical scope
Concessionaire counters in department stores	30 provinces, autonomous regions and municipalities in Mainland China.		Not included in the statistical scope
Total			

In 2018, the Group generated 4,151 tonnes¹ of greenhouse gases from its controlled properties' outsource electricity.

During the reporting period, the Group had a total of four projects under construction. By installing energy-saving lighting fixtures, water-saving devices, and equipping them with limiters, their actual water use and electricity consumption was less than designed, boosting the projects 'green credentials'.

¹ With reference to the requirements of the China Development and Reform Commission Office Climate [2017] No. 1989 or IPCC.

² Relocated in June 2018

9 Environmental Protection

The Group's influence on equipment used and electricity consumed by its business outlets in department stores is necessarily limited. For example, the Group cannot regulate the use of air conditioning in shopping malls where it operates. However, there are still ways to improve the energy efficiency of these outlets. For example, the group has been using LED lamps in new store design and new decoration of old stores since 2015, which could save 30% ~ 40% electricity for each year. As of the end of the reporting period, stores that use LED lamps has accounted for 90% of all stores overall, stores that still apply metal halide lamp have also replaced the original 70 watts/lamp with 35 watts/lamp. At the same time, the plasterboards are changed into calcium silicate boards which are more environmental friendly when stores are being decorated. The formaldehyde content in calcium silicate boards, which are more fireproof and durable and have a longer useful life than plasterboards, is significantly lower than that in plasterboards, therefore the resources losses can be significantly reduced.

PRESERVING WATER RESOURCES

Water is the source of life. We understand fully the valuableness of freshwater resources and post promotional slogans next to the water facilities in office buildings to enhance employees' awareness of water conservation. We use faucet taps in construction projects and arrange special personnel to take care of maintenance of the water pipe network to prevent the phenomena of "spraying, dropping, dripping, and leaking". At the same time, when such use is approved and practical, the Group will exploit such nontraditional sources of water such as rivers and rainwater collection to meet its needs. For example, during the reporting period, the Group's new headquarters complex used 111,279 cubic metres of freshwater, of which 13,650 cubic metres were derived from non-traditional sources.

Wash tanks are located at the headquarters construction site to ensure the cleanliness of vehicles carrying earthwork and waste off-site, and avoid contamination of off-site roads. Wastewater generated from construction and vehicle washing is drained into tertiary sedimentation tanks, with the resulting filtered water then entering a circulating tank before being used for dust alleviation. Wastewater is not directly discharged into the municipal network, but is collected regularly by qualified institutions upon precipitation at septic tanks and grease traps.

PACKAGING WITH LOW ENVIRONMENTAL IMPACT

Whether it was purchased online or in a retail space, we strive to ensure that our products reach customers in a good condition and are well-packed. Therefore, the Group's consumption of packaging materials has increasing at the same pace as its sales, creating a key area of concern in terms of our sustainable development.

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

In the logistics sector, manufacturers make deliveries to the Group's warehouses and logistics centres. Packing is completed by the manufacturers, and the logistics centre is responsible for onward delivery to retail points. Although we have limited control over the packaging materials, we advocate saving packaging materials as much as possible and avoiding excessive packaging under the premise of effective protection of goods. At the current stage, the Group will focus more on the use of the packaging materials that can be effectively managed, such as recycling of certain carton boxes and transfer of unrecyclable carton boxes to qualified waste recycling agencies, etc. In 2017, we conducted the pilot work for more wear-resistant transit box at the Taicang warehouse. From the test result, the use of transfer boxes reduced consumption of packaging materials in the Group's internal cargo transit. In the future, we will carry out further pilot work along these lines.

9 Environmental Protection

In the retail sector (which further divided into online sales and stores sales), for online sales the main packaging materials used are plastic bags. Since October 2015, the Group has used a more eco-friendly PE (polyethylene) material for the packaging of new products. For store sales, the major packaging material is paper shopping bags. The paper bags provided by the Group are made of eco-friendly recyclable raw materials (secondary paper), with a recycling symbol printed to remind consumers to reuse or recycle after initial use. We purchase packaging bags in a centralised manner and distribute them to stores to ensure the controllability and traceability of the process. During the reporting period, a total of 27.50 million paper bags, 15.78 million PP plastic bags, and

770,000 tapes were used. In 2018, the Company has enhanced the management of paper bags in retail stores, configured the number of paper bags based on the number of customers' purchasing vouchers. Compared to 2017, the number of paper bags consumed has been decreased by 7 million; In addition, the Company has also strengthened the reuse of PP plastic bags in retail stores, after removing packing materials of the products, all reusable PP plastic bags will be collated and classified and will be reused for packaging in case of retuning goods by customers; When packing, we make good use of the space inside the packaging and use it on demand.

The use of carton boxes during the reporting period is as follows:

Table 2: Carton boxes use in 2018

Category	Type	Specification	Number
Carton box	Standardised box	580*380*430	174,860
	½, ⅓, ¼ box	—	164,880
	others	—	91,600

SAVING ENERGY AND REDUCING EMISSIONS

The Group has integrated environmental protection into its internal management, and has implemented several measures in detail. We formulated the Code of Employee Conduct in the Office, stipulating that employees shall hibernate the computer at meal time or during breaks, close all doors and windows and turn off lights and shut down power suppliers (sockets, monitors, water dispensers and air conditioners) when they leave, achieving "clearance of rubbish, passage and desk; turning off of electricity, closing of window, cutting off tap". In the unoccupied rooms, all electric appliances must be switched off and the room temperature is monitored during use of air conditioner; we prohibit employees from using disposable tableware and from eating the animals and plants protected by the State. We encourage our employees to save water and electricity, and to use stairs instead of lifts to reach adjacent floors. The administrative department is responsible for inspecting and supervising the implementation of the above energy and resource conservation regulations.

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

The Group encourages paperless office operations, and on occasions when printing is required, double-sided printing is recommended. Since October 2016, the Group's headquarters has relocated its formerly distributed office printers to designated central locations (with paper recycling boxes) and controlled paper use through a swipe card system. These measures have effectively reduced unnecessary printing and reduced the overall use of paper.

9 Environmental Protection

Some of the non-hazardous wastes generated by the Group's operations are routinely handled by the sanitation department. As manufacturing processes generating hazardous waste in construction projects are completed at factories, the Group does not directly generate waste of that type.

9.2 ENVIRONMENT AND NATURAL RESOURCES

The Group's greening design aims at energy saving, aesthetics, environmental protection, and highlighting the green ecological park image of the enterprise through a large area of greening and garden design, and also is providing employees with a comfortable outdoor landscape and a wealth of activities experience venues.

The establishment of an ecological society is the ultimate goal of the sustainable development of China. As the Group's construction projects are closely related to the environment, it has worked to integrate eco-friendly concepts into its projects from the design stage. In the new headquarters complex at Wujing Town, the total area is 40,198.2m², among which, the green area is 8039.64m² with a green coverage of 20%; the concentrated green area is 2,076.84m² with a concentrated green area rate of 5%, and the cultivation species are up to 94 with a total of 9,154 trees and plants. Besides the green spaces between buildings, we have also made good use of the roof platform and deployed a roof garden, creating a green and vibrant work environment for employees.

There are 41 landscape tree species with 2015 trees in total in the 139,600m² area that has been completed in Taicang Logistics Park and the water of the adjacent river is introduced into the park for greening irrigation, which has created a garden-style logistics center. At the same time, we also take efficient use of the main building of the warehouse. The rooftops of Group warehouses are also increasingly being used to develop photovoltaic projects. Solar energy generated by photovoltaic panels can be used to cool warehouses' top floors, and can also provide clean electricity to the grid.

Green considerations are of paramount importance when planning Group construction projects. Environmentally friendly details extend to the selection of low-noise, low vibration construction tools and equipment in accordance with the Emission Standard of Environment Noise for Construction Site. A total of five monitoring points are set up to continuously monitor construction site noise. As well, outdoor floodlights are equipped with shades and carefully aligned to direct light towards the site to minimise light pollution of the surrounding enterprises, people or plants.



9 Environmental Protection



Schematic picture of Taicang Logistics Park



Real picture of the new headquarters complex



Real picture of the roof garden of new headquarters complex



Appendix: Disclosure Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
A. Environmental				
A1: Emissions	General Disclosure Information on below in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		9.1	27
	KPI A1.1	Types of emissions and respective emissions data.		Note 1
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		28-30
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e. g. per unit of production volume, per facility).		Note 1
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		28-30
	KPI A1.5	Description of measures to mitigate emissions and results achieved.		28-30
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.		28-30

Appendix: Disclosure Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		9.1	27-30
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).		27-28
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).		28
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.		28-30
	KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved.		28
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		28-29
A3: Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		9.2	30-31
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.		

Appendix: Disclosure Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B. Social				
B1: Employment	General Disclosure Information on below relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		4.1	8
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.		
	KPI B1.2	Total workforce by gender, employment type, age group and geographical region.		nil
B2: Health and Safety	General Disclosure Information on below relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		4.2	10-12
	KPI B2.1	Number and rate of work-related fatalities.		Note 3
	KPI B2.2	Lost days due to work injury.		Note 2
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		10-12
B3: Development and Training	General Disclosure Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		4.3	12-16
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		Note 4
	KPI B3.2	The average training hours completed per employee by gender and employee category.		

Appendix: Disclosure Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B4: Labour Standards	General Disclosure Information on below relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		4.4	16
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		
	KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered.		
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		6	18
	KPI B5.1	Number of suppliers by geographical region.		
	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.		
B6: Product Responsibility	General Disclosure Information on below relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		7	19-20
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Note 2
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.		Note 2
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.		21
	KPI B6.4	Description of quality assurance process and recall procedures.		18
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.		21

Appendix: Disclosure Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B7: Anti-corruption	General Disclosure Information on below relating to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5	17
	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.		
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored		
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		8	22
	KPI B8.1	Focus areas of contribution (e. g. education, environmental concerns, labour needs, health, culture, sport).		23-24
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		

Note 1: As the Group's operations do not involve heavy industrial production or use fossil fuels directly, and do not possess a logistics fleet, air emissions and hazardous waste produced are not significant. Main non-hazardous waste is packaging materials.

Note 2: The KPIs of these social aspects are temporarily not disclosed.

Note 3: As the Group's works involve limited hazardous operations, the indication is not applicable.

Note 4: The Group has disclosed other quantitative indicators.

