

# 361°

**361 DEGREES  
INTERNATIONAL LIMITED**

STOCK CODE: 1361

## Environmental, Social and Governance Report 2018





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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## I. ABOUT THE REPORT

This Environmental, Social, and Governance (“ESG”) report (the “Report”) demonstrates 361 Degrees International Limited (hereinafter referred to as the “Company”) and its subsidiaries’ (the “Group” or “We”) approach and performance in terms of sustainable development for the financial year ended 31 December 2018 (“FY2018”). The Group believes that a sustainable, resilient and reliable stewardship and development is essential to the Group’s long-term success. Details of the Group’s management approach in both environmental and social aspects can be found throughout this ESG Report.

## II. REPORTING PERIOD AND SCOPE OF THE REPORT

This Report covers the environmental and social performance within defined operational boundaries of the Group that includes the Group’s operation in Hong Kong, the People’s Republic of China (the “PRC”), Taiwan, Brazil, the United States and the Netherlands. The reporting period FY2018, being the Group’s financial year from 1 January 2018 to 31 December 2018. This ESG report is prepared in compliance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## III. INFORMATION DISCLOSURE

The information in this ESG Report is gathered through numerous channels, including official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by the subsidiaries of the Group.

#### IV. SUSTAINABILITY MANAGEMENT

The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby to a large extent minimising the Group's undue impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors ("Board") of the Company has ultimate responsibilities for ensuring the effectiveness of the Group's ESG policies.

The Group has established dedicated teams to manage ESG issues within each business division of the Group and has kept monitoring and overseeing the progress against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues have been assigned to enforce and supervise the implementation of the relevant ESG policies cascading throughout the Group.



The Group has developed its sustainability strategy with aims to continue to lower the Group's impact on the environment. To carry out the sustainability strategy from top to bottom, the dedicated teams are responsible for managing ESG related issues, and the Board has the ultimate responsibility for ensuring the effectiveness of its ESG policies. The Group is committed to constantly reviewing and adjusting its sustainability policies to satisfy the ever-changing needs of its stakeholders.



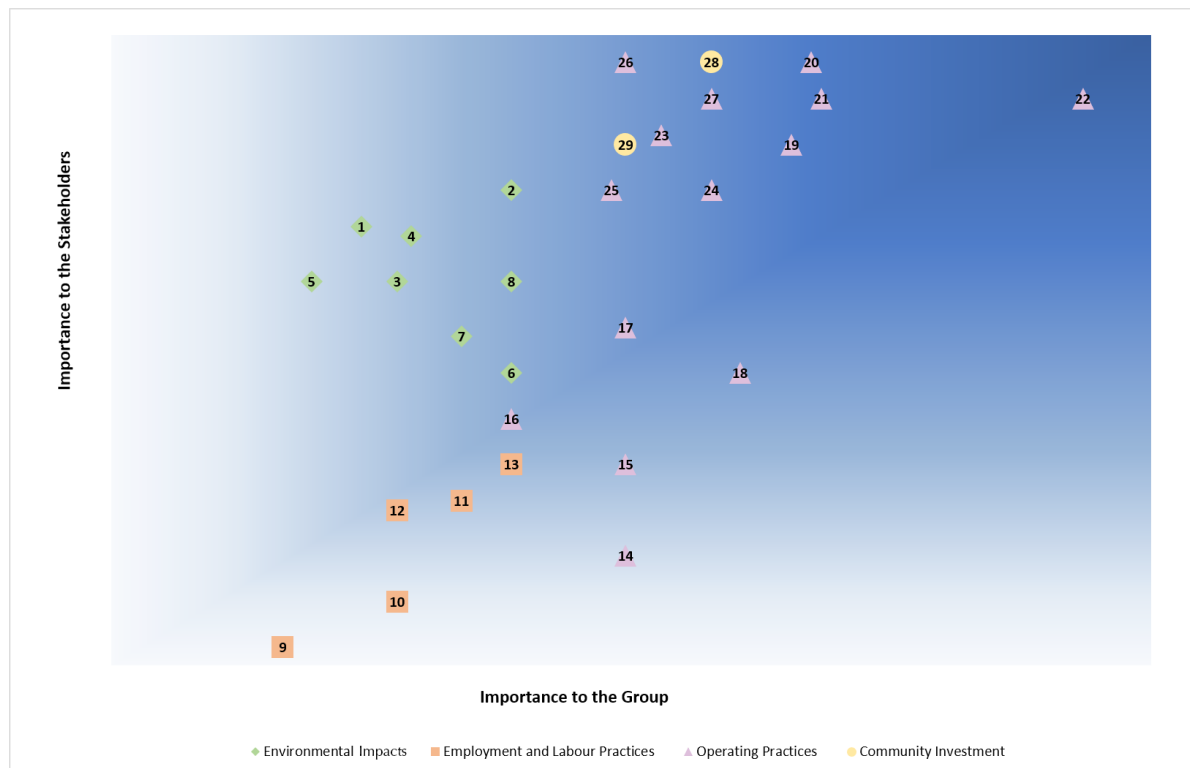
## Stakeholder Engagement

With the goal to strengthen its sustainability approach and performance, the Group has put tremendous efforts into listening to both its internal and external stakeholders. The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supportive relationship with them through their preferred communication channels listed in the table below.



### Materiality Assessment

Since ESG risks and opportunities for companies vary across industries and depend on specific business patterns of companies, the Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG report. In FY2018, the Group engaged its stakeholders to conduct a materiality assessment survey initiated by a third-party agency in order to guarantee the accuracy and objectivity of evaluation. Specifically, internal and external stakeholders including customers, suppliers, business partners, Board members and employees from various business units of the Group were chosen and assessed based on their respective influence and dependence on the Group. Stakeholders were invited to express their concerns on a list of sustainability issues via an online survey to pinpoint the ESG issues that were identified as material to the Group's business development and strategies. Through a science-based materiality assessment to prioritise the topics from the entire inventory of ESG issuers, the Group eventually formulated a materiality assessment matrix below, which could genuinely reflect the real concern of its stakeholders on ESG matters and facilitate the Group to develop actions plans for effective ESG management.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>Environmental Impacts</b>	10. Employee remuneration and benefits	20. Customer satisfaction
1. Air and greenhouse gas ('GHG') emissions	11. Occupational health and safety	21. Marketing and promotion
2. Sewage treatment	12. Employee development and training	22. Observance and protection of intellectual property rights
3. Land use, pollution and restoration	13. Prevention of child and forced labour	23. Quality control and management of products
4. Solid waste treatment	<b>Operating Practices</b>	24. Protection of consumer information and privacy
5. Energy use	14. Suppliers' geographical regions in which materials are sourced	25. Labelling relating to products/services
6. Water use	15. Selection of suppliers and assessment of their products/services	26. Prevention of bribery, extortion, fraud and money laundering
7. Use of raw/packaging materials	16. Environmental protection assessment of the suppliers	27. Anti-corruption policies and whistle-blowing procedures
8. Mitigation measures to protect natural resources	17. Social risks assessment of the suppliers	<b>Community Investment</b>
<b>Employment and Labour Practices</b>	18. Procurement practices	28. Understanding local communities' needs
9. Composition of employees	19. Health and safety relating to products/services	29. Public welfare and charity

According to the outcome of the materiality analysis matrix, the Group identified four ESG issues that are of great significance to both the Group and its stakeholders from 29 sustainability topics, namely “Observance and protection of intellectual property rights”, “Customer satisfaction”, “Marketing and promotion” and “Health and safety relating to products/services”. Besides these, the Group also engages stakeholders with the Sustainability Development Goals (“SDGs”) to determine the future goals for Group ESG policy. The Sustainable Development Goals (SDGs), established by the United Nations, came into force on 1 January 2016 and laid out a roadmap to tackle 17 vital sustainability issues around the world. The Group has identified “Target 10: Reducing Inequalities” and “Target 12: Responsible Consumption and Production” as the most concerned goals for the Group’s sustainability development. This review and assessment helped the Group to objectively prioritise its sustainability issues, precisely identify the material and relevant aspects, and make for the purposeful documentation and disclosure of its ESG performance so as to align them with stakeholders’ expectations. The Group will disclose more measures taken to achieve the goals listed above in the future.

## V. ENVIRONMENTAL SUSTAINABILITY

To seek the long-term sustainability of the environment and the community where it operates, the Group is prudent in controlling its emissions and consumption of resources, and complies with relevant environmental laws and regulations in operating regions during its daily operations, including but not limited to the following:

- Environmental Protection Law of the People’s Republic of China  
(《中華人民共和國環境保護法》);
- Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution  
(《中華人民共和國大氣污染防治法》);
- Law of the People’s Republic of China on Prevention and Control of Water Pollution  
(《中華人民共和國水污染防治法》);
- Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes  
(《中華人民共和國固體廢物污染環境防治法》);
- Law of the People’s Republic of China on Prevention and Control of Pollution from Environmental Noise  
(《中華人民共和國環境噪聲污染防治法》);
- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);
- Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong);
- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).

This section primarily discloses the policies and practices of the Group on emissions, use of resources, and the environment and natural resources during FY2018.



## A.1. Emissions

The Group has complied with all relevant local environmental laws and regulations in terms of emissions that have a significant impact on the Group as set out in Hong Kong, the PRC and other operating regions. In FY2018, the Group found no violation of prominent laws relevant to air and greenhouse gas (“GHG”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The Group commits to constantly mitigating its environmental impacts through effective measures, such as the smart control of the Group’s resource consumption and the upgrade of outdated equipment that performs poorly in energy efficiency.

In comparison with last year, the emissions show an overall increase due to the increase in production scale. In FY2018, the air emissions of sulphur oxides (“SO<sub>x</sub>”) and nitrogen oxides (“NO<sub>x</sub>”) amounted to 2.9 kg and 51.5 kg. The total greenhouse gas (“GHGs”) emissions for Scope 1 (Direct Emissions), Scope 2 (Energy Indirect Emission) and Scope 3 (Other indirect Emissions) were 474.2 tonnes carbon dioxide equivalent (“CO<sub>2</sub>e”), 24,734.6 tonnes CO<sub>2</sub>e, and 208.0 tonnes CO<sub>2</sub>e, respectively. The Group’s total GHG emissions amounted to 25,416.8 tonnes CO<sub>2</sub>e, and the GHG intensity for the Group was 3.6 tonnes CO<sub>2</sub>e/employee.

Other than air emissions, the Group also emitted 2,978 tonnes of non-hazardous solid wastes and 454,654.0 m<sup>3</sup> of non-hazardous wastewater in its operations.

The Group did not generate any hazardous emissions during the reporting year. The Group’s total emissions are summarized in Table 1 below.

**Table 1. The Group’s total emissions by category in FY2018**

Emissions		Unit	Amount	Intensity* (Unit per employee)
Air emissions	SO <sub>x</sub>	kg	2.9	–
	NO <sub>x</sub>	kg	51.5	–
GHG emissions	Scope 1 (Direct Emissions)	tonnes CO <sub>2</sub> e	474.2	0.1
	Scope 2 (Energy Indirect Emissions)	tonnes CO <sub>2</sub> e	24,734.6	3.5
	Scope 3 (Other Indirect Emissions) **	tonnes CO <sub>2</sub> e	208.0	–
	Total (Scope 1, 2 & 3)	tonnes CO <sub>2</sub> e	25,416.8	3.6
Non-hazardous waste	Non-hazardous wastewater	m <sup>3</sup>	454,654.0	64.8
	Non-hazardous industrial solid wastes	tonnes	1,293.0	0.2
	Domestic solid waste	tonnes	1,675.0	0.2

\* Intensity was calculated by dividing the number of employees at the end of the fiscal year :

\*\* Scope 3 only calculated the emission from water processing.

### Sportswear business

The Group through its wholly-owned subsidiaries currently operates two factories, both of which are located at Jinjiang City, Fujian Province, PRC.

The discharges include the air emissions from car use, air emissions from natural gas combustion, municipal sewage, municipal solid wastes, and small amount of industrial solid wastes. The Group conducts regular treatments on its wastes during the manufacturing process, and keeps meticulous monitoring and controlling on its emissions, especially air emission, wastewater, solid wastes and noise, to guarantee its emissions are compliant with the corresponding discharge standards of the PRC. In FY2018, the Group did not receive any complaints on the environmental pollution issue from the surrounding residents and regulators in the PRC.

The Group is committed to making its sportswear products in ways that protect the environment and customers by optimising the manufacturing lines to reduce or even eliminate the emissions including solid wastes, wastewater and greenhouse gases. The Group strictly controls the chemical use during the manufacturing process and ensures that there is zero hazardous chemical exposure in both the supply chain and production lines.

#### *Air Emissions*

Air emissions are mainly generated from the use of vehicles, therefore, the exhausted gases generated from the combustion process were mainly SO<sub>x</sub> and NO<sub>x</sub>. The relevant amount of each emitted in FY2018 is shown in Table 1.

#### *Greenhouse Gases ("GHGs")*

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

The Group takes good care of the flourishing greening area surrounding the workshop, which plays an important role in reducing and offsetting certain GHG emissions.

#### *Wastewater*

The Group recycles the wastewater from the boiler combustion process in the production lines after rigorous treatment. Another kind of wastewater generated from sportswear business is the domestic sewage consumed by the daily usage from internal staff. The domestic sewage then discharges into the local municipal waste water treatment plant for further treatment. In FY2018, the Group generated 454,654.0 m<sup>3</sup> domestic wastewater, and specific measures were adopted by the Group to reduce the water consumption, which are further explained in the subsection headed "Water" under section **A.2. Use of Resources** of this ESG Report.

### *Solid Wastes*

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

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

In FY2018, the Group generated 1,293 tonnes and 1,675 tonnes of non-hazardous industrial solid wastes and domestic solid wastes, respectively.

### *Noise control*

The noise source of manufacturing process mainly comes from the transport of raw materials, fan and mechanical noise. The operating noise at daytime and night-time meets the noise control requirements. In FY2018, the Group did not receive any complaint on the noise issue from surrounding residents and regulators in the PRC.

### **Overseas business and Hong Kong head office**

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

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

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

*Wastewater*

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

*Solid wastes*

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

**A.2. Use of Resources**

The Group complied with relevant laws and regulations in relation to the Group's use of resources during the year under review, including but not limited to Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and Provisions on the Management of Water Conservation in Cities (《城市節約用水管理規定》).

In FY2018, resources used by the Group mainly include electricity, water, paper and packaging materials. The Group strives to save energy and resources through persistent implementation of internal policies and uses advanced technologies to ensure that resources are efficiently utilised at each business operation. The resources consumptions have seen an overall increase due to the increase in production scale during the year under review.

**Table 2. The Group's total use of resources by category in FY2018**

Resource Category	Item	Unit	Amount	Intensity* (Unit per employee)
Energy	Electricity	kWh	35,254,868.0	5,023.5
	Gasoline	liters	198,071.0	28.22
	Diesel	liters	1,335.0	0.2
	Natural gas	m <sup>3</sup>	1,812.0	0.3
Water	Water	m <sup>3</sup>	1,190,252.0	169.6
Packaging materials	By paper box	Thousand pcs	2,610.0	0.4
	By paper	tonnes	33	–

Notes:

\* Intensity was calculated by dividing number of employees at the end of the fiscal year.



### Electricity

The Group keeps a detailed record of its electricity consumption. The total electricity consumption of the Group amounted to 35,254,868.0 kWh in FY2018. All subsidiaries of the Group stringently comply with the Group's policy of saving energy. Compared with the production operations, the electricity consumptions of overseas business and Hong Kong office are insignificant. For the production operations, the energy saving policies are listed but not limited to the following:

- Replace the out-dated facilities with energy-saving facilities;
- Remove unnecessary equipment;
- Use advanced production technologies, eliminate the unnecessary energy consumption;
- Switch off unnecessary facilities, lighting and air-conditioning;
- Replace high electricity consumption lights with electricity saving lights for office;
- Switch off copy machine, fax machine and air-conditioning after working day;
- Set office air-conditioning at 25.5 degree to save energy;
- Place posters "Saving Electricity, Turn Off the Lights When Leaving" in prominent places to remind employees; and
- Clean equipment regularly to ensure they are running efficiently.

### Water

During the year under review, the Group had no problem in water supply. The Group educates its employees to save water during the daily working hours. The total water consumption of the Group was 1,190,252.0 m<sup>3</sup> in FY2018. To improve the utilization efficiency of water resources, the Group has formulated an internal policy, which requests the Group's employees to change their consumption behaviour including but not limited to the following:

- Set regular propaganda and education on water saving;
- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Carry out regular leakage tests on water taps, washers and fix other defects in the water supply system;
- Strengthen the inspection and maintenance on water taps, water pipelines and water storage;
- Fix dripping taps immediately and avoid any leakage of the water supply system;

- Strictly comply with the water saving principles in daily operations;
- Turn off the water supply system at night or during holidays;
- Appropriately reduce the water flushing in toilet; and
- Adopt advanced technology in order to improve the water recycling efficiency.

### Energy

The Group's production process consumes gasoline, natural gas and diesel for manufacturing purpose. The Group encourages energy saving through simple measures, such as adopting advanced production technology and removing unnecessary facilities. The Group is also dedicated to making contributions to reducing the GHGs emissions from transportation. The gasoline, natural gas and diesel consumed by the Group's vehicles during FY2018 amounted to 198,071.0 litres, 1,812.0 m<sup>3</sup> and 1,335.0 litres, respectively.

### Packaging Materials

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

## A.3. The Environment and Natural Resources

To further minimise its possible repercussions on the environment, the Group has put great emphasis on three main areas in its daily operations. Firstly, the Group is committed to seizing every opportunity to innovate, design and utilise eco-efficient technologies for footwear processing operations in terms of their energy consumption, and air and GHGs emissions, and most importantly, the compliance with relevant environmental regulations. Secondly, the Group values the education and advocacy of low-carbon operation and lifestyle. Employees are encouraged to take public transport instead of private cars, thereby reducing their individual carbon footprint. Thirdly, to align with the international standard in preserving energy resources and protecting the planet, a series of efficacious, adaptable and globally compatible policies are considered the fundamental assets to keep the Group in line with world's development.

As paper is one of the main natural resources consumed by the Group, the Group has adopted several measures to reduce paper consumption, including recycle envelop and paper file, replace paper file with e-mail and use single-sided printed paper for printing or as draft paper.

## VI. EMPLOYMENT AND LABOUR PRACTICE

### B.1. Employment

We treasure employee's talent and see it as the key in driving the success and maintaining the sustainable development of the Group. The Group always strives to provide employees with a safe and suitable platform for developing their career, professionalism and advancement. We respect and trust every employee and prioritise the selection of talent and cultivate employees in employment management.

#### Law compliance

The Group complies with laws and regulations relating to local employment and employee benefits in Hong Kong, the PRC, and other operating regions, that have a significant impact on the Company, including but not limited to the followings:

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong);
- Company Law of the People's Republic of China (《中華人民共和國公司法》);
- Labour Law of the People's Republic of China (《中華人民共和國勞動法》); and
- Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

Besides, we also comply with the social security schemes that are enforced by the State Regulations of the PRC to provide employee benefits. We have strictly complied with the regulations stipulated by the local government, such as the Regulations on Management of Housing Provident Fund in Xiamen (《廈門市住房公積金管理規定》). The Group has also complied with the laws and regulations in respect to the employees' social security schemes and employee benefits in Hong Kong. The Group's human resources department is responsible for reviewing and updating relevant company policies regularly in accordance with the latest laws and regulations.

#### Recruitment and promotion

We have established "Yearly Recruitment Plan" to manage human resources and decide the requirements of candidates in recruitment. The Group recruits employees according to candidates' capability, performance, experience required by the job description. The human resources department is responsible for ensuring no wrongful recruitment information is published to the external candidates and employees.

To attract high-calibre workforce, the Group offers fair, competitive remuneration and benefits based on employee's performance, education level, professional qualifications, and experiences. The Group also regularly refers to market benchmarks and provides additional subsidies for attracting and retaining high-calibre workforce.

The Group has established a promotion process within the Group. Guided by the principle of “Comprehensive and talented, fair and equitable, progressive promotion, and strict control over promotion in job vacancies”, the Group has set a clear promotion path, promotion timeline and promotion qualification, and strictly follows the promotion process. The promotion mechanism proves that, the Group manages personnel promotion to ensure employees are suitable for their position where they can fully exert their talent.

#### **Compensation and dismissal**

In order to motivate and reward existing management and employees, the Group has formulated the compensation and benefits system and conducted regular salary adjustment to ensure employees are recognised by the Group appropriately with regard to their efforts and contributions. On the basis of comprehensive consideration of the Group’s development strategy and cost control strategy, at the end of each fiscal year, based on the current year’s operating conditions, salary levels and total compensation, and the next year’s business objectives, and with reference to the human resources market, regional and industry pay levels, the human resources department draws up the plan for the total annual salary, which will be implemented after approval by the board of directors.

Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

#### **Working hours and rest periods**

The Group has formulated its policy based on local employment laws for determining suitable working hours and rest time for employees. The Group arranges reasonable working hours and rest periods for its employees. In order to strengthen the Group’s employee attendance management, improve work efficiency, and enable all employees to develop punctual habits, the Group has an attendance system.

In addition to the basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, employees are also entitled to have additional leave such as marriage leave, maternity leave, paternity leave, abortion leave, funeral leave and sick leave.

#### **Equal opportunity, diversity and anti-discrimination**

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. In other words, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees’ age, gender, race, colour, disability, nationality, religion or any other non-job-related elements in all business units of the Group.

Meanwhile, the equal opportunity policy allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations, such as Special Rules on the Labour Protection of Female Employees (《女職工勞動保護特別規定》), Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) and Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong). The human resources department is responsible for monitoring the compliance of all laws and regulations and employees are highly encouraged to report any incidents involving discrimination to the human resources department of the Group. The Group will then take the responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions on such incidents.



### Benefits and welfare

To cultivate employees' sense of belonging, the Group provides additional employee benefits such as medical insurance and annual physical check-up. To cater the needs of employees working at the Group's manufacturing facilities, additional employee benefits may include the provision of meal allowances, well-equipped dormitories, transportation between working sites and dormitories. The Group organised a series of company activities, such as sports games and excursion during the year under review to excite employees' innovation.

During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

### B.2. Health and Safety

The Group believes that health and safety at work involve both the prevention of harm, and the promotion of employees' well-being. To provide and maintain a safe, clean and environmentally-friendly working environment for employees, the Group has established strict internal safety and health policies, which are in line with relevant laws and regulations in Hong Kong and the PRC, including the:

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》);
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》);
- Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (《生產安全事故報告和調查處理條例》);
- Special Rules on the Labour Protection of Female Employees (《女職工勞動保護特別規定》); and
- Regulation on Work-Related Injury Insurance (《工傷保險條例》).

The Group's production and operation strictly comply with GB/T28001. The administrative centre has established "Environmental and Occupational Health and Safety Operation Control Procedure", which defines the processes about dealing with important environmental factors, unacceptable risks and main hazardous sources and sets regulations on environmental and safety production management. Each business centre establishes control criteria for the outsourcing process that may affect the Group's environmental and occupational health and safety performance and determines the type and extent of implementation control based on its impact on the system.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

Special employees should obtain corresponding certification or working permits before coming on board. Employees are required to wear helmet when entering the manufacturing areas to prevent occupational hazards in manufacturing process.

The Group aims to achieve an accident-free workplace environment by prohibiting smoking and liquor drinking in the workplace, carrying out regular cleaning of air-conditioning systems and disinfection treatment of carpets, putting up safety warning signs, and holding regular safety work meetings and safety inspection.

The Group is committed to providing a smoke-free, harmless, non-hazardous, clean, healthy and safe working environment. The Group has set-up and strictly followed different internal manuals, such as site safety management standards, safety production accident investigation and management system, labour protection management system, safety production management system and other procedures documents, to meet the specific safety requirements and comply with the related fire safety regulations, labour protection management regulations and the safety regulations in the Group's production bases during the year under review.

## B.3. Development and Training

The Group believes that training is essential for the improvement of employees' knowledge, skills, work methods, work attitudes, and work values. Hence, we have established our internal training control procedure for better training management within the Group.

For newly recruited employees, the Group provides a comprehensive on-the-job training for newly hired employees to understand the Group's corporate culture, business processes, work safety requirements, management policies and group development direction. Trainings dedicated for different levels of employees are also designed to enhance their ability. Besides, professional trainings are also held in different departments to improve employees' professionalism.



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

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

### B.4. Labour Standards

The Group strictly abides by local and national labour standards, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and Labour Law of the People's Republic of China (《中華人民共和國勞動法》), to prohibit any child or forced labour employment.

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

In FY2018, the Group was not in violation of any relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

## VII. OPERATING PRACTICE

### B.5. Supply Chain Management

We deeply understand the importance of maintaining a sustainable and reliable supply chain. The Group strictly controls the supply chain to avoid social and environmental risks. When sourcing raw materials, we incentivize suppliers that go beyond simple compliance and aim to make a real difference in terms of social responsibility and environmental sustainability. The principal raw materials used in the production of sports products are leather, synthetic leather, fabrics, rubber, soles and plastics.

To ensure a sustainable supply chain, the Group conducts comprehensive evaluation and on-site evaluation of potential suppliers against different criteria including but not limited to the quality of suppliers' goods, previous track record on brands, ongoing projects, production capacity, reputation, staffing, qualification, transportation management and their social and environmental responsibility by procurement management group. Suppliers who have passed the evaluation are marked as qualified suppliers.

A quarterly trial cooperation period is offered to selected suppliers for further evaluation before becoming an approved supplier. The Group's legal department, supplier management department and quality control department provide opinions if any risks may involve in the supplier selection process. At the same time, the Group has a detailed assessment on whether:

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

Environmental protection is the development trend of the industry, and the Company is establishing a sustainable and healthy development ecosystem. The Group actively purchases degradable materials in the supply chain and prioritises those suppliers with environmental certifications. Besides, impacts of drought or flood on suppliers are also assessed to reduce the influence of climate change on the Group.

To manage the social risks in the supply chain, the Group has established a procurement management team to supervise, review and confirm suppliers' records, and to build and maintain suppliers' evaluation records. If a supplier's products do not meet the Group's requirements after shipment, the Group has the right to adjust the order and to impose appropriate financial penalties to the supplier. The Group keeps close contact with suppliers and ensures their ethical operation.

We have formulated a supplier management policy by categorising suppliers into different groups based on cooperation duration, scale of production and inter-dependence analysis, which is also interpreted as a differentiated management strategy towards suppliers. To ensure the quality, suppliers should provide quality certificates while the quality management department should perform selective examination before confirming orders.



### B.6. Product Responsibility

#### Law compliance

In order to protect the legitimate rights and interests of consumers, and to strengthen the supervision and control of the quality of products, the Group complies with related law and regulations on product safety and health, advertising and labelling, that have a significant impact on the Company including:

- The Law of the People's Republic of China on Product Quality  
(《中華人民共和國產品質量法》);
- The Fire Protection Law of the People's Republic of China  
(《中華人民共和國消防法》);
- The Metrology Law of the People's Republic of China  
(《中華人民共和國計量法》);
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests  
(《中華人民共和國消費者權益保護法》);
- The Patent Law of the People's Republic of China  
(《中華人民共和國專利法》); and
- The Trademark Law of the People's Republic of China  
(《中華人民共和國商標法》).

#### Quality management

According to the quality policy and objectives, we organize the planning, establishment, implementation, supervision and improvement of shoes, clothing and quality management systems, formulate and continuously improve product quality standards and quality management standards to prevent the occurrence of mass quality accidents and enhance the competitiveness of apparel products and consumer satisfaction.

Quality review, verification, and validation are performed during development, ordering, and mass production to determine the standards and grades of product execution. During production, quality audit, quality analysis and improvement are held to prevent quality risks and improve product quality. The Group formulates product warehousing audit procedures, and strictly performs quality checks according to standards. In order to better monitor product quality and make quality management more effective, the Group has established quality data statistics base for analysing production system and monitoring data.

All products must pass internal quality control assessment and meet the standard requirement of GB/T-15107-2013, GB/T19706-2005, HG/T2017-2011 and GB 25038-2010 in respect of their functionality, safety and quality before they are delivered to customers. If there is any defective product being purchased, the Group is responsible for contacting the customer, collecting the sample product from customers for quality test and analysis, and requiring distributors to recall unqualified products if necessary.

### Health and safety

In FY2018, the Group holds the ISO9001:2000, ISO14001 and OHSMS to protect the health and safety of its products. The Group runs tests on the raw materials, semi-finished products and finished products to track any potentially unqualified goods and ensures the health and safety of products. If there is any defective product, the Group is responsible for contacting the customer who purchased the product, collecting customer samples for quality testing and analysis, and requiring the distributor to recall the non-conforming product if necessary.

### Advertising

The Group has issued internal guidelines to ensure our sales materials provide accurate and precise descriptions and information to customers which comply with the relevant local laws and regulations. All the promotion and advertising materials must be approved by the legal operation department before being published to ensure their legality, fairness and integrity. Any misrepresentation or exaggeration advertisements are strictly prohibited. If there is any non-compliance with the Group's internal guidelines, legal department would carry out corrective actions immediately.

### Customer complains

We value customers' feedback and see it as the motivation of improving our products. Through WeChat account, official website, Weibo and other channels, the Group actively conducts customer satisfaction survey. We carefully analysis the feedback and enforce the product design according to the feedback. we will further strengthen two-way communication with consumers, understand the needs of customers, strengthen innovation, and continuously produce new styles and new-tone products.

For any compliants, customer can call the after-sales service hotline to report their problems. The complaints are analysed by relevant departments. Quality related problems are reported to the quality management department for rectification and improvement.

### Customer privacy

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

### Labelling and intellectual property rights

The Group is dedicated to protecting and enforcing its intellectual property rights, which is crucial to its sustainable business growth in sportswear industry. 361° brand is highly recognised in the PRC and overseas markets. 361° trademark and patents have been registered in the PRC, Macau and hundreds of other jurisdictions. The Group also actively applies for the registration of its intellectual property such as any new trademarks, labels, product designs or technological know-how developed by the Group, to protect its own exclusive rights after the risk assessment for potential infringement in the market.

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

### B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly abides by the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》).

The Group prohibits all forms of bribery and corruption and requires all employees to strictly abide by professional ethics and eliminate any corruption and bribery. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests.

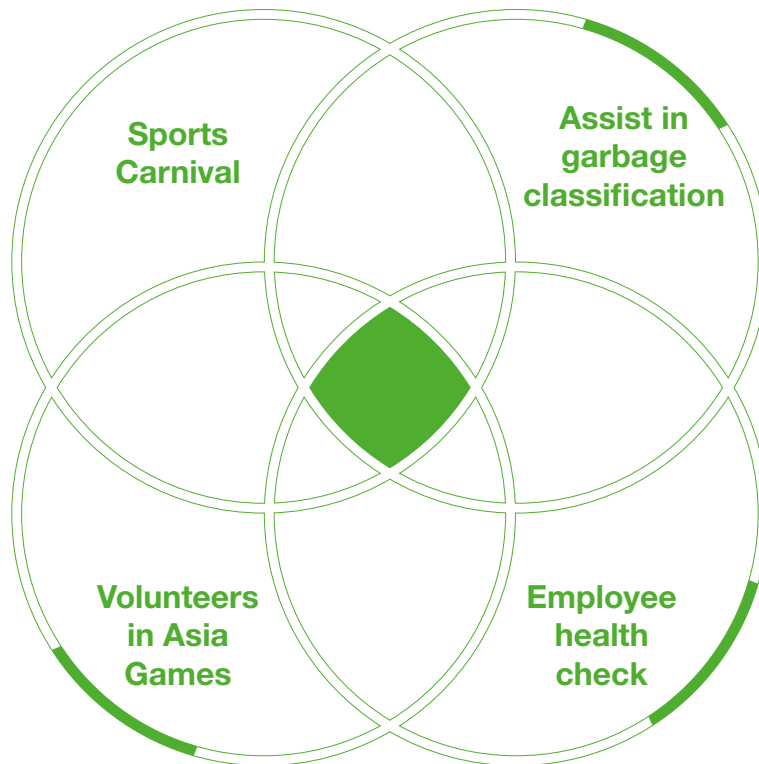
Furthermore, the Group set up an internal whistle-blowing policy to enable employees to report any suspicious activities. The management would conduct investigations under confidential, objective and instant principle to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers from fear of threatens and any disadvantage to the whistle-blower's employment relationship. Where criminality is suspected, it will be reported to the relevant regulators or law enforcement authorities.

During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees.

## VIII. COMMUNITY INVESTMENT

### B.8. Community Investment

As a well-known Chinese sports brand, the Group considers its social responsibility as its foundation of growth and highly values charity works and employee benefits, aiming to do its utmost to give back to society.



In FY2018, the Group organised a series of activities to promote the harmony of the community as well as facilitate the economic development, including employee sports carnival, volunteers in Asia Games and employee health check. Besides, the Group also responds to local government's call for garbage classification in order to reduce its environmental impact through this policy.

All the investments help to build a healthy environment that the Group aims to achieve, a strong economy and well-being of employees. Upholding the goals, the Group will consistently devote into such community activities in the future.



## IX. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	Section	Page
<b>A. Environmental</b>				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Sustainability	8
	KPI A1.1	The types of emissions and respective emission data.	Environmental Sustainability	8
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	8
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	8
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	8
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Sustainability	9
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Sustainability	10
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Sustainability	11
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	11
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	11
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Sustainability	12
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Sustainability	12
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Sustainability	13

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	Section	Page
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Sustainability	13
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Sustainability	13
<b>B. Social</b>				
<b>Employment and Labour Practices</b>				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practice	14
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practice	16
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practice	17
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practice	18

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	Section	Page
<b>Operating Practices</b>				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practice	18
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practice	19
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practice	22
<b>Community</b>				
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.	Community Investment	23