



le saunda holdings ltd.
(Incorporated in Bermuda with limited liability)

萊爾斯丹控股有限公司
(於百慕達註冊成立之有限公司)
(股份代號：0738)

2019 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





• About This Report



This Report discloses the performance of Le Saunda Holdings Limited (stock code: 0738) (“the Company”) in corporate social responsibility for the year ended of 28 February 2019.

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

Reporting period: From 1 March 2018 to 28 February 2019.

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

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



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• Background of the Group

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

1977

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

1991

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

1992

Le Saunda was listed on the Main Board of The Stock Exchange of Hong Kong Limited.

90's

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

2001

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

2011

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

2017

The Group launched an online brand “PITTI DONNA”.



• The Group's Policy on Social Responsibility

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

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

Purchasing materials

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



Production process

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



Facility configuration

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



Daily operations

The Group advocates the "paperless" office and actively promotes electronic information management systems. It has also set up equipment to facilitate the use of telephone and video conferencing to hold different types of meetings in order to save time and resources.








• Relationship with Stakeholders

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

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

Main stakeholders and their communication channels :

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



• Compliance with the Relevant Laws and Regulations

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

As of 28 February 2019, the Group **did not violate any relevant laws and regulations** at all aspects that have significant impacts on the Group.



• Contents in Environmental and Social Categories - Environmental

Emissions

Since the operating processes of the factory involved emission of organic exhaust gas, exhaust ventilation equipment has been installed throughout the factory and **“activated carbon absorption equipment”** has also been installed along the production lines to mitigate the environmental impact from exhaust gas emission.

Those used activated carbons from the exhaust ventilation system were hazardous wastes. During the year, the Shunde factory totally released 6 tonnes of such wastes. Other hazardous wastes included scrap chemical containers and waste mineral oils. The abovementioned hazardous wastes were all disposed to the qualified agencies for handling. On the other hand, non-hazardous wastes were mainly scrap packaging materials. During the year, retail operations in Mainland China totally released approximately 20 tonnes of scrap cartons and paper boxes. During the same period, there was around 1.4 tonnes of wastes from the courier plastic bags which were eventually handled by the external contracted agencies.

For emission of wastewater, the Shunde factory of the Group has established sewage treatment facility for centralized management. Only treated sewage would be discharged and would not be reused. In addition to ensuring compliance with the local regulations, the Group also considers the needs of other stakeholders, for example, addressing to the opinions and needs of the villagers adjacent to the Shunde factory. Moreover, the Group is striving to identify equipment advancement and reformation as well as technological optimization for reducing water consumption. During the year, aged pipes with water leakage were replaced to eliminate any unnecessary wastage. Apart from the Group’s factory operations, they are mainly retail shops and offices where no significant consumption of water is identified. For employees in those areas, the Group is raising their awareness of water conservation, with the aim to reduce water consumption and unnecessary wastage.



● Contents in Environmental and Social Categories - Environmental

The Group is dedicated to identifying the relevant greenhouse gas (GHG) sources for monitoring even though it has not identified any emission incident which violates the relevant environmental regulations. The volume of GHG emitted during the reporting period was 9,544 tonnes carbon dioxide equivalent.

In terms of the Group's revenues in this financial year, the emission intensity was around 10.50 tonnes carbon dioxide equivalent per million revenues in RMB.



Total GHG emission volume
9,544
tonnes carbon dioxide equivalent



GHG emission intensity
10.50
tonnes carbon dioxide equivalent /
million revenues in RMB

Use of Resources

Each operating region of the Group adopts the appropriate equipment and administrative measures to enhance the effectiveness in use of resources. Examples include:



At sample room in Shunde, 170 new sets of energy saving lights were replaced in the year, which led to a saving of electricity around 2,600 kWh ;

The solar water heating system at dormitory in Shunde factory provided hot water of around 12,360 cubic metres to employees in this reporting year. This fully utilizes renewable energy for reducing the consumption of municipal electricity;



The Guangzhou retail office is striving to reuse scrap paper products in its controlled areas. Those paper boxes from courier packages and external cartons of footwear would be reused for mailing, through which around 180 kilograms of paper were saved in the year;

To support the recycling of waste papers, the Hong Kong office has appointed external agencies to collect the destroyed paper documentation. During the year, around 1,400 kilograms of waste papers had been sent to recycling through this channel;

In addition, the Group advocates "paperless" office, and has all along been promoting electronic information management system. With the use of electronic files, it reduces unnecessary use of papers. Also, by means of office administrative measures, all employees are required to switch off the power supply of office equipment that is not in use.





• Contents in Environmental and Social Categories - Environmental

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

		Annual consumption
Resources	Unit	Group overall
Electricity ^{Note 1}	kWh	11,280,742
Diesel oil	litre	2,224
Gasoline	litre	9,325
Water	cubic metre	110,442
Packaging material (paper)	tonne	405.7
Packaging material (plastic)	tonne	7.4

Note 1 : The figures for electricity consumption of Mainland China retailing operation only included the relevant figures from the operation of the e-commerce business and Guangzhou office last year, because most of the retail shops in Mainland China were located in department stores which were not controlled by the Group's management. Further, the Group did not establish the appropriate system for collecting data of this type last year .

The resource utilization rates in this reporting year were listed as follows:

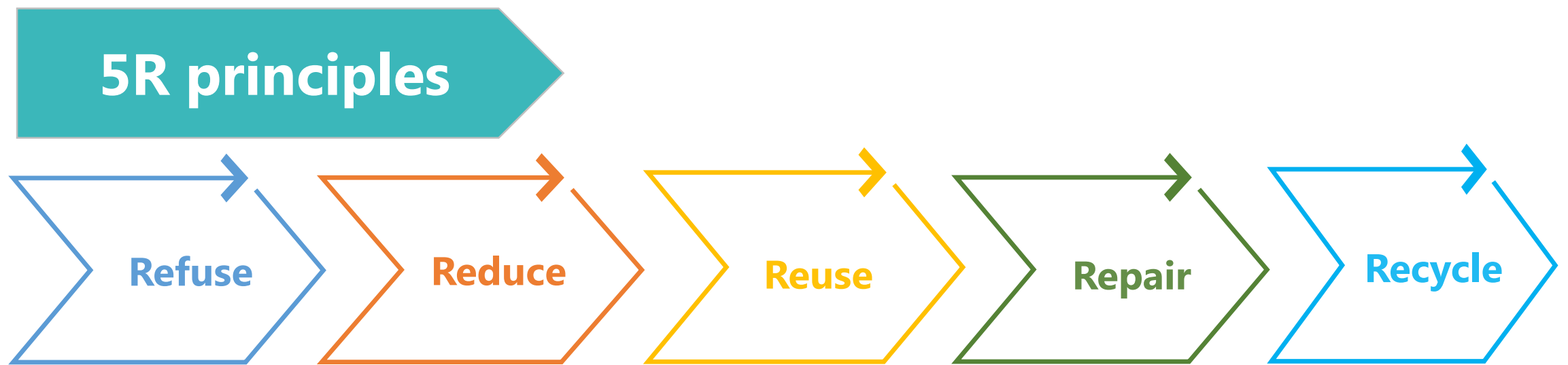
		Consumption Intensity per million revenue in RMB
Resources	Unit	Group overall
Electricity	kWh/ million revenue in RMB	12,413.01
Diesel oil	litre/ million revenue in RMB	2.45
Gasoline	litre/ million revenue in RMB	10.26
Water	cubic metre/ million revenue in RMB	121.53
Packaging material (paper)	kg/ million revenue in RMB	446.46
Packaging material (plastic)	kg/ million revenue in RMB	8.14



- **Contents in Environmental and Social Categories**
- Environmental

Environment and Natural Resources

Being a responsible company, the Group advocates 5R principles for reducing environmental pollution and raising resource utilization, namely Refuse, Reduce, Reuse, Repair and Recycle:



Refuse

The Group is striving to use non-hazardous and environment-friendly materials. With “green procurement” policy, the Group maximizes the purchase of raw materials (including fabrics and packaging materials) possessing degradable characteristics to reduce environmental hazards. Also, the Group is dedicated to technological optimization, in which the more environment-friendly “non-laminating” technology has been adopting in the manufacture of paper bags for prevention of environmental pollution.

Reduce

Through advancement of equipment and technology, the Group minimizes the waste generation and resource consumption. Administrative measures are also adopted for reducing environmental impacts, such as arrangement of video conference in replacement of remote face-to-face meeting for reduction of greenhouse gas emission incurred from taking transportation like aircraft.

Reuse

The Group is striving to identify the way to reuse those disposed packaging boxes, such as reusing them for packages of mails. Also, for back office operation, it requires the reuse of single-printed papers and promotes the practice of double-sided printing.

Repair

“Three-R” provision (i.e. Return, Replacement, Repair) is the basis of the Group’s after-sales service. To encourage saving of resources, repairing service is offered to customers under specified conditions.

Recycle

To support the recycling of resources, the Group appoints external agencies to handle recyclable resources, such as scrap paper products.



● Contents in Environmental and Social Categories - Social

Employment

Recruitment and Promotion Policies:

The Group only considers the capabilities of job applicants as the primary assessment criteria, and reviews the job performance, experience, business performance and competence of employee as the conditions for promotion. We have developed practices of “employment management for persons with disabilities” to actively consider the job applications by persons with different disabilities. In the past, ethnic minorities have been employed to create a diversified working environment. The Group will not reject the job application or review the staff promotion based on personal attributes such as gender, disability, race, family status, etc.

As of 28 February 2019, the total number of full time* employees in the Group was 2,958, of which 77 persons were employees in Hong Kong.

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



Remunerations and Employee Benefits:

The Group not only meets the minimum wage requirements in each operating location, but also offers remunerations which are competitive on the market to attain a higher staff retention rate. During the year, the Group's overall monthly average employee turnover rate was 4.95%. As compared with that of the previous year, the overall turnover rate decreased by approximately 7%.

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



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Working Hours:

To achieve work-life balance, the Group neither advocates nor forces employees to work overtime. However, due to the needs of different positions, certain employees may still need to work overtime provided that all overtime work must be done on a voluntary basis and in compliance with the relevant regulations on overtime applicable in respective operating region. In addition, the factory in Shunde is equipped with sporting facilities, such as basketball and badminton courts, to enrich the leisure time of the employees for achieving a balance between work and life. To let employees enjoy a more vibrant life after work, the Group had organized badminton competitions, barbecues, Christmas parties, Spring Festival galas, birthday parties, ad hoc tours and participated in Walks for Millions of Hong Kong in the past. Besides, festive gifts have been given to employees in Mid-Autumn Festival and Chinese New Year.



During the reporting period, the Group organized a total of 42 recreational events amongst various operating regions and was awarded by the following institutions to demonstrate the achievement by the Group on building the relationship with employees.

Name of Award / Achievement	Awarding Institution
“Caring Company” Scheme	Hong Kong Council of Social Service (HKCSS)
“Manpower Developer Award Scheme”	Employees Retraining Board (ERB)
“Happiness at Work Promotional Scheme”	Hong Kong Productivity Council (HKPC)



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Health and Safety

To ensure the safety of working environment and to enhance employees' awareness on occupational health and safety, the Group has formulated procedures and operating rules related to the occupational health management system for reference and compliance by the employees, with the aim to reduce the occurrence of accidents. Apart from providing the appropriate personal protective equipment, all production premises are equipped with ventilation systems to ensure fresh air in workplace. Furthermore, all new employees are provided with basic safety training, while more comprehensive safety training is provided in a targeted manner for those who will be exposed to occupational hazards.

During the reporting period, the Shunde factory of the Group arranged 4 classes of health and safe training for a total of 541 participants. In the same period, the factory also arranged physical examination to those employees who were exposed to occupational hazards and totally 541 employees participated in the examination. No incident of occupational disease was diagnosed or any suspect case was identified thereby. Besides the factory's region, the Group's office operation is also concerned on the occupational safety. During the year, the Group carried out fire drills and inspections of all fire equipment on a regular basis to avoid occurrence of accidents.

During the reporting period, the Group did not violate the relevant regulations and provisions on occupational health and safety in all locations where it has operations. In the same period, the Group did not identify any employee's fatality incurred from work, and the number of work days lost due to work injuries was 345.

Development and Training

To raise the professional knowledge and skills of employees, the Group has established the "Le Saunda Training Institute" to provide appropriate training for different ranks of employees, and help them to master professional knowledge of new products upon seasonal launch. In addition, the Group organizes different study workshops and contests each year to facilitate individual employees to enhance their abilities or to achieve their goals.

During the reporting period, the total number of training participants was 8,483 while the total training hours achieved by all employees amounted to 18,536 hours. This illustrates the Group's dedication in allocating resources for training effectiveness and promoting employees' development.



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Labour Standards

The Group has been dedicated to safeguarding the rights and interests of employees and to building a fair working environment for them. Also, we have been strictly complying with regulations to ensure that no form of forced labour is imposed and no child labour is recruited. During the reporting period, the Group did not identify any employment of child labour or any violation of regulations related to forced labour.

Supply Chain Management

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

During the reporting period, 8 new suppliers were engaged by the Group. Prior to procurement, all of them were evaluated to ensure the compliance with the customer and other relevant requirements. Also, to enforce the continual monitoring, 101 existing suppliers were evaluated in the same period. The means of evaluation included on-site inspection, documentation review, material and sample testing, etc. Only after passing the supplier evaluation, the relevant new supplied materials could be formally procured and proceeded to the pilot production, etc.



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Product Responsibility

Throughout all stages of product provision, including manufacturing, sales, and after-sales services, the Group provides customers with accurate and true information on the quality and safety of products. All products must pass through quality inspection, and those being sold are accompanied with quality and safety warranties.

According to the categories of shoes and handbags, “Three-R” provision (i.e. Return, Replacement, Repair) applies to the sold products under the specific conditions. First: items guarantee for return and replacement ; second: items guarantee for repair ; third: handling methods of product replacement. According to the Group’s “Three-R” provision, there were return requests for 1,607 pairs of ladies’ shoes and 39 handbags as well as repair requests for 4,478 pairs of ladies’ shoes and 763 handbags during the reporting period. In the same period, the Group’s operating regions (i.e. Hong Kong, Guangzhou and Shunde factory) did not identify any significant incident of legal violation, but received 3 cases of complaints regarding the products of e-commerce and all have been satisfactorily resolved. On the other hand, 63 pieces of products were removed from retail shops in response to the results of product safety testing and none of them was sold to customers during the reporting period.

Furthermore, in this reporting year, the Group was granted the following 3 awards by the “Hong Kong Retail Management Association (HKRMA)”. This fully demonstrates the customers’ satisfaction in the Group’s products and service.

- “Service & Courtesy Award”
- “Excellent Service Star”
- “Retail Ambassadors of Frontline level in Fashion and Accessory Category”





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With regards to customer data, the Group, in accordance with different risk levels of information security, uses hardware firewall to protect internal data from attacks by hackers, enables behaviour management equipment, requires login passwords in enhanced encryption format with mandatory changes of passwords every three months, and restricts access to internal file servers by permission.

Anti-Corruption

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

At the same time, the Group requires all employees at all ranks to declare and state any possible conflict of interest that may arise during work. In addition, we encourage employees to report misconduct, fraudulent activities and illegal behaviours related to the Group under the confidential whistleblowing mechanism.

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

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



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Community Investment

Over the years, the Group has dedicated to supporting the community and the needy through collaboration with various community organizations. Apart from the charitable activities, the Group also supports other events which are beneficial to the community and industry. During the reporting period, the Group supported a footwear design competition by assigning some staff to participate and advise in organizing the event, as well as donation and sponsorship of prizes. To encourage those awarded designers, the Group would even support to manufacture their footwear designs.



In addition, the Group partnered with St. James' Settlement to organize the “Career Sparkle” program, which provided opportunities for the participated students to familiarize the real working environment of the industry during summer vacation. It helped them to explore their personal interests and abilities, and encouraged them to plan their future careers.





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In this reporting year, each operating region of the Group has participated in community activities and the table below listed out some examples of activities supported by the Group and the associated contribution:

Type	Organizer / Name of Event	Sponsorship	Employee participation
Charity	Fundraising events such as “The Community Chest Dress Casual Day”, “The Community Chest Walk for Millions”	✓	✓
Poverty alleviation / Elderly support	Chung Yeung Festival event for the elderly by Xin Cun Welfare Society of Beijiao Town, Shunde; food donation by St. James’ Settlement People’s Food Bank	✓	
Environmental protection	Greeners Actions / Red packet recycling	✓	✓
Health	“The Community Chest Green Day”- fundraising for medical and health services, “The Community Chest Love Teeth Day”- fundraising for oral health services	✓	
Culture	Establishment of Chinese Opera Association by Xin Cun Welfare Society of Beijiao Town, Shunde	✓	
Industry development	The 18th Footwear Design Competition Hong Kong by The Federation of Hong Kong Footwear Limited & Hong Kong Trade Development Council; High School Design Competition by NYLON magazine	✓	✓