

# 361°

**361 DEGREES  
INTERNATIONAL LIMITED**

STOCK CODE: 1361

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019**



# CONTENT

	PAGE
I. PREAMBLE	2
II. ABOUT THE REPORT	3
III. SUSTAINABILITY MANAGEMENT	4
IV. STAKEHOLDER ENGAGEMENT	7
V. ENVIRONMENTAL SUSTAINABILITY	13
VI. SOCIAL SUSTAINABILITY	21
VII. REPORT INDEX	36

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## I. PREAMBLE

2019 was an exciting year to the sports industry, of which the high-quality development characteristics and robust development momentum became more prominent with the People's Republic of China (the "PRC") government promulgating supportive policies and plans to vigorously support the sports industry, including the Action Plan for Further Promoting Sports Consumption (2019-2020) (《進一步促進體育消費的行動計劃(2019-2020年)》), Opinions on Implementing Healthy China Action (《關於實施健康中國行動的意見》), Healthy China Action (2019-2030) (《健康中國行動(2019-2030年)》), Outline for Building a Leading Sports Nation (《體育強國建設綱要》) and Opinions on Promoting National Fitness and Sports Consumption to Promote High-Quality Development of the Sports Industry (《關於促進全民健身和體育消費·推動體育產業高質量發展的意見》). Under the guidance of the PRC government that aims to transform the sports industry into a landmark case of the national rejuvenation, 361 Degrees International Limited (hereinafter referred to as the "Company") and its subsidiaries (the "Group" or "We"), as a comprehensive sports goods enterprise that has been leading the sportswear industry of China for decades, insists on upholding its original aspirations, remains true to its roots – 'One Extra Degree of Passion' (多一度熱愛) and adopts a consumer-centric approach to bring reliable, diverse and fantastic sports life experience with strenuous efforts in technology innovation and operational optimisation.

Nowadays, sustainability has become a 'hot-button' issue across all industries, which requires companies to align strategies with sustainability efforts and proactively shape their business eco-systems towards a resilient, environmentally-friendly and socially responsible way. Being an international sports goods enterprise that principally engages in brand management, research and development (R&D), design, manufacturing and distribution of functional and high-performance sports footwear, apparel and accessory products with diversified product brands that cater to people with different needs, the Group is fully aware that addressing the systemic sustainability challenges requires its value chain to collaborate at an unprecedented scale and inclusion of global sustainability indices in the Group's decision-making process. Adhering to 'no area does the capacity for impact matter more urgently than in respect with the climate emergency and social welfare', the Group has focused its efforts on its Environmental, Social and Governance ("ESG") management, ensuring that appropriate governance system, effective policies, well-structured programs and sufficient resources are in place for strict compliance with laws and regulations, efficient business operations, conscientious environment stewardship and social contributions that eventually can bring positive impacts to the communities where it operates.

## II. ABOUT THE REPORT

In strict compliance with the requirements under Appendix 27 – Environmental, Social and Governance Reporting Guide (“ESG Guide”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Group is pleased to present its fourth ESG Report for the year ended 31 December 2019 (“FY2019”), which demonstrates the Group’s approach and performance in terms of ESG management and corporate sustainable development for FY2019. For corporate governance section, please refer to the Group’s 2019 Annual Report from page 44 to page 55.

### Boundary Setting

Setting a clear reporting boundary benefits the readers by providing a well-defined scope of quantitative information about the ESG performance of the Group stated in the report. Given the business nature and development plans of the Group, this ESG report covers the performance and management policies of major operations of the Group under the operational control approach, including the Group’s office in Hong Kong SAR of the PRC, and business operations in Brazil, the United States, Europe (Netherlands), China Taiwan and the PRC, respectively.

### Application of Reporting Principles

As the reporting principles underpin the preparation of the ESG Report, the content of the ESG Report has been determined, organised and presented under the principles of Materiality, Quantitative, Balance and Consistency.

#### Materiality:

As a common strategic business tool for screening the insignificant issues and highlighting the environmental and social matters that are material and relevant to the Group, the Group made an objective and systematic materiality assessment that prioritised the sustainability-related areas amongst a list of 38 topics. In the meantime, given the distributorship business model that has been adopted by the Group for years, the Group laid more emphasis on the data collection and information disclosure of its operational control in the production factories and research and development centres.

#### Quantitative:

The application of the reporting principle of Quantitative was primarily reflected under the sections of Emissions and Use of Resources in the ESG report. As a high level of quantitative information disclosure is a pre-condition for assessing, benchmarking, judging and improving sustainability practices of the Group, the Group separated its data collection into two forms – qualitative and quantitative information via two independent platforms, in order to ensure the accuracy of calculations.

#### Balance:

In conformance to the principle of Balance, the Group incorporated both its outstanding performance in ESG management and areas which might require improvement in the report, reflecting its objectiveness in choosing the content for disclosure.

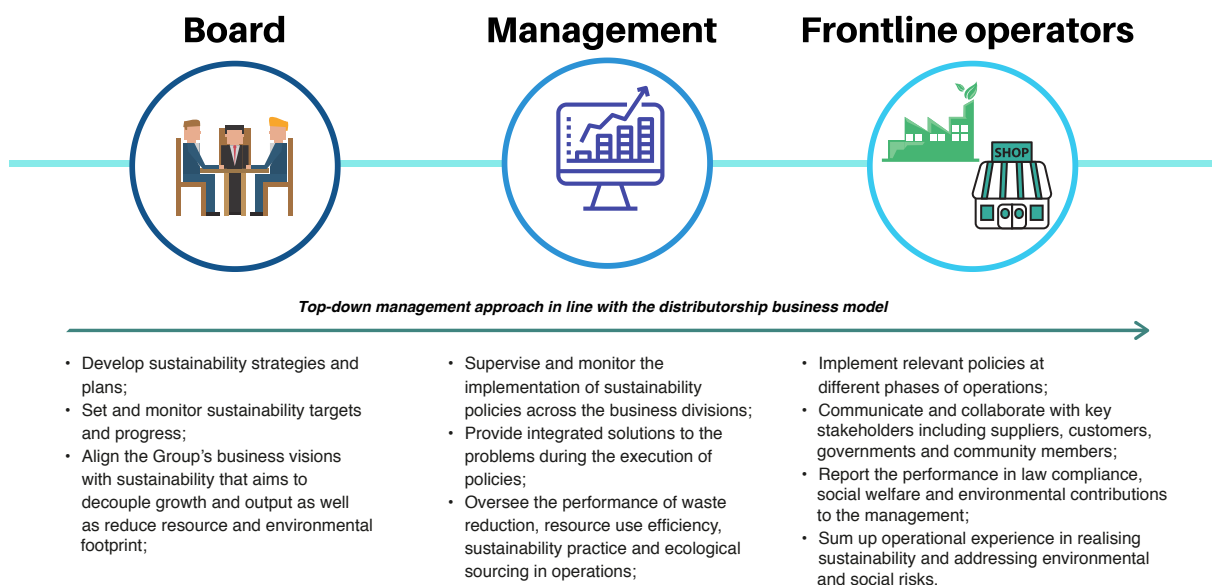
#### Consistency:

It is acknowledged that readers of the ESG report rely on the preciseness of data which is dependent on consistent reporting techniques and calculation methods to identify and address potential risks and opportunities that intersect with their decision-making. As such, the Group adopted a consistent scientific reporting approach, especially in the reporting framework and calculation of greenhouse gas (“GHG”) emissions, in order to add more coherence to the entire reporting process and build a roadmap visualising its sustainable development to all.



### III. SUSTAINABILITY MANAGEMENT

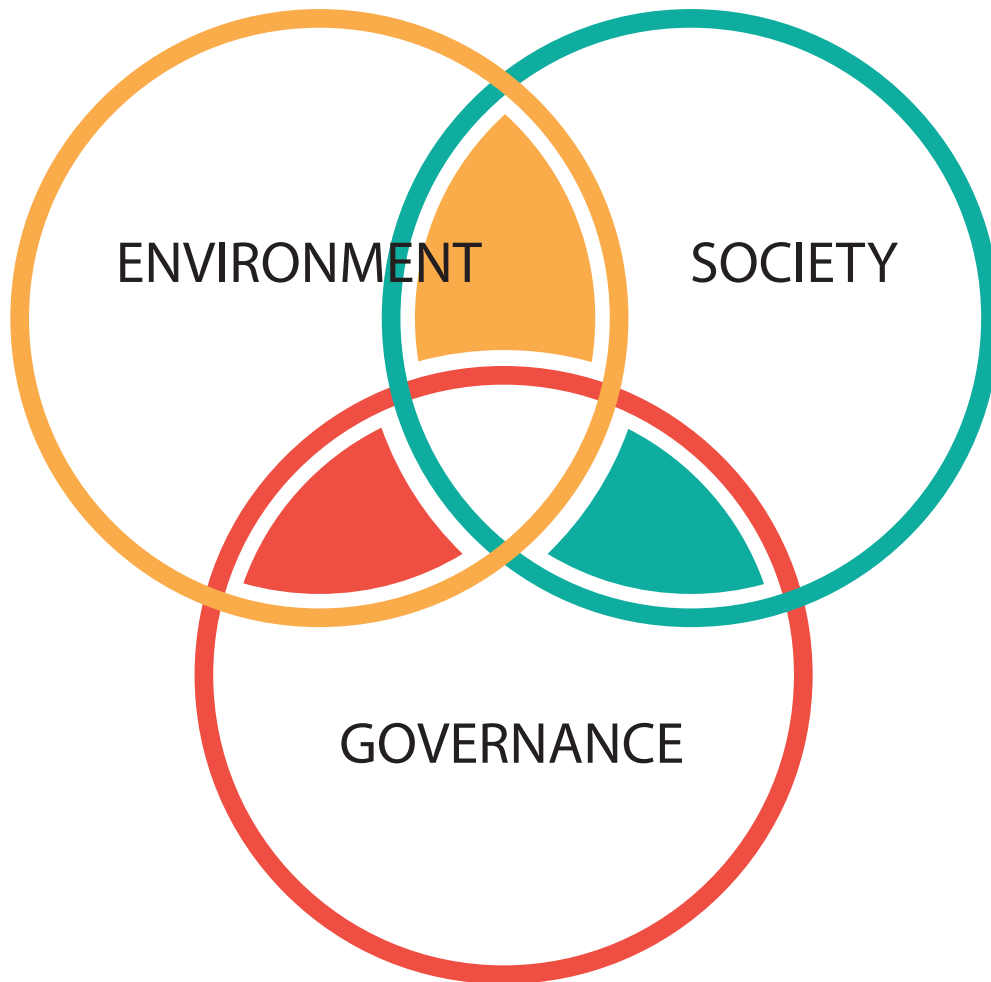
To ensure that the distributorship business model can be efficiently managed and the corporate vision, business strategy and sustainability message can be conveyed to the authorised retailers smoothly under the 361° brand in their respective geographical territory, the Group keeps tracking and monitoring the operational, financial, environmental and social performances of its distributors by setting up a systematic sustainability governance approach and an integrated management system following a series of international standards including ISO 5001:2018 Energy Management System, ISO 14001: 2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety, in order to operate its business while minimising the Group's burdens on the environment and natural resources and enlarging its positive social impacts. In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors ("Board") of the Group takes the lead on and has oversight of the execution of relevant ESG issues. The Board sets the tone and pace for the direction of sustainability within its strategy, and has assigned dedicated teams who are responsible for reviewing the Group's policies regarding sustainability, law compliance, labour practices and community investment throughout the entire organisation including its offices, production factories, research and development centres and retailing stores.



### MESSAGE FROM THE BOARD

With the effective implementation of a multitude of favourable policies by the PRC government with respect to the reform of public services for sports in China, the Group has seen robust business development in FY2019. Being selected as one of the '500 most valuable brands in China' for the 15th consecutive years, the Group keeps sticking to its concept of 'One Extra Degree of Passion' (多一度熱愛), striving to launch and provide innovative and top-notch products with thoughtful services. With a high recognition in the global sports goods industry, the Group never forgets its mission and responsibility to play a pivotal role in transitioning towards sustainable development and more importantly, its ambitions to lead the whole industry and members in its supply chain to seek sustainability with concerted efforts at an unprecedented scale.

In response to the critical climate change across the globe, the Group has comprehensively evaluated its impacts on the environment and the implications of physical and transitional climate-risks on its business development. The Group understands that it is imperative to take advantage of its product innovation capability and huge market influence to make a meaningful difference to the world, thereby setting up policies in standardising the monitoring and management of energy consumption, improving manufacturing efficiency, optimising operational processes and limiting the environmental footprint of the products that are designed and delivered to its customers. The priority of fulfilling our social commitments is to involve all of our employees and integrate our finite resources in public welfare activities. Bearing in mind 'Remain true to our original aspiration and keep our mission firmly in mind', the Group has actively engaged in social welfare, unswervingly supporting myriads of charitable events and activities including 'local education', 'giving love to children', 'rebuilding houses' and 'environmental protection'. Not only have we put our focus on delivering our environmental and social commitments, the Group has also scaled up its efforts in amplifying its partnership with external organisations and individuals for technology acquisition and internalising the cutting-edge knowledge through sound employment. Thus, a cross-functional governance structure and the establishment of the accountability system for which the Board assumes ultimate responsibility have been built within the organisation, empowering the Group to efficiently monitor the robustness of policy implementation and facilitating the engagement of employees in the corporate decision-making process.






Apparently, sustainability is a megatrend that necessitates a forward-looking ESG mindset and joint efforts of all. We are fully prepared to face the challenge ahead of us and will remain strong and committed to driving improvements in all aspects on the way towards sustainable development.

### IV. STAKEHOLDER ENGAGEMENT

To forge a business ecosystem in which economic growth, community harmony, social stability and environmental benefits can all be achieved simultaneously, the Group is deeply aware of the necessity to be updated of most pressing issues confronted by its stakeholders and the global community groups. To be genuinely sustainable, the concerted efforts and active collaboration with its internal employees and key stakeholders around the world are vital. Building on a handful of appropriate channels for communication with its stakeholders, the Group emphasises the stakeholder outreach and engagement, trying to identify the ever-changing stakeholders' expectations in order to fine-tune its business strategy and address the issues of which its material stakeholders are most concerned. The Group welcomes the feedback from its stakeholders on a continuous basis and takes initiative to build a trustful and supportive relationship with them through their preferred ways of communication that are listed in the table below.

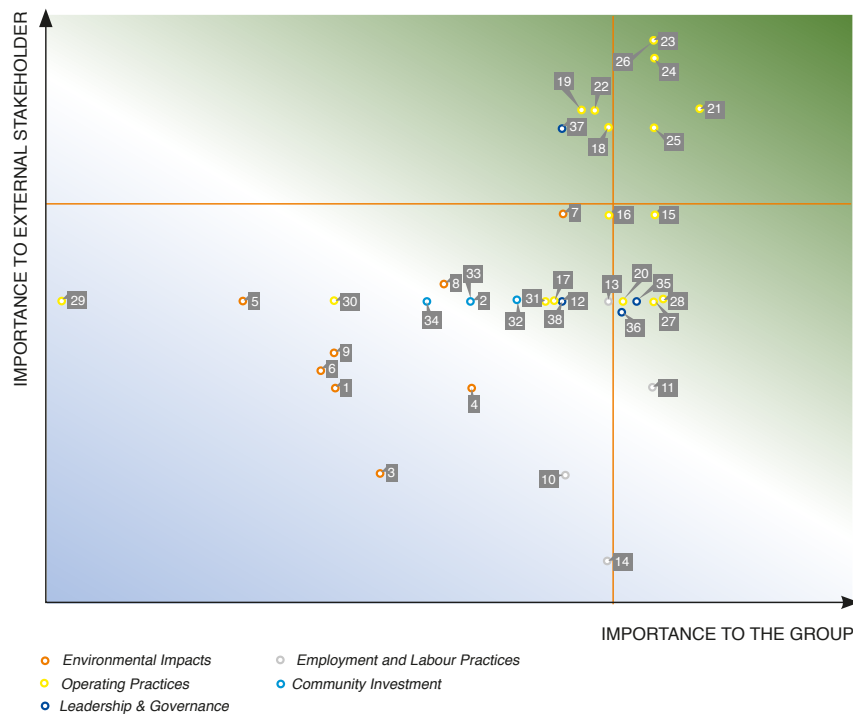


Stakeholders	Expectations and Concerns	Communication Channels
		
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>- Compliance with laws and regulations</li> <li>- Anti-corruption policies</li> <li>- Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>- Supervision on the compliance with local laws and regulations</li> <li>- Routine reports and tax payments</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>- Return on investments</li> <li>- Corporate governance</li> <li>- Business compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Financial reports</li> <li>- Announcements</li> <li>- General meetings</li> <li>- Official website of the Group</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Employees' remuneration and benefits</li> <li>- Health and safety in the workplace</li> <li>- Increase the reuse and recycling of waste materials for environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>- Performance appraisals</li> <li>- Regular meetings and training</li> <li>- Focus groups</li> <li>- Emails, notices, circulars, meetings and team building activities</li> </ul>
<b>Consumers</b>	<ul style="list-style-type: none"> <li>- Production quality assurance</li> <li>- Protection of customers' privacy and rights</li> <li>- Continuous promotion of reliable products/ services to customers</li> <li>- Technology innovations</li> </ul>	<ul style="list-style-type: none"> <li>- Customers' satisfaction surveys</li> <li>- Customer service hotline and emails</li> <li>- Media conferences</li> <li>- Corporate website</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>- Fair and open procurement</li> <li>- Win-win cooperation</li> <li>- Environmental protection</li> <li>- Protection of intellectual property rights</li> </ul>	<ul style="list-style-type: none"> <li>- Open tender</li> <li>- Contracts and agreements</li> <li>- Telephone discussions</li> <li>- Face-to-face meetings and onsite visits</li> <li>- Industry seminars</li> </ul>
<b>Distributors and authorised retailers</b>	<ul style="list-style-type: none"> <li>- Improvement in product quality and design</li> <li>- Strong marketing efforts</li> <li>- Business profitability</li> </ul>	<ul style="list-style-type: none"> <li>- Trade fairs</li> <li>- Regular conferences</li> <li>- Corporate website</li> <li>- Email</li> <li>- Corporate training programmes</li> </ul>

### Materiality Assessment

As ESG risks and opportunities for companies vary across industries and depend on corporate business models, the Group undertook an annual review to identify its stakeholders' main concerns and material interests about ESG issues. In FY2019, the Group invited an independent sustainability agency to carry out a materiality assessment survey among its stakeholders. A group of internal and external stakeholders were selected based on their influence and dependence on the Group according to ISO 26000 (Guidance on Social Responsibility). The chosen stakeholders took part in an online survey to voice their concerns on a list of ESG issues. This objective, transparent and decision-useful materiality assessment allowed the Group to prioritise topics that were crucial to the Group's sustainable development and to map the results in a materiality matrix as shown below.

### Stakeholder Engagement Materiality Matrix



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Impacts	Operating Practices	30. Anti-corruption policies and whistle-blowing procedure
1. Air and greenhouse gas ('GHG') emissions	15. Selection of local suppliers	31. Anti-corruption training provided to directors and staff
2. Sewage treatment	16. Smooth communication and sound relationship with suppliers	Community Investment
3. Land use, pollution and restoration	17. Environmental risks (e.g. pollution) of the suppliers	32. Community engagement
4. Solid waste treatment	18. Social risks (e.g. monopoly) of the suppliers	33. Participation in charitable activities and support public welfare
5. Energy use	19. Procurement practices	Leadership & Governance
6. Water use	20. Environmentally preferable products and services	35. Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
7. Use of raw/packaging materials	21. Health and safety relating to products/services	36. Management of the legal & regulatory environment (regulation-compliance management)
8. Mitigation measures to protect natural resources	22. Customers satisfaction (Welfare)	
9. Climate-related risks	23. Marketing and promotion	37. Critical incident risk responsiveness
Employment and Labour Practices	24. Observing and protecting intellectual property rights	38. Systemic risk management
10. Diversity of employees	25. Product quality assurance and recall percentage	
11. Employee remuneration and benefits	26. Protection of consumer information and privacy	
12. Occupational health and safety	27. Labelling relating to products/services	
13. Employee development and training	28. Product design & Lifecycle management	
14. Prevention of child and forced labour	29. Number of legal cases filed against the company about bribery, extortion, fraud and money laundering	

Through the materiality analysis, the Group identified ‘Health and safety relating to products/services’, ‘Observing and protecting intellectual property rights’, ‘Marketing and promotion’, ‘Product quality assurance and recall percentage’ and ‘Protection of consumer information and privacy’ as issues of high importance. Given the high degree of concerns on the material issues mentioned above, the Group has focussed its efforts on the internal management under these areas.

## RESPONDING TO MATERIAL CONCERNS

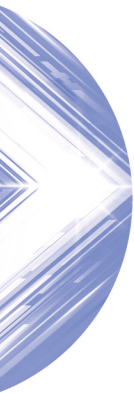
HEALTH AND SAFETY RELATING TO PRODUCTS / SERVICES	OBSERVING AND PROTECTING INTELLECTUAL PROPERTY RIGHTS	MARKETING AND PROMOTION	PRODUCT QUALITY ASSURANCE AND RECALL PERCENTAGE	PROTECTION OF CONSUMER INFORMATION AND PRIVACY
<p>The Group strives for the provision of high-quality footwear, apparel and sports accessories to people of different ages, hoping to bring them a healthy and uplift living attitude and lifestyle. Following the Opinions on Implementing Healthy China Action (《關於實施健康中國行動的意見》) and The Healthy China Action (2019-2030) (《健康中國行動(2019-2030年)》), the Group is committed to listening to the voice of its consumers, consistently strengthening its product innovation and bringing in draconian policies in an effort to regulate the use of hazardous chemicals and restricted substances in the manufacturing operations.</p>	<p>As an enterprise that relies on technology exploration and advancement, the Group has invested tremendously in product research and development, which requires the Group to set up a robust system for the protection of intellectual property rights. The Group has formulated stringent rules in securing and enforcing legal rights to its material inventions. As at 31 December 2019, the Group has obtained 356 patents in total.</p>	<p>With an enhanced brand image and popularity in the market nowadays, the Group continues to take advantage of the high-quality brand crossover collaboration, sponsoring sports events and teams such as 361° She run of China and China National Swimming Team, and partnering with prominent sports plays for brand promotion. The Group has professional teams responsible for the design and verification of advertising and marketing materials, ensuring that all public materials are in line with relevant laws and regulations.</p>	<p>In accordance with the national standards in product quality control, the Group has set up and integrated quality management process supervised by the Quality Control Department from the stage of design and production, to the phase of stock-in and delivery to distributors and consumers. The quality management system of the Group conforms to the requirements of GB/T 9001-2016 and ISO 9001: 2015 and obtained the certificates for excellent performance in quality assurance.</p>	<p>The Group understands that the solid relationship with and trust from its valuable customers should never be squandered, which has pushed the Group to strengthen the management of its authorised retailers about the service quality and more importantly, protection of customers’ privacy. The Group provides training programs to its distributors and authorised retailers regularly and establishes a secure system to deal with customers’ requests and prevent the abuse of customers’ personal data.</p>

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. In response to the requirements laid out in the SDGs, the Group has stepped up its efforts in aligning its sustainability targets, strategies and practices with “Target 12: Responsible Consumption and Production”, endeavouring to operate its business in an energy-efficient and environmentally responsible manner gradually while maximising the value for all.



**Stakeholders' Feedback**

As the Group strives for excellence, the Group welcomes stakeholders' feedback and advice on the improvement of corporate ESG approach and performance, especially under the topics listed as the highest importance in the materiality assessment. Readers are also welcomed to share their views with the Group at <http://www.361sport.com/>.



## V. ENVIRONMENTAL SUSTAINABILITY

Building on years of achievements in continuously optimising business operations towards a greener and climate-resilient model, the Group has been committed to tearing down all barriers that hinder the Group's environmental sustainability and desiring to raise the bar to more ambitious heights with its improved environmental leadership within the industry. In response to the national call for speeding up the construction of the ecological civilisation system ( 加快構建生態文明體系 ) and sticking to its pursuit of the vision of innovative, coordinated, green and open development that is for everyone ( 創新、協調、綠色、開放、共享的發展理念 ), the Group keeps seeking the long-term sustainability of the environment and the community where it operates, and has been prudent in controlling its emissions and consumption of resources, ensuring its compliance with relevant environmental laws and regulations in operating regions during operations. The material laws and regulations are listed below:

- 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 Solid Waste Pollution ( 《中華人民共和國固體廢物污染環境防治法》 ); and
- Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution ( 《中華人民共和國環境噪聲污染防治法》 ).

This section primarily discloses the policies and practices of the Group on **A.1 Emissions**, **A.2 Use of Resources** and **A.3 The Environment and Natural Resources** during FY2019.



### A.1. Emissions

In FY2019, the Group was in compliance with applicable laws and regulations concerning air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. As environmental sustainability has been an integral part to the Group's ongoing initiative to minimise its environmental impacts, the Group strives to operate in an eco-friendly manner and has extensively strengthened its monitoring and control of the consumption of natural resources, aiming to increase energy efficiency and reduce waste during its daily operations.

During the year under review, air pollutants from the Group including sulphur oxides ("SO<sub>x</sub>"), nitrogen oxides ("NO<sub>x</sub>") and particulate matter ("PM") were mainly generated from vehicles for transportation for business affairs and operations. Specifically, the Group's air emissions of SO<sub>x</sub>, NO<sub>x</sub> and PM amounted to 3.42 kg, 151.55 kg and 11.03 kg, respectively in FY2019. It is widely accepted that climate change is unequivocally linked to the increasing concentrations of greenhouse gases ("GHGs") in the atmosphere. In FY2019, the GHG emissions from the Group were primarily caused by the combustion of fossil fuels for transportation and the electricity purchase and consumption for operations. During the year under review, the Group's total GHG emissions amounted to 22,173.96 tonnes of CO<sub>2</sub>e. In addition, the Group generated a total of 3,263.2 tonnes of non-hazardous solid wastes including 1,757.2 tonnes of domestic waste, 4 tonnes of waste paper and 1,502 tonnes of waste from manufacturing processes, while 508,138.99 m<sup>3</sup> of non-hazardous wastewater was discharged from the factories and offices of the Group. In FY2019, the Group did not generate any hazardous wastes (solid waste or sewage) during its operations. The Group's total emissions in FY2019 are summarised in Table 1 below.

**Table 1 The Group's total emissions by category in FY2019<sup>(8)</sup>**

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2019	Intensity <sup>(1)</sup> (unit/employee) in FY2019	Intensity (unit/employee) in the financial year ended 31 December 2018 ("FY2018")
Air Emissions <sup>(2)</sup>	SO <sub>x</sub>	Kg	3.42	–	–
	NO <sub>x</sub>	Kg	151.55	–	–
	PM	Kg	11.03	–	–
GHG Emissions	Scope 1 <sup>(3)</sup> (Direct Emissions)	Tonnes of CO <sub>2</sub> e	555.81	0.1	0.1
	Scope 2 <sup>(4)</sup> (Energy Indirect Emissions)	Tonnes of CO <sub>2</sub> e	21,425.01	2.9	3.5
	Scope 3 <sup>(5)</sup> (Other Indirect Emissions)	Tonnes of CO <sub>2</sub> e	193.14	–	–
	Total (Scope 1 & 2 & 3)	Tonnes of CO <sub>2</sub> e	22,173.96	3.0	3.6
Non-hazardous Waste	Domestic and commercial solid Wastes <sup>(6)</sup>	Tonnes	1,761.2	0.2	0.2
	Manufacturing solid wastes	Tonnes	1,502	0.2	0.2
	Wastewater <sup>(7)</sup>	m <sup>3</sup>	508,138.99	69.1	64.8

- <sup>(1)</sup> Intensity in FY2019 was calculated by dividing the amount of air emissions, GHG emissions and other emissions by the number of employees of the Group as at 31 December 2019, which was 7,353;
- <sup>(2)</sup> Air emissions included only the air pollutants in the exhaust gas from vehicles for transportation;
- <sup>(3)</sup> The Group's Scope 1 (Direct Emissions) included only the consumption of gasoline for vehicles;
- <sup>(4)</sup> The Group's Scope 2 (Energy Indirect Emissions) included only electricity consumption;
- <sup>(5)</sup> The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills and electricity used for processing fresh water and sewage by government departments;
- <sup>(6)</sup> The domestic and commercial solid wastes covered 1,757.2 tonnes of domestic wastes from employees and 4 tonnes of waste paper from offices;
- <sup>(7)</sup> The total amount of wastewater generated from the Group in FY2019 was based on the accurate recording of sewage from operations and the assumption that 100% of the consumed fresh water entered the building drainage system for which the amount of sewage during certain operations cannot be estimated precisely; and
- <sup>(8)</sup> The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the IPCC Emission Factor Database.

### Sportswear business

For sportswear business, the Group manufactures the majority of its products by the two factories located in Jiangtou and Wuli in Jinjiang, Fujian Province of the PRC. With great emphasis laid on the emission control and the implementation of effective policies that instruct all business divisions and employees to spearhead sustainability initiatives to reduce carbon emissions, track energy usage, manage waste and control water consumption during operations, the Group has been committed to designing and producing its sportswear products in ways that protect the environment by optimising the manufacturing line to reduce or even eliminate the emissions including solid wastes, wastewater and GHGs. The Group strictly controls the chemical used during the manufacturing process and ensures zero hazardous chemical exposure in both the supply chain and production line. Further, the Group has also enforced a green office strategy in all operating regions to improve the efficiency of energy use and consumption of other resources, and unwaveringly promoted the exploration of viable solutions to take advantage of recyclable materials in the manufacturing process.

### Air and GHG Emissions

In FY2019, the air and GHG emissions of the Group mainly came from the combustion of fossil fuels for vehicles and electricity for manufacturing and office operations. To optimise its operating practices toward sustainable consumption, the Group has continued to bring forward effective policies and measures in daily operations, regulating the use of vehicles and encouraging all its employees to take actions to lower their environmental impacts. In addition, the Group has concentrated on rejuvenating the existing vegetation around factories, committed to eliminating carbon emissions while providing an array of amenity, recreational and biodiversity benefits. During the year under review, due to the unrelenting efforts of the Group, the total GHG emissions of the Group dropped dramatically by around 12.8% despite a more comprehensive reporting scope by incorporating more activities into the calculation of Scope 3 GHG emissions. The substantial reduction of GHG emissions was primarily attributed to the effective control of electricity consumption and the efficient control of GHG emissions has demonstrated the solid progress of the Group towards a cleaner and more climate-resilient development. Considering an increase in the generation of other air pollutants from vehicles, which was caused by the rising gasoline consumption, the Group will keep monitoring the use of vehicles internally and formulate relevant regulations on its fleet management.

The policies and actions taken by the Group are further described in the subsections headed 'Electricity' and 'Other energy resources' below.

### Wastewater

The Group has relentlessly followed the "3R principles", that is, "reduce, reuse and recycle" the wastewater from the boiler combustion process in the production line. As the Group champions wastewater recycling and improving water efficiency, the factories of the Group take the initiative to install a wastewater recycling system and strengthen their monitoring on the operational data from wastewater treatment systems in the future. The domestic wastewater from employees is normally discharged into the local municipal wastewater treatment plant for further treatment. In FY2019, the Group generated a total of 508,138.99 m<sup>3</sup> of wastewater, a drastic decline as compared with FY2018 should the same assumption be applied for the estimation of sewage generation. Since the amount of wastewater highly depends on the amount of water that has been used, the Group has adopted specific measures and aims to proactively explore effective ways to save the water consumption, further described in the next subsection headed 'Water', to improve water efficiency.

### Solid Wastes

The major solid wastes from factories of the Group are comprised of the leftover materials and offcuts during manufacturing processes. Embracing the concept of 'Circular Economy', the Group has brought in draconian measures and implemented strict policies that advance eco-friendly product design, consider reimagined waste as a source of value and innovate on the use of reclaimed materials throughout the manufacturing process. Specifically, pulveriser has been adopted for crushing the leftover materials and offcuts, after which the crushed materials will be reused and recycled accordingly. For unrecyclable materials, such as industrial materials including glue and synthetic resin, the Group has partnered with qualified recycling centres for centralised disposal, thereby diverting waste from landfill. As for domestic and commercial wastes, the Group has adopted a waste classification approach and inspired its employees to make a positive impact on the minimisation of daily waste by bringing their own lunch boxes to reduce plastic waste and prohibit the massive use of disposable cups or plastic cups in the company.

Given the effective implementation of policies and integration of Waste Hierarchy Management into operations, the intensity of the generation of solid wastes from the Group remained unchanged in FY2019.

## Noise

The Group has strictly abided by the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) and Emission standards for industrial enterprises noise at boundary (GB12348-2008) (工業企業廠界環境噪聲排放標準) during its manufacturing operations, and ensures that the noise level is way below the limit. Meanwhile, the Group keeps optimising its operational processes and upgrading machinery in the factories, aiming to further lower the noise. In FY2019, the Group did not receive any complaint on the noise issue from surrounding residents and regulators.

### Overseas business and Hong Kong office

Since the businesses in Hong Kong SAR of the PRC, China Taiwan, the United States, Brazil and Europe (Netherlands) are mainly the trading of sporting goods where no manufacturing process is involved, the environmental impacts of the Group's overseas business and Hong Kong office are insignificant. Despite that, the Group is still committed to a complete measurement and improvement of its environmental performance in the offices and trading operations. For instance, the Group has been dedicated to eliminating the consumption of single-use plastic water bottles in most office spaces and promoted the utilisation of digital technology and internet for communication instead of unnecessary printing and travel, thereby lowering the environmental footprint while staying in compliance with the Group's environmental strategy.

## A.2. Use of Resources

In FY2019, the Group complied with relevant laws and regulations in relation to the Group's use of resources, 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》). During the year under review, the primary resources consumed by the Group were electricity, gasoline, diesel, natural gas, water, paper and various forms of packaging materials. Table 2 illustrates the amount of different resources used by the Group.

**Table 2 Total Resource Consumption in FY2019**

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2019	Intensity* (unit/employee) in FY2019	Intensity (unit/employee) in FY2018
Energy	Electricity	kWh	30,659,282	4,169.6	5,023.5
	Gasoline	litre	231,567	31.5	28.22
	Diesel	litre	1,071	0.1	0.2
	Natural gas	m <sup>3</sup>	2,100	0.3	0.3
Water	Water	m <sup>3</sup>	908,139	123.5	169.6
Paper	Paper	kg	4,000	0.5	–
Packaging material	Paper box	Thousand pcs	2,521	0.3	0.4
	Other paper-made products	Tonnes	31.57	–	–

\* Intensity for FY2019 was calculated by dividing the amount of resources the Group consumed in FY2019 by the number of employees of the Group as at 31 December 2019, which was 7,353.

### Electricity

In FY2019, the Group purchased electricity from local public utility companies and the total electricity usage fell markedly by 13%, reflecting its determination to enhance the efficiency of electricity consumption in its operations. A significant portion of the electricity used by the Group fell in the manufacturing process in the factories, accounted for around 95% of the total consumption. The use of purchased electricity was the primary driver of GHG emissions accounted for almost 93% of overall emissions. As such, the Group is committed to becoming more efficient in electricity usage in the factories and embedding the slogan of 'Saving Electricity' into its business strategy and daily operations, with an aim to further lower the absolute electricity consumption and intensity on yearly basis. To achieve the target, the Group will continue to implement the following practices:

- Replace the former facilities with energy-saving ones;
- Apply advanced production technologies to enhance energy efficiency;
- Switch off idle facilities, lighting fixtures and air-conditioners timely;
- Replace traditional lamps that consume large amounts of electricity with LED lights;
- Turn off the copy machine, fax machine, and air-conditioning at the end of the day;
- Set the office air-conditioner at 26-degree Celsius or above in summer;
- Place posters and stickers of 'Saving Electricity' and 'Do not keep the light on all night' in prominent areas to educate employees of energy conservation; and
- Maintain electrical equipment regularly and upgrade production machinery to keep its high efficiency.

**Water**

During the year under review, the Group did not face any problem in sourcing water that was fit for its purpose. With strenuous efforts in advocating the '3R rules – Reduce, Reuse and Recycle' in its water management, the water consumption of the Group in FY2019 plummeted by 24% when compared with the figure in FY2018 despite a year-on-year increase in business development. In addition to continuous technology innovation and operational optimisation to reduce water footprint, the Group has further adopted the following practices:

- Build dual flush toilets in the company;
- Control the flow rate of faucets;
- Place posters of 'Water is the source of life' in prominent areas to encourage water conservation;
- Strengthen the inspection and maintenance on the water taps, water pipelines and water storage tanks;
- Turn off the water supply system during holidays;
- Advocate the importance of water conservation among employees during morning briefings; and
- Apply advanced technology to strengthen water recycling in the manufacturing process.

**Other energy resources**

The Group's consumption of other energy resources mainly came from the use of various forms of fossil fuels for transportation. In FY2019, while a surge in gasoline consumption was recorded, the amount of diesel consumed dropped due to the upgrade of cars and promotion of new energy vehicles. The Group has set up effective policies regulating the use of fleets for business affairs and transportation and highly encouraged its employees to make full use of video conference or teleconference instead of unnecessary business travel. In addition, the Group has been making significant progress toward its new energy commitment and dedicated to promoting the use of electric vehicles in the industrial park and installing solar water heating systems to alleviate its impact on the environment and natural resources.

**Packaging materials**

Minimising packaging materials and maximising the use of responsibly sourced materials has long been one important task of the Group towards its sustainable development. The Group has implemented internal guidelines for the management of packaging materials for its sportswear business. To minimise the environmental impacts, the Group keeps exploring and piloting alternative packaging solutions and selecting more environmentally friendly materials such as cartons, paper and woven bags. The Group has put its focus on the research of the recycling of plastic bags and woven bags. Meanwhile, the Group encourages the customers to save packing bags and reuse the bags with good quality. In FY2019, the amount of packaging materials consumed by the Group declined by 3.4% (paper-box) and 4.3% (other paper-made products) as compared to that in FY2018.



## A.3. The Environment and Natural Resources

It is one of the Group's core principles in environmental stewardship to create an enabling environment for innovation and devise ways to design and produce sportswear products efficiently with the consumption of fewer materials and energy resources and the generation of minimal waste and emissions. As such, the Group has taken a lifecycle approach to evaluate its environmental impacts and implications of its business practices on natural resources. In FY2019, the major impacts of the Group's operations on the environment and natural resources were the consumption of fossils fuels for transportation and electricity usage for manufacturing operations in the factories, which are the culprits of GHG emissions leading to the irreversible global climate change.

To minimise its repercussions, the Group has concentrated its efforts on three main areas, namely technology innovation, employee education and benchmarking best practices in the industry. First, to mitigate climate change, Group is committed to seizing every opportunity to innovate, design and utilise eco-efficient technologies for footwear processing operations, aiming to ensure the responsible use of energy resources and look into business opportunities of sourcing renewable energy based on continuous monitoring of the actual consumption of energy and research of the cutting-edge technologies. As an ongoing effort to protect the environment, the Group has reduced its products' impact by meliorating the formula of its products through innovating low-impact materials, such as changing oil-based adhesives to water-based adhesives and utilising coffee grounds as a valuable material in the products. Second, the Group values the education and advocacy of low-carbon operations and lifestyle among employees, who are encouraged to take public transport instead of private cars and pay attention to their individual environmental footprint. Meanwhile, the Group has been promoting office automation and paperless office for years by stepping up efforts to formulate internal policies that instruct its employees to reuse and recycle paper envelopes, files and draft paper in the offices. Third, the Group makes use of external frameworks to support the selection of material topics and learn from the best practices in tackling climate change. For instance, the Group has integrated the SDGs which represent a global call for action to promote prosperity for all while protecting the planet into business strategy, defining its environmental priorities and sustainability roadmap with considerations of the global climate emergency.

## SUSTAINABLE DEVELOPMENT GOALS



## VI. SOCIAL SUSTAINABILITY

### EMPLOYMENT AND LABOUR PRACTICES

#### B.1. Employment

The Group values its employees' talent and sees it as the key to driving the success and maintaining the sustainable development of the Group. By listening to its employees' voice and investing in its corporate culture, the Group has been committed to creating a workplace where all employees are respected and possess opportunities for good health and career growth. The Group invariably aims to provide employees with a safe and suitable platform for development and proactively expands its reach and diversifies its talent pool. As at 31 December 2019, the Group employed a total of 7,353 full-time employees, including management staff, technicians, salesperson and workers.

##### Law compliance

The Group's employment policies are periodically updated and adjusted to cater to social changes since the inception of the Group, and more importantly, to abide by the relevant laws and regulations in the Mainland China and the Hong Kong Special Administrative Region. In FY2019, the Group complied with all the relevant laws and regulations that have a significant impact on the Group, including the following:

- 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》);
- Law of the People's Republic of China on Promotion of Employment (《中華人民共和國就業促進法》);
- Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》);
- Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》);
- Regulations on Management of Housing Provident Fund in Xiamen (《廈門市住房公積金管理規定》);
- Labour Standards Act (Taiwan);
- Consolidation of Labour Laws (Consolidação das Leis do Trabalho, CLT) (Brazil);
- Fair Labour Standards Act (FLSA) (the United States); and
- Work and Security Act (Netherlands).

The Group's Human Resource Department is responsible for reviewing and updating relevant company policies in accordance with the latest laws and regulations.

### **Recruitment and promotion**

The Group has strictly implemented its internal policies in the process of recruitment and employee management, including 'Yearly Recruitment Plan', to ensure that the whole recruitment is standardised and transparent and utterly dependent on the candidates' capability, level of performance, academic background and experience requirement as indicated in the job description. In FY2019, the Group held a number of campus recruitment events in the PRC, such as the job fair in Shenyang Institute of Engineering, Xiamen University Tan Kah Kee College, Jiangxi University of Finance and Economics, Fuzhou University, Huaqiao University and Xiamen University, aiming to grasp every chance of acquiring top-tier talent from universities while strengthening its brand in the public.

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 refers to market benchmarks in relation to staff promotion and provides equal opportunities for promotion to eligible employees who have shown excellent performance and made giant contributions to the Group. Guided by the principle of 'comprehensive and talented, fair and equitable, progressive promotion, strict control over promotion in job vacancies', the Group has set up a clear promotion path and qualification for promotion, and strictly followed the rules to ensure that its employees are suitable for their positions where they can fully exert their talent and fulfil their potential.

### **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 that all employees are recognised by the Group appropriately with regard to their efforts and contributions. Considering the Group's development strategy, cost control strategy, current operating conditions, corporate compensation levels, business objectives next year and the average salary levels in the industry, the Human Resource Department draws up the plan for the employees' salary. The salary of employees is primarily based on the peculiarity of different job categories and business divisions within the organisation. Through efficient KPI management, the salary of employees can be linked to their own performance and the Company's development stage.

Meanwhile, any termination of the 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 internal policies based on local employment laws including the 'Provisions of the State Council on Employees' Working Hours' (國務院關於職工工作時間的規定) in the PRC to determine appropriate working hours and rest periods for its employees. The Group has installed an attendance system to strengthen the monitoring of the working hours of employees and enable all employees to stick to the rules of the working time of the Group.

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

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

As an equal opportunity employer, the Group has been 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 the Group, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements. The Group follows the 'Staff Manual' (員工手冊) and ensures that any workplace discrimination, harassment or vilification is prohibited 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》) in the PRC, and Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) and Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong) in Hong Kong. Moreover, employees are encouraged to report any incidents involving discrimination to the Human Resource Department of the Group. The Group will take responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions accordingly.

### **Benefits and welfare**

To bring its employees a sense of belonging, the Group provides additional benefits such as medical insurance and annual physical examinations to its employees. Meanwhile, in the manufacturing factories, the extra benefits provided to the employees include working meals allowance, well-equipped dormitories and free transportation between working sites and dormitories. To enhance the relationship between the management staff and general employees, the management of the Group maintains efficient communication with general staff via various means, including emails, WeChat, QQ and E-message.

During the year under review, the Group organised a multitude of meaningful events and entertaining activities for its employees, including corporate annual dinner (集團年會), 'Love – New Ten Years' 361° Group 10th Listing Anniversary Celebration (熱愛—新十年361°集團上市十週年), basketball games in the Park (園區籃球賽), the activity of 'Cooking the Pancake' in the Mid-Autumn festival (中秋博餅活動), 'Love Lectures' (熱愛大講堂) and the activity of 'Corporate Cultural Ambassador' (企業文化大使).



In FY2019, 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 it is the fundamental right of all employees to have good health and safety in the workplace. The Group aims to provide safe, hygienic and healthy workplaces in the factories, R&D centre and offices. As such, the Group has set up an improved safety system and a series of occupational health and safety rules and keeps fostering a safety culture and raising employees' awareness of health and safety during operations. To provide and maintain a safe, clean and environmentally friendly working condition for employees, the Group has established strict internal safety and health policies, which are in line with relevant laws and regulations in the Mainland China and the Hong Kong Special Administrative Region, 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 of the PRC (《中國生產安全事故報告和調查處理條例》);
- Special Rules on the Labour Protection of Female Employees of the PRC (《中國女職工勞動保護特別規定》); and
- Regulation on Work-Related Injury Insurance of the PRC (《中國工傷保險條例》).

In FY2019, the Group's productions and operations strictly complied with GB/T 28001 (Occupational health and safety management systems – Requirements). The Administrative Department of the Group has established 'Environmental and Occupational Health and Safety Operation Control Procedures', establishing the process of setting material environmental factors, identifying unacceptable risks and controlling main hazardous sources. The policy also defines the rules and regulations of safety production management, relevant control criteria and resources that are required for risk control. Each business division should set up own control criteria and rules for the outsourcing process that may impact the Group's environmental and occupational health and safety performance, and determine the measures based on its impacts on the safety system.

Special employees should obtain corresponding certificates or working permits before on board. Employees are required to wear helmets when entering the manufacturing areas to prevent occupational hazards. The Group aims to achieve an accident-free workplace environment by prohibiting smoking and liquor drinking in the workplace, carrying out disinfection of air-conditioning systems and carpets, strengthening education through safety warning signs and arranging safety work seminars on a regular basis. The Group maintains routine monitoring to assess potential health effects of hazards and limit the exposure of employees to the risks.

The Group has been dedicated to providing a tidy and safe working environment. The Group set up and strictly followed internal manuals, including onsite 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 requirement and comply with the related fire safety regulations, labour protection management regulations and the safety regulations in the production bases during the year under review. Health and safety-related training is also believed by the Group as an effective measure to eliminate occupational risk exposure at source. In FY2019, the Group provided training courses including Emergency Management (應急管理), Hazardous Materials Handling (危險材料處理) and Machinery Safety (機器安全) to its frontline workers. The Administrative Department is responsible for the supervision and oversight of the implementation of health and safety policies in the Group.

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.



### B.3. Development and Training

The Group is deeply aware that a well-designed training management system can generate enormous benefits to both the company and the development of its employees, such as improved corporate productivity and adherence to quality standards, increased agility that provides a springboard for advancing the goals and objectives of the company, and a surge of motivated and passionate employees gravitating towards opportunities for career growth and mobility.

The Group sticks to its training principle, that is, 'Training should be elevated to the strategic level and linked to KPIs', which reflects the Group's target to amplify the value of training to the organisation more directly and rapidly. The Group regards the development of this training principle as vital to its sustainable development because of the following two reasons:

- a. The accomplishment of corporate strategic goals relies on efficient management process and high-calibre staff, which is inherently tied to training.
- b. The growth of the company comes with a cost, which should be used to maximise the benefits. Considering the input-output ratio, the time, efforts and investment should be put in the training that serves the improvement of business operations and corporate performance.

The Group's training can be divided into company-level training and department-level training. Company-level training is led by the Talent Development while department-level training is organised by each business department. The Group also incorporates the latest technology in the development of training programmes, making full use of online platforms, including:

1. Providing online induction training courses for new employees via live broadcast platforms such as Qianliao and DingTalk;
2. Providing online courses that have been recorded by senior managers and executive directors to all employees via DingTalk Cloud Classroom.

The Group has formulated its 'Training Management Policy', regulating the training principle, topic classification, procedures for the arrangement of internal and external training courses, training time management and training disciplines. Under the overarching framework, the Group has further set up its internal policies for training management, including 'Measures on Induction Training', 'Measures on the training planning and budget management', 'Measures on the management of internal lecturers' and 'Measures on internal training course development'.

For new hires, the Group provides a well-designed induction training that introduces the corporate culture, organisational structure, work safety requirements and management policies, while non-scheduled profession-oriented courses are offered to experienced staff who is expected to obtain advanced working skills. In FY2019, a wide variety of training courses were designed and provided by the Group to its employees, such as the corporate culture and policies, '6S' management and safety production, career development, business growth strategies, 2019 Management Trainee – Training Camp, production management, emotional quotient (EQ) leadership, shoemaking process, techniques for using Sewing Machines, compensation and benefits management, office software training, fire safety drills, quality inspection and assessment, training on glue and supply chain management. The total attendances were over 7,000 covering a variety of departments and business divisions.



To further enhance the professional skills of its employees and meet the Group's development goal, employees are highly encouraged to attend external training programmes and take professional qualification examinations. Meanwhile, the Group often invites external organisations and experts to provide relevant training to its employees.

### 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》), Labour Standards Act (Taiwan), Consolidation of Labour Laws (Consolidação das Leis do Trabalho, CLT) (Brazil), Fair Labour Standards Act (FLSA) (the United States) and Work and Security Act (Netherlands), and 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 Resource Department of the Group is responsible for monitoring the compliance of the Group with the relevant laws and regulations that prohibit child labour and forced labour employment. Once any case that fails to conform to the relevant labour laws, regulations or standards is found, the relevant employment contract will be immediately terminated and the individuals responsible for the management of human resources will be disciplined accordingly.

In FY2019, the Group was in compliance with applicable laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

## OPERATING PRACTICES

### B.5. Supply Chain Management

An efficient and eco-friendly supply chain management is the prerequisite of the Group in its sustainable business growth. As an enterprise mainly engages in sportswear production, the Group has focussed its efforts on lowering its potential environmental and social risks that may adversely influence its value chain. The Group requires its suppliers to go beyond simple compliance in the production and supply of materials to the Group. The principal raw materials that the Group purchases from its suppliers include textiles, leather, synthetic leather, polypropylene (PP) films, accessories, craftwork, mould, fabrics, rubber, soles and plastics.

#### **Social risk management**

To ensure a stable supply chain, the Procurement Management Department of the Group conducts a comprehensive background check and on-site evaluation of potential suppliers against criteria that cover the quality of goods, previous track record, production capacity, reputation, staffing, business qualification and logistics. Meanwhile, the Group requires that suppliers should provide business licence, identity card of the legal person, articles of association, organisational structure and photos in all workshops including packaging workshop, technical workshop and warehouse for verification before making decisions. After the regulatory review, technical audit and onsite visit, suppliers who have passed the evaluation are qualified for trial cooperation with the Group.

A quarterly trial cooperation period is offered to the selected suppliers for further evaluation before becoming an approved supplier of the Group. The Regulatory Affairs Department, Supplier Management Department and Quality Control Department are responsible for the assessment of the suppliers on whether:

- the supplier complies with local laws and regulations on business operations;
- the supplier's capacity is flexible to meet the Group's demand based on the investigation of the processing and distribution process of the supplier for orders; and
- the qualifications of supplier such as International Organisation for Standardisation ("ISO") and China National Accreditation Service for Conformity Assessment ("CNAS") are valid and meet the requirements of the Group.

The Group kept verifying the performance of its suppliers in the qualified suppliers list through annual inspections and ensures that all qualified suppliers can continuously provide high-quality products that meet the Group's expectations.

To manage the social risk in the supply chain, the Group has built a procurement management team following the supplier management policy of the Group to supervise, review and confirm suppliers' operations and to record and archive suppliers' evaluation records. The Group maintains a close relationship with suppliers to ensure that their business complies with local laws and regulations in the countries and regions in which they operate and adheres to their corporate ethics, such as the prohibition of child and forced labour.

### **Environmental risk management**

The Group believes that good sourcing practice is determined not just by the high product quality and timely delivery, but also the continuous reduction of the environmental footprint in the supply chain. The commitment to 'Green Procurement' has long been an important aspect of the Group in its sourcing process. With an ambitious goal to increase its resilience to climate change, the Group has persistently purchased degradable materials in the supply chain and prioritised suppliers with sound environmental certifications and robust environmental management system. The usage of water resources, application of recyclable materials and other environmental factors have already been integrated into the Group's supplier selection process. The Group gives preference to the collaboration with local business partners, such as local suppliers from Fujian City and Jinjiang City, in order to further reduce the detrimental environmental impacts during the transportation of goods and raw materials.

### B.6. Product Responsibility

#### Law compliance

To protect the legitimate rights and interests of consumers, and to strengthen the supervision and control of the quality of products, the Group has strictly abided by the following laws and regulations, including but not limited to:

- 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

The Group keeps formulating and implementing higher requirements for internal product quality control according to the latest national/industry standards and by introducing advanced international detection methods, to ensure the premium quality of products. As a leading enterprise in the sportswear industry, the Group has actively participated in the research and formulation of national policies and industry standards concerning the quality assurance of shoes and clothing products. Specifically, the Group has engaged in the formulation of over 30 national, regional, industry and corporate standards during the years, and provided support as the First drafter of GB/T 3903.43-2019 《Footwear-Test methods for uppers, lining and insoles-Seam strength》. As the strategic cooperation unit of the National Technical Committee 209 on Textiles of Standardization Administration of China and the National Standardisation Advanced Unit, the Group insists on the optimisation of its quality assurance management system, the strict monitoring and management of the whole production process of its sportswear products and the formulation and implementation of product quality standards to prevent the occurrence of mass quality accidents, thereby enhancing its competitiveness in the market of apparel products while meeting consumers' expectations.

To ensure that the quality of final goods conforms to the standards, the Group has strictly followed its policies for quality assurance and keeps strengthening its management in all stages including product development, mass production, stock-in check, improvement of the quality management system and internal education. For instance, in the product development stage, the Group regulates the review procedures of material/textile printing/finished goods and built an accountability system for management. In the mass production stage, The Group particularly emphasises the management of quality inspection plan, appearance inspection, identification of unqualified products and recall management. In the internal education stage, the Group attaches great importance to the sharing of industry news and discussion of quality management through the case study.

The Group regulates that 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 the delivery to customers. The Group has also obtained valid quality certificates, such as GB/T19001-2016/ISO9001:2015, ISO/IEC17025:2005/CNAS-CL01 and GB/T24001-2016/ISO14001: 2015.

### **Health and safety**

In FY2019, the Group strictly followed the requirements of ISO9001: 2015, ISO14001: 2015 and OHSAS18001 to ensure the safety of its products. The Group runs the test on the raw materials, semi-finished products and finished products to track any potentially unqualified goods which might cause health problems of its consumers. If any defective product with health concerns or quality problems is found, the Group will take actions immediately by contacting the consumers, collecting the sample product for experiment and analysis, and requiring distributors to recall unqualified products according to the Group's recall procedures if necessary.

### **Advertising**

The Group has issued internal guidelines to ensure that its sales and marketing materials provide accurate and precise descriptions and information to customers which comply with the relevant local laws and regulations. All the promotion and advertisement materials must be approved by the Regulatory Affairs Department before being distributed to the market. The Group prohibits any misrepresentation or exaggeration advertisements. The Group also provides training programs for distributors and authorised retailers, enabling them to accurately convey the Group's latest technology and product-related knowledge to consumers. The Group has developed its modern e-commerce business through renowned e-commerce platforms in China and set up effective policies to monitor and manage the sales and marketing practice online.

### **Consumer complaints**

The Group welcomes the consumer's feedback and regards it as the driver to continuously improve the quality of its products and services. Through WeChat Account, Corporate Website, Weibo and other channels, the Group carries out customer satisfaction surveys periodically and actively responds to and effectively deals with the concerns or problems met by the customers, including the service attitude and product flaws. Customers can file a complaint by making a call to the Customer Service Department at 4008855361 at any time. The substantiated complaints will be analysed and addressed within no more than 24 hours. Quality-related problems are reported to the Quality Control Department for review and rectification, such as optimising inspection process, strengthening process monitoring and reinforcing the frequency of quality management system audit, in order to prevent similar cases from happening again in the future.



### **Consumer privacy**

The Group has strictly complied with the relevant laws or regulations regarding the protection of customer's privacy, including the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), Law of the People's Republic of China on the Protection of Consumer Rights and Interests, General Data Protection Regulation (EU) 2016/679 (GDPR) and Personal Data Protection Act (PDPA), to ensure that its customers' rights and information are 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 the authorisation of the customer. All the information is secured and reserved safely, and only authorised staff could have access to confidential information according to the limits of authorisation. The employees are educated to enhance the awareness of the data leakage risks and required to sign the confidentiality agreement with the Group. The IT department has set up firewalls between office network and commercial network to prevent the abuse, exportation and copy of any unauthorised data. All staff who has violated the policy and regulation in relation to consumer privacy will be heavily penalised by the Group.

### **Labelling and intellectual property rights**

The Group is dedicated to protecting and enforcing its intellectual property rights, which are crucial to its sustainable business growth in the sportswear industry. As a highly recognisable brand in the PRC and overseas markets, the Group's trademark and patents have been registered in the Mainland China, the Macau Special Administrative Region and hundreds of other jurisdictions legally. In FY2019, the Group successfully applied for 45 patents and 36 trademarks (with 29 domestic trademarks and 7 overseas).

The Group generally enters into a distributorship agreement with its distributors which sets out the rules of the protection of its intellectual property rights. The distributors are only allowed to use the Group's intellectual properties in connection with the sales of its products and the Group requires distributors not to get involved in any activities that may infringe upon Group's intellectual property rights. The employees also hold the responsibility for protecting the Group's confidential information and other proprietary intellectual properties.

In FY2019, the Group was in compliance with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group.

## B.7. Anti-corruption

To maintain a fair, ethical and efficient working environment, the Group strictly abided by the local laws and regulations relating to anti-corruption, bribery, extortion, fraud and anti-money laundering, irrespective of the region in which the Group operates in FY2019, including the Anti-Corruption Law of the People's Republic of China (中華人民共和國反腐敗法), the Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

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.

Whistle-blowers can report verbally or in writing to the Human Resource Department of the Group for any suspected misconduct with supporting evidence through the grievance mechanism that the Group has built, which can protect the whistle-blowers from unfair dismissal or victimisation. The Human Resource Department of the Group will carry out investigations against any suspicious or illegal behaviour to protect the Group's interests. If any crime is substantiated by the Group, a report will be submitted promptly to relevant regulators or law enforcement authorities when the management of the Group considers it necessary.

In FY2019, no concluded legal cases regarding corrupt practices were brought against the Group or its employees and the Group was in compliance with relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

## COMMUNITY

### B.8. Community Investment

As a corporate citizen that has been committed to philanthropy and bringing positive impacts to social welfare for many years, the Group, with a resounding success in community investment that has received lavish praise from people in all walks of life, unremittingly takes a people-centred approach, gives priority to poverty alleviation, home reconstruction, healthy growth of children, public health and a range of public good topics and embraces the great vision of the 'Belt and Road' that delivers true benefits to the people in need.

In FY2019, the Group organised a series of activities to promote the harmony of communities. For instance, the Group partnered with the local police station, launching an 'Anti-Fraud Safety Education' seminar about how to spot fraudulent practice in the community. In June 2019, the Group organised an 'All-round kids, Love growth' parent-child activity, providing a plethora of entertaining games for the strengthening of family bonds. In FY2019, the Group also held 'New Year Warm-Up Run (開年熱身跑)' activity, donated kid sportswear products worth over CNY40,000 in the 'Pass Love in Changdu, Share Love on Children's Day' (愛遞昌都, 六一獻愛心) activity and sponsored the Zhongzhai National Kindergarten (鐘宅民族幼兒園) with sports equipment.

As the strategic partner and sponsor of 2019 Shijiazhuang International Marathon, 2019 Xi'an City Wall Autumn International Half Marathon, 361° She Run 2019 and a number of sporting events, the Group provided professional sports equipment and high-quality event services to runners and staff. During the competitions, the Group arranged professional warm-up activities and set up energy supply stations and other services to help runners enjoy the game, to bring people together to experience the power and charm of sports, and to reach their greatest potential.



During the Spring Festival of 2020, the coronavirus epidemic spread across China, putting the health of millions of people at risk. The Group responded to the shortage of medical protective equipment rapidly, purchasing 2,000 sets of medical-grade goggles and protective clothing from the United States and donating all supplies to four hospitals in the epicentre Wuhan City, endeavouring to make every effort to help the frontline medical staff fight against the epidemic. On 20th February 2020, the Group made another donation of worth of goods and materials CNY10 million to the frontline medical staff and volunteers in Hubei through the China Youth Development Foundation.





Going forward, the Group will continue to leverage the power of sports as a unifying force, support the development of local communities through involvement and inspire more employees and people to engage themselves in contributing to social welfare. Upholding its social responsibility and remaining true to its original aspiration, the Group deeply cares about the happiness and health of community members and will remain steadfast in safeguarding the prosperity, stability and harmony of the society.

**VII. REPORT 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	13
	KPI A1.1	The types of emissions and respective emission data.	Environmental Sustainability	14
	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	14
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	14
	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	14
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Sustainability	15
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Sustainability	16



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	Section	Page
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Sustainability	17
	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	17
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	17
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Sustainability	18
	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	19
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Sustainability	19
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Sustainability	20
	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	20

Aspects	ESG Indicators	Description	Section	Page
<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	21
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	24
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	26
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	28



## 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	28
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 remedy.	Operating Practice	30
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	33
<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	33