

# La Chapelle

Shanghai La Chapelle Fashion Co., Ltd.



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

## ESG REPORT 2019

(Stock Code: 06116)





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# 1 Message from Senior Management

Dear friends of La Chapelle,

In 2019, the economy was still under downside pressure due to the US-China trade tension. As a traditional consumer industry, the apparel industry faced multiple changes including upgrading demand of consumers, business model innovation and development, and entered an in depth transformation and adjustment stage.

During the reporting period, following the slow-down of consumption growth of the apparel industry generally and the decrease in customer traffic of physical stores, we strategically closed low-efficiency and loss-making stores and proactively downscaled the business of non-core brands. We focused on our “down-scaling and focusing, reducing costs and increasing efficiency and innovative development” operational policy and strived to implement transformation and adjustment. During the transformation period, we provided job transfer opportunities to employees affected by the closure of stores, and properly disposed of items in the closing stores in an effort to recycle resources and reduce the wastage of resources and decoration cost. In addition, we strengthened the management of supply chain, established supply chain management centre, put in place high-quality management system and streamlined organisation hierarchy. We also established big data centres such as LaCha Cloud to focus on offline growth of individual stores, expand online channels for clearing inventory, analyse consumer behaviour and implement quality management of individual stores with the help of digitalisation and informatisation. As at the end of the reporting period, La Chapelle had over 13.90 million members. In the future, we will continue to increase investment for membership and focus on main customer groups.

As a Group with multi-brands and omni-channel fashion operation and a focus on mass-market, La Chapelle adheres to the initial resolution and development concept of “designing for a better life” and is dedicated to satisfy the aspiration for a better and higher quality life of female consumers in

China. All along, the Group has been performing its social responsibility with low profile. ESG report is an important window of communication with our stakeholders. We will continuously establish the identity of La Chapelle brand and build our core competitiveness through the ESG report.

2019 is the beginning of the third 10-year of La Chapelle and it experienced a substantial strategic downscaling. However, challenges and opportunities coexist, and we shall recreate our entrepreneurship culture, advocate our values, increase investment in our core team and establish a community of shared interests. In this downscaling reform, we will strive for improvement, accurately meet consumers’ needs, enhance operational efficiency and operate business with prudence and humility.

In the beginning of 2020, after the outbreak of the novel coronavirus epidemic, we have taken the safety and health of consumers and employees as our top priority. We took measures to reduce the risks to consumers and employees such as adjusting the opening hours of our stores, closing some stores temporarily, thoroughly disinfecting business premises and distributing face masks to employees. In an effort to contribute our strength to the combat against the epidemic, we donated items such as down jacket and winter clothes to Jinyintan Hospital of Wuhan and Zhongnan Hospital of Wuhan University.

In the future, we will continue to uphold the spirit of originality and innovation, and strive to offer more stylish, high quality and cost-effective products, integrate more ESG elements into product designs and perform social responsibility in an innovative manner. In our future course of pursuing ESG, we also expect further understanding and help from our stakeholders including supply chain partners, banks, governments and consumers.

**Mr. Yin Xinzai**

29 June 2020

## 2 About This Report



### STATEMENT FROM THE BOARD

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

### BASIS OF PREPARATION

This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Environmental, Social and Governance Reporting Guide on the Shanghai Stock Exchange. The reporting period is from 1 January 2019 to 31 December 2019. A portion of the content consists of a brief review of previous and recent related activities. This report will be published on the website of The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange and the Group's official website.

### THE GROUP'S BUSINESSES

Shanghai La Chapelle Fashion Co., Ltd. (the **"Company"**) was incorporated in the People's Republic of China on 23 May 2011, converting from its predecessor, Shanghai Xuhui La Chapelle Fashion Limited, founded in 1998. Shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9 October 2014, and on the Main Board of the Shanghai Stock Exchange since 25 September 2017. The Company and its subsidiaries (the **"Group"**) are a multi-brand and omni-channel operated fashion group with a focus on mass-market. Since our establishment, we have kept our focus on the apparel sector and adhered to the brand's initial resolution and development concept of "designing for a better life". We strive to offer consumers with stylish, high quality and cost-effective fashion products.

The Group now owns multiple brands such as La Chapelle, Puella, Candie's, 7 Modifier and La Babité which have different but complementary styles. They are mass-market women fashion brands that have interwoven and extensive customer positioning which satisfy the diverse needs of a wide range of female consumers.



## 2 About This Report

During the reporting period, the Group's revenue was RMB7.666 billion. As at the end of the reporting period, we have 4,878 domestic offline retail outlets which are widely distributed in about 1,651 commercial buildings. In addition, as the Company completed the acquisition of the brand Naf Naf in France in 2019, a total of 586 retail outlets were added to the Company's retail network in overseas region. Relying on the offline retail network throughout China, we have connected and integrated offline retail outlets and online sales platforms based on new retail strategy to offer our consumers with a more convenient and comprehensive omni-channel shopping experience.

### PUBLICATION INTERVAL

This report is published annually. It is our fourth Environmental, Social and Governance Report follows the Group's first, which was published in April 2016. The Environmental, Social and Governance Report for the next reporting period (2020) is expected to be released in April 2021.

### REPORTING SCOPE

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

### SOURCES OF DATA

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

### REPRESENTATIONS

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



## 3 Summary of Environmental, Social and Governance Aspects



### 3.1 THE GROUP'S ESG STRATEGIES

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

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

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

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

### 3.2 THE GROUP'S ESG STRUCTURE

The Group has established an ESG working committee led by senior management with the participation of middle management, which reports to the Board regularly to help the Board assess and determine whether the risk management and internal control system for ESG are appropriate and effective. The ESG working committee is led by the office of the board of directors and comprised of representatives from departments in relation to the Group's daily administration, including the Human Resources Department, Administration Department, Supplier Management Department, Infrastructure Engineering Department, Supervision Department, Logistics Department and Store Decoration Engineering Department. The ESG working committee is responsible for circulating and communicating the Group's ESG strategies, specific initiatives and feedback. It is the key driving force of our sustainable development.



## 3 Summary of Environmental, Social and Governance Aspects

### 3.3 STAKEHOLDERS' PARTICIPATION AND ASSESSMENT OF SIGNIFICANCE

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

#### Stakeholder Communication

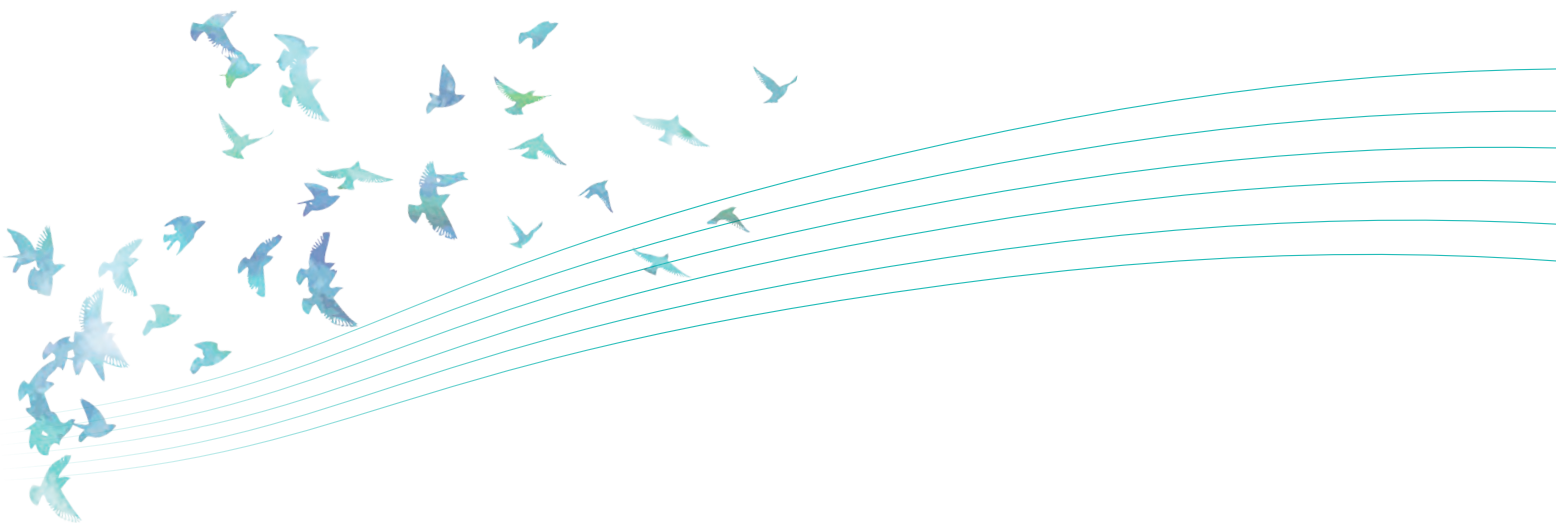
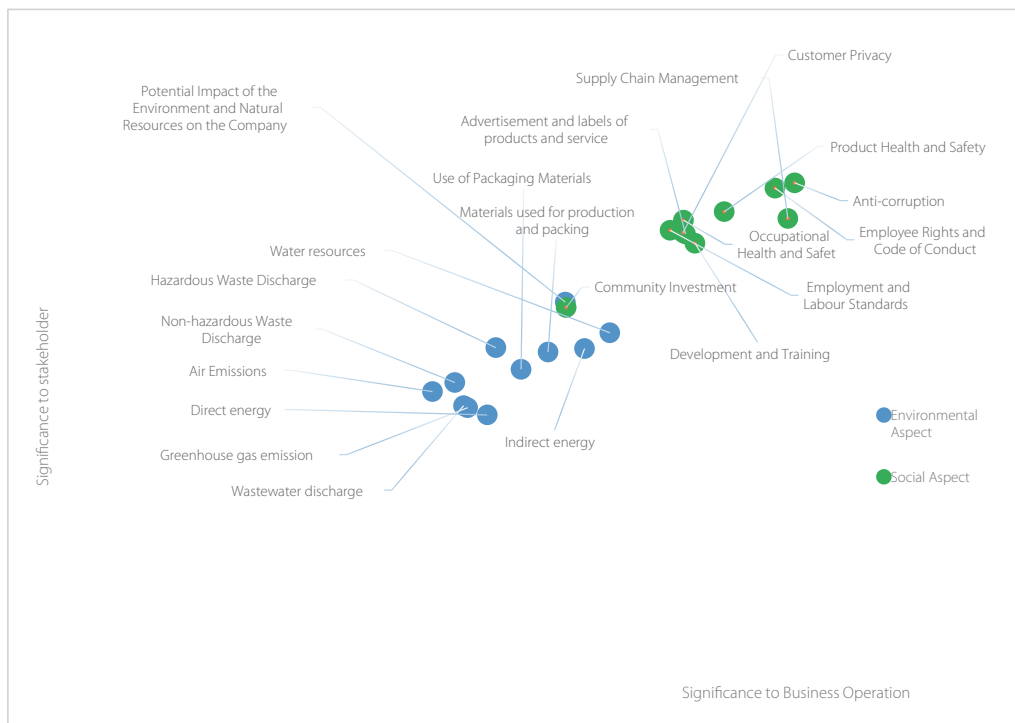
By continuously improving communication channels and actively engaging with stakeholders, we could better reflect the opinions and understand the issues of concern of our stakeholders. We will review the effectiveness of our actions based on such opinions and issue's.

Category of stakeholders	Issues of concern	Way of communication	Frequency
Employees	Remuneration package	Employee interview/ internal email	Irregular
Shareholders/investors	Training and development	WeChat Work	808 on-site trainings
	Business strategy	General meeting	Five general meetings
	Corporate governance	Online briefing of annual results	Two results briefings One investors reception day
	Investment returns	Investors group reception day	
Governments/regulators	Operational compliance	On-site investigation and interview	Irregular
	Paying taxes according to law	Paying taxes proactively	
Suppliers	Business development	On-site investigation	Irregular
	Transparency in procurement	Supplier conference	One supplier conference
Consumers	Quality of products and services	Official website/offline stores	Irregular 178 WeChat articles
	Product innovation	Member Public Account/ Mini Program	
Media/social organisations	Company operations	News interview	47 interview letters
Community	Charity	Donation and sponsorship	8 donations

### 3 Summary of Environmental, Social and Governance Aspects

#### Materiality assessment

During the reporting period, the Group distributed ESG questionnaires to the departments and external suppliers to collect and summarise issues of concern of internal and external stakeholders. Meanwhile, we organised more than ten in depth interviews with internal stakeholders to understand the key concerns and expectation of internal stakeholders in respect of the Group's ESG performance. By peer benchmarking analysis and searching media opinions, we identified a list of material issues. After placing issues identified in the surveys in an order of priority, making interviews and assessing the extent of their impact on the strategy and operation of the Group as well as their impact on the stakeholders, we arrived at the materiality matrix of the year.





## 4 Employment and Labour Standards

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

### 4.1 EMPLOYMENT

#### Legal compliance and equality in employment

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

The Group's regard for national unity is reflected by the 127 members of minority groups it officially employed at the end of the reporting period.

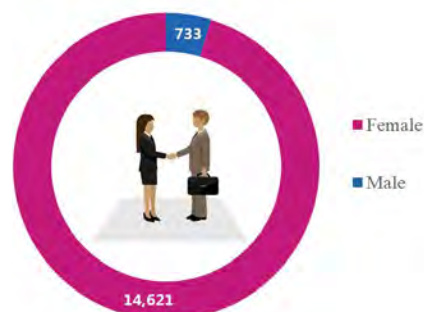
#### By type of employment



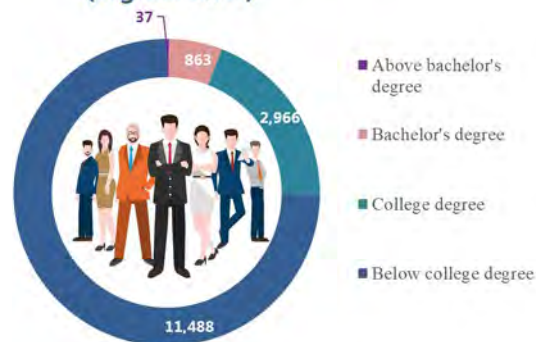
#### By function (regular staff)



#### By gender (regular staff)



#### Educational background (regular staff)



### Hard work and happy life

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

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

We not only offer employees with a high-class office environment, but also give attentive care in their life. In order to reduce the impact of relocation on the distance and time of commuting of staff, and also for the purpose of energy efficiency and environmental protection, we have opened three shuttle lines covering the time range from 8 am to 8 pm. The new headquarters building has a canteen, which allows employees to reduce the possibility of ordering take-away, which is beneficial to the health of employees and reduce the packaging waste caused by the take-away. In addition, coffee shops and convenience stores are introduced to provide employees with more options.

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

Regarding happiness, we see employees as family members of the Group. We held monthly birthday party for employees to provide the warmth of being in a big family. Various Christmas activities were held to enable employees to feel the joy and happiness of festival. We also offered discount coupons to allow employees and their relatives and friends to enjoy internal shopping discounts, aiming to provide them with tangible benefits.



## 4 Employment and Labour Standards

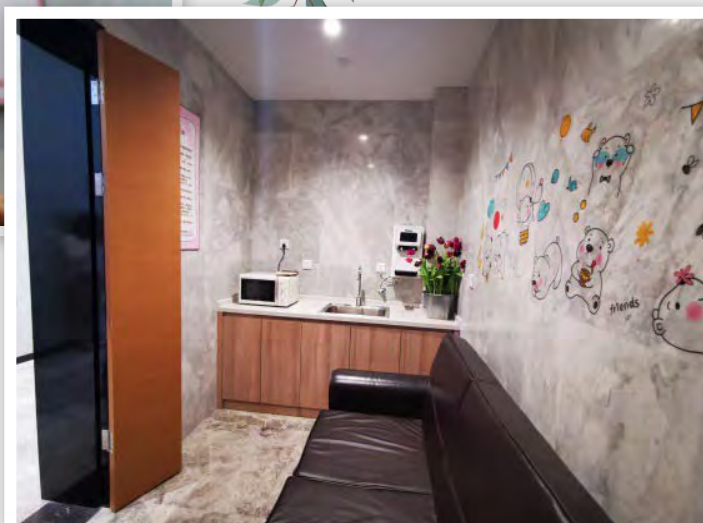
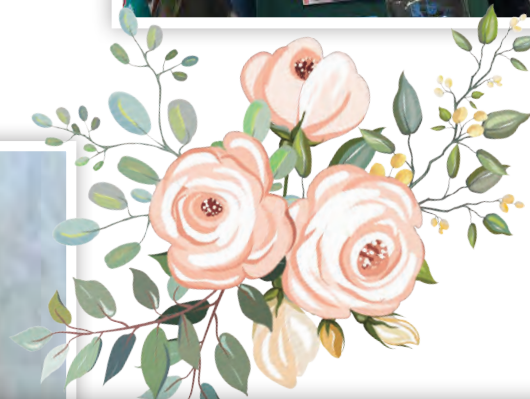
### Offering services and treats in LaCha Market

In order to better serve our employees and increase their sense of belonging, we have launched monthly LaCha market activities since the summer of 2019. A total of six fairs were successfully held by the end of 2019 with an average of around 200 participants each fair. Not only many convenience services were provided such as repairing and installing protective film for mobile phone and free ETC processing, but also free tasting and discounted sales of snacks, cakes and beverages were offered, which were particularly welcomed by young employees. Furthermore, free neck and shoulder massage and treatment consultation services were available to help employees sitting for long hours in their office to relax. Enriching employees' leisure time and providing them with discounts and benefits, these fairs received unanimous praise from employees of the Group.



### Loving Mothers' Room

In caring for our female employees and providing them with comfortable and tailored environment, we set up a "Loving Mothers' Room" on the first floor of our Wujing headquarters exclusively for pregnant and breastfeeding employees. The room is equipped with sofa, desk, refrigerator, air purifier, etc. and regular maintenance are carried out to ensure a comfortable environment for such female employees.



### 4.2 HEALTH AND SAFETY

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

#### Workplace safety

The Group has more than 4,878 physical retail points in department stores and shopping centers built in various decades. We adhere to the proportionality principle and scientific planning during store decoration to ensure decoration quality and minimize indoor pollution. We put customers' health and safety first in the store display while giving consideration to store aesthetics.

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

The prevailing design strategy for the traffic flow inside the base aims at the separation of pedestrian and vehicles, with streamlined lanes designed to slow down vehicles. Annular fire lanes are arranged around it and two-story underground garages are provided to meet parking requirements for employees' daily work and visitors' meeting, social activities, and leisure experience under the condition of ensuring safety. The motor vehicle garage has an area of 65,080 m<sup>2</sup> and a total of 1,057 parking spaces including 1,050 passenger car parking spaces and 7 light truck parking spaces. The non-motor vehicle garage has an area of 350 m<sup>2</sup> for parking 350 non-motor vehicles.

#### Mental Health

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

As the retail service industry is intensively customer-oriented, the Group believes that helping employees to reduce stress and maintain a happy mood will enhance both their sense of belonging and improve their ability to create a positive shopping experience for customers. For example, the headquarters of the Group organises theme activities, workplaces decoration, and provides little surprise for employees in holidays such as Mid-Autumn Festivals and Christmas.



## 4 Employment and Labour Standards

### Physical health and safety

The headquarters of the Group provides a dining hall and a gym for employees. Five independent buildings in the headquarters park are equipped with four basement catering areas with a total area of more than 5,000 m<sup>2</sup>. What's more, a domestic famous third-party catering brand is introduced as a manager. All of this provides the employees and visitors in the park with a homey atmosphere. Located on the first floor of the headquarters building, the gym covers an area of more than 400 m<sup>2</sup> and is equipped with 30 kinds of multi-functional fitness facilities and a training room, which is in line with La Chapelle's flexible, energetic, healthy, and positive brand image.

During the reporting period, 112 charging points for electric cars in the Taicang Logistics base which benefited 350 employees, prevented safety hazards and satisfy the demand for safe charging.

### 4.3 DEVELOPMENT AND TRAINING

"An enterprise booms with talents and is doomed without talents." The core competitiveness of an enterprise will lie in talents in the future and "talent cultivation" is a top priority of its future development. La Chapelle always believes that an

excellent organisation is necessarily a learning organisation. By centering on "talent cultivation" and initiating talent cultivation programmes such as "Team Construction of Senior Executives", "Team Development", "La New Stars", and "Headquarters Professionalism Course", La Chapelle fully enhances the insiders' professionalism and learning ability from the top down to build a learning enterprise of high quality.

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

A 10,000 m<sup>2</sup> area is reserved as a training site in the headquarters complex in Wujing. The short-term plan is to provide various trainings for middle management from the headquarters and employees from the national regions, primarily including general knowledge trainings on comprehensive management skills and leadership as well as professional skill trainings on fashion trend, retail market reporting, merchandising, etc. The long-term vision is to let this training site and La Chapelle's invaluable experience serve both the Group's employees and more people and provide relevant courses to students who pursue further education in the clothing industry or to people from all walks of life who want to improve their clothing match skills.

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



## 4 Employment and Labour Standards

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

### Training Data of La Chapelle Headquarters and Regions for 2019

No.	Trainee/project	Courses	No. of classroom sessions	No. of in-store sessions	Training hours	Number of participants
1	New employees	Introduction of the Company and brands, corporate culture, basic techniques of service and sales, basic display knowledge and anti-corruption policy	147	188	1,147	4,297
2	Store assistants	Sales skills, clothing fabric knowledge, clothing match skills and motivation	228	966	2,594	12,671
3	Store heads and managers, sales officers, management team	Corporate organisational structure and corporate policies, the process of opening a new store, corporate core values and mentality, team building, data analysis, display skills, transfer and inventory specifications, team leadership, Super Team	217	172	1,520	7,581
4	Training helpers (Terminal sales coach)	Clothing match aesthetics, how to teach a new staff, how to organise a training course, the professional skills of product teaching	46	47	393	449
5	La new stars	Corporate organisational structure and system, the process of opening a new store, corporate core values and mentality, team building, data analysis, display skills, transfer and inventory specifications	53	81	652	1,912
6	Special projects in areas managed by headquarters	National Double Eleven special projects, national anti-corruption training, RFID project, VIP super members' day, LaCha Cloud training	117	102	783	41,040
<b>Total</b>			<b>808</b>	<b>1,556</b>	<b>7,089</b>	<b>67,950</b>

\* Class hours are calculated based on training hours. Calculation for the number of participants is based on the number of people attending trainings.

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

## 4 Employment and Labour Standards

### Online training: Green and efficient

In addition to traditional classroom training, the Group provided a series of self-developed online trainings through the “Super Store Assistant” platform. It realised the Group’s online and mobile training to help nurture talent, enhance key skills, improve and support business operation.

As at the end of the reporting period, the “Super Store Assistant” had 17,692 registered mobile users, provided 62 online courses, 23 presentations and 33 outstanding cases and had 8,703,668 visits. Online training reduced the working time occupied by concentrated classroom training, minimised foot traffic to and from training facilities, and substantially cut down the use of paper training materials. It has been calculated that an average three sheets of A4 paper is consumed per person per training session. Predicated on this figure, supplanting some classroom training with online training saved a total 3,780,000 sheets of paper in 2019, the equivalent of a carbon emissions reduction of 29.3 tonnes.

### Vocational training with joint efforts of government and enterprises

In order to better develop the skill and talent of its team, the Group entered into an education agreement with Shanghai Bole Vocational Training Centre (上海伯樂職業培訓中心), entrusting the training institution to conduct job skill, integrated quality and vocational skill trainings according to the Group’s requirement. It is a response to the call for development of vocational training by the government and also a further enrichment of the content of employee training. During the reporting period, the Group organised training courses covering office software application, international trade practice, international trade operation and skills for marketing and sales personnel, with a total of 16 training sessions and 3,300 participants.

### Senior management training

The management team is the architect of the Group’s development. Its members joined La Chapelle bringing knowledge and ideas, and it is the Group’s responsibility to help them keep them up to date and capable of achieving its ambitious goals. To this end, the Group encourages continuing external training for senior management. As well as providing funds, the Group also allows flexible schedules to help them balance work and study. The Group cooperate with the Institute for China Business of Hong Kong University (SPACE), arranging MBA training courses for our senior management, and collaborate with internationally-renowned design institutes to conduct special training.

In December 2019, 5 employees of the Group graduated after more than two years of learning and received post-graduate certificates of “Shopper marketing and retail management”.



<sup>1</sup> According to estimates in the “Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong” issued by The University of Hong Kong and City University of Hong Kong, a 2.5 kg package of 500 sheets of A4 paper generates 1.55g of emissions per unit.

### 4.4 LABOUR STANDARDS

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

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





## 5 Anti-corruption

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

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

Based on the Anti-Unfair Competition Law of the PRC, the Group has formulated Anti-corruption Regulations, a Reward Policy for Raising Complaints and Reporting Corruption and a Gifts and Presents Policy. These provide clear definitions of acts of corruption and serious violations of laws and regulations, and describe the standardisation of systems for reporting, investigating and management. Also included are the launches of Employee's Undertaking to Comply with the Anti-corruption Regulations, Anti-commercial Bribery Agreement for Suppliers and Anti-commercial Bribery Agreement for the Development Department. In November 2019, in order to strengthen store operational risk control, the Group formulated and released the "Ten Prohibitions for Operational Risk Control of La Chapelle Stores".

We developed a comprehensive and detailed anti-corruption system and make it implemented in a posture of no restricted zone, full coverage and zero tolerance, which is not the Group's harsh demand on its employees, but it's care for them out of love. In terms of anti-corruption, we adhere to the policy of "prevention first and education first". Based on the actual situation of the Group, the Supervision Department compiled the Anti-corruption Training Cases and cooperated with the School of Management to conduct regular anticorruption training and assessment to deepen the anticorruption awareness of employees and prompt them to constantly improve their self-cultivation and regulate their own behavior.

During the reporting period, the Supervision Department conducted anti-corruption training for new employees and suppliers, with 12 training sessions held for 141 new employees and 9 training sessions held for 23 new suppliers, and 6 special training sessions held for 605 participants.

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

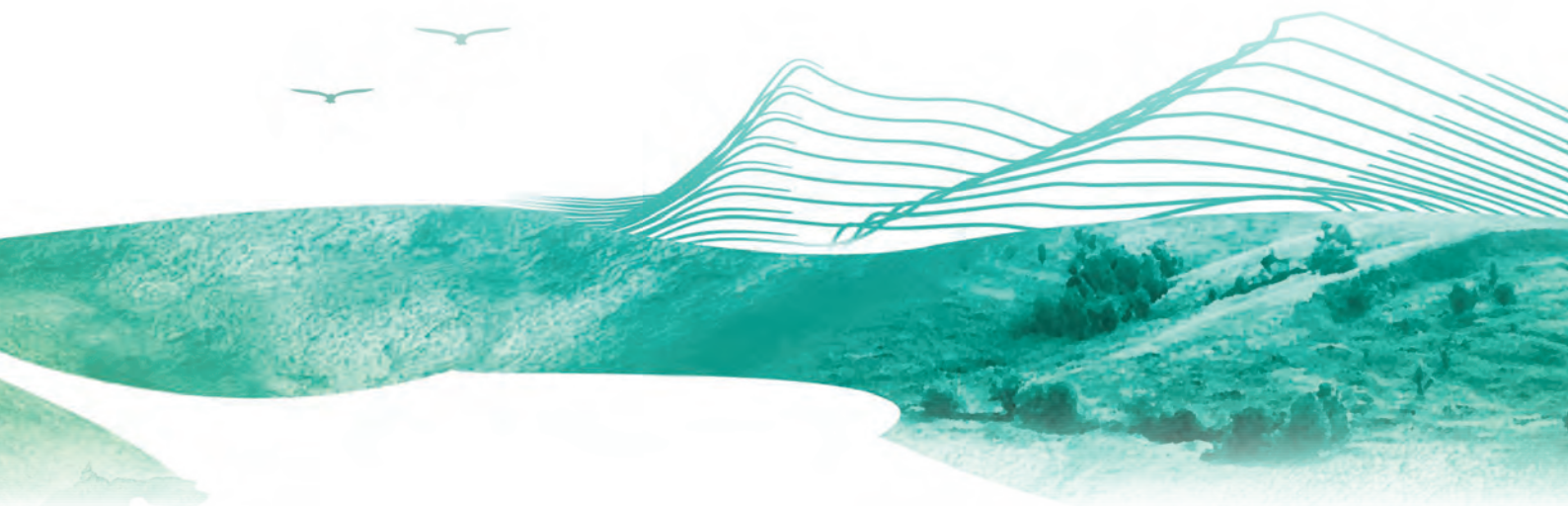
Anti-corruption is not only a matter of importance to the Group, but is a subject of concern across society.

La Chapelle became a member of the Trust and Integrity Enterprise Alliance and the Enterprise Anti-Fraud Alliance in September 2017 and June 2018, respectively. In September 2018, La Chapelle became a council member of the Guangdong Enterprise Institute for Internal Controls. In September 2019, La Chapelle was named an advanced enterprise in enterprise anti-corruption effort for 2015-2018. Together with a number of domestic famous enterprises and the Criminal Law Science Research Center of Renmin University of China, La Chapelle implemented resource integration and data sharing and established career dishonesty archives to improve the anti-fraud ability of enterprises and create an uncorrupted business environment.



The Group has always stood firm on anti-corruption issues. Since establishing its Supervision Department in 2015, the Group has taken comprehensive measures to rectify bad practices and enforce discipline to eliminate potential sources of corruption. Internally, we require relevant undertakings or agreements be signed between the Group and its employees as well as partners. Externally, we announced reporting hotlines and e-mail and postal addresses and set up the “Clean La Chapelle” WeChat account (which has gained 20,000 followers), thus forming a three-dimensional anti-corruption network. In respect of the anti-corruption issue, the Group posted 59 articles through WeChat public account, Super Store Assistant and email box in 2019, which recorded 73,340 readings.

The Supervision Department has specially assigned staff to receive complaints via WeChat, e-mail or letter, with replies given within three working days. If warranted by the nature of the reported incident, we will communicate with the head of the department concerned and work out an investigative plan within three working days, based on which follow-up measures will be formulated. Results will be returned to the relevant complainants after prudent investigation. All the content, investigation process and results of the compliant will be put on record and will be sorted and filed in a timely manner. During the reporting period, the Group received 165 complaints, among which over 20 complaints were substantiated and the handling of which have been completed as at the end of the reporting period.





## 6 Supply Chain Management

### CENTRALISED PURCHASING TO REDUCE COSTS AND IMPROVE EFFICIENCY

In 2018, the Group launched the system for product life cycle project and firstly implemented it in 7 Modifier brand, which was extended to other self-operated brands in 2019, so as to establish a main business platform underpinning the development status and future of LaCha brand. The system effectively helps the Group to communicate with suppliers efficiently, realize knowledge sharing, improve the decision-making level and enhance the performance level of both parties. During the reporting period, remarkable result was achieved in automated decision-making for transfer with the help of AI intelligent model and big data analysis.

Some of the Group's brands are self-developed, while some are acquired. All their procurement channels were operated under the brands' respective management departments.

In 2015, this situation began to change with the Group's establishment of a Centralised Purchase Centre (CPC). Its operations began in the area of fabric and accessories with huge demand, wide application and price competitiveness, and it gradually improved the Group's purchasing efficiency while reducing commodity and management costs. As of the end of the reporting period, the Group's centralized procurement center cooperates with 13 suppliers, which cover 100% of the procurement categories and 1% of the purchases amount. The Group implemented differentiation management on the selection of suppliers, setting different access criteria for women's apparel, men's apparel and

children's apparel. Meanwhile, the implementation of exclusive criteria among suppliers of women's apparel was beneficial to the differentiation among brands, so as to improve the core competitive strength of brand products. In addition, the Group optimized, amended and collected the access criterion of suppliers and set up a procurement control system related to centralized procurement. In terms of the inspection of centralized procurement suppliers, the Group, together with the finance department, the business center under the brand department, the quality department and supplier management department, conducted multi-dimensional and all-round inspection to ensure introduce high-quality centralized suppliers and purchase high-quality products. During the reporting period, the Group streamlined the labels of various brands, and optimized the number of labels from 168 last year to 27, with an optimization rate of 84%.

In November 2019, the Group established a supply chain management centre which demonstrated the increasing importance the Group attached to supply chain management. The establishment of the centre will facilitate the set up of a coordinated and rapid response mechanism involving planning, product and supply chain, the increase of overall order efficiency and irregularity handling mechanism; reduction of the number of suppliers, centralised management of supply resources and narrowing of the width of management; and establishment of a joint operation model, enhancement of product competitiveness and reduction of inventory pressure.



### GREEN ONLINE PURCHASING

The Group launched development of its BOM information system in 2016, and subsequently rolled it introduced to suppliers. The system enables the Group to place paperless orders, and provides suppliers with real-time tracking of demand. The facilitates both parties' in accurately inventories and purchasing strategies.

Since its introduction in March 2018, the system has effectively reduced the use of paper and dramatically reduced redundant products or materials. It demonstrates how the Group and suppliers can work together in green development. The Group has adopted various measures to conduct environmental protection. Information on the Group headquarters' total reduction in paper use during the reporting period is disclosed in the chapter on environmental protection.

During the reporting period, the Group optimized the process of procurement and order placement and implemented digital signature for online order procurement. The delivery time agreed by both parties through signing the contract was shortened from five days to two hours, laying a foundation for quick counter-order. Meanwhile, the Group further promoted its environmental protection concept. After implementing

online purchasing and electronic signature, 54,000 pieces of paper were saved in purchasing orders and around 100,000 pieces of paper is estimated to be saved in inspection and quality reports. In the second half of 2018, the Group launched the informatization of supplier settlement, realized the system automatic reconciliation and payment, shorten the cycle of reconciliation and payment, which once again reflects the environmental protection concept of the Group. For the digitalization of quality testing reports, the Group cancelled offline paper reports and realized the digitalization for 1,441 reports.

### RESPONSIBLE PURCHASING WITH ON-SITE EXAMINATION

The Group is not directly engaged in apparel manufacturing and all products provided to customers are from suppliers. Therefore, as one of its social responsibilities, the Group is dedicated to helping suppliers in the industry chain operate in a safe, healthy, environmental-friendly manner. As part of its commitment to responsible purchasing, the Group has also adopted the conditions for open tendering. During the reporting period, the Group implemented a new purchasing model, introducing a large number of design studios and IP cooperation and diversifying supply chain resources, to increase the variety and personal characteristics of products. The Group also guided some core suppliers to try transforming from OEM to ODM gradually.



## 6 Supply Chain Management

For apparel suppliers, the Group changed its passive mode into actively signing Social Responsibility Commitment Letter (《社會責任承諾函》) and Anti-Commercial Bribery Agreement (《反商業賄賂協定》) and entrusting International leading third-party institution (SGS-CSTC Standards Technical Services (Shanghai) Co., Ltd. (通標標準技術服務(上海)有限公司), Intertek (上海東方天祥檢驗服務有限公司) and Bureau Veritas Commodity Inspection (Shanghai) Co., Ltd. (必維申美商品檢測(上海)有限公司) to conduct on-site inspection. We also cooperate exclusively with environmentally qualified raw accessories suppliers, which also guarantees the stability and reliability of the Group's purchase as the whole society is increasingly concerned about environmental protection and relevant authorities are stricter in environmental protection currently.

During the reporting period, the Group cooperated with over ten industrial leading inspection and testing institutions such as the National Quality Supervision and Inspection Centre for Textile and Apparel Products (Guangzhou) (國家紡織品服裝服飾產品質量監督檢驗中心(廣州)), Guangzhou Fiber Product Testing and Research Institute (廣州纖維產品檢測研究院), Shanghai Textile Group Testing & Standard Co., Ltd. (上海紡織集團檢測標準有限公司), Shanghai Institute of Quality Inspection and Technical Research (SQI)(上海市質量監督檢驗技術研究院(上海市纖維檢驗所)), which jointly undertook the physical and chemical inspection and testing matters. At the same time, the Group also took pre-control measures for product quality. Starting from the raw materials, the internal quality engineers of the Group carried out spot check on the collection of raw materials at different stages, such as the centralized procurement supplier site, the garment supplier site and terminal product, and monitored the improvement of product quality.

During the reporting period, interaction between the systems of the Group and that of the cooperating quality inspection institutions was established to enhance order efficiency. On the basis of entrusting the internationally recognized third-party testing institution to conduct supervision on appearance and quality of products, the Group implemented internal supervision and counter-spot check mechanism, controlled product quality in various aspects including setting up quality acceptance level in warehouse, and carried out spot check on the appearance and quality of products on the counter to ensure the quality of products purchased by consumers.



## 7 Product Responsibility



### MASS MARKET FASHION WITH HIGH QUALITY

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

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

La Chapelle is positioned in mass market fashion, with its products meeting basic functional requirements as well as aesthetic needs. The Group has a professional design team/design team who track fashion trends and analyze feedback from sales to inspire new items of apparel for the target customer, which have become the live card of La Chapelle.

### WARM SERVICE, DIGITAL MANAGEMENT

The Group strongly emphasizes dedicated customer service as a part of its brand appeal.

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

In order to provide better services for customers, the Group launched the membership digitalization project in July 2016. Members can receive exclusive benefits and interests through the Wechat official account, the carrier of the membership digitalization system. Meanwhile, the Group established new channels for the communication with customers and strengthened the contact and interaction between the enterprise and customers. With the construction of member base, the Group integrated operation with user's thinking and set up a reasonable membership system. In November 2018, the membership digitalization project was implemented in thousands of smart stores, connecting the online Tmall flagship store with the offline store members of brands. In 2019, the Group focused on membership marketing, established a complete full-channel marketing management system taking consumer demand as the core and focusing on customers' all-scenario social and interactive experiences. The Group opened up the online and offline operating data and membership systems to strengthen member consumption behaviour analysis so as to enable its products and terminals to enhance members' repeat purchase ratio and sales conversion rate.

As at the end of the reporting period, the number of accumulative registered members under our five major women's clothing brands was more than 13.90 million, including more than 6.52 million WeChat members and more than 29.23 million fans of other e-commerce channels. The members' contribution in 2019 increased by 45% compared with the same period of 2018.



## 7 Product Responsibility

### EMBRACING TECHNOLOGY, STRIVING FOR INNOVATION

In 2018, La Chapelle released the “LaCha Cloud New Retail Strategy”: focusing on improving customer’s experience, relying on the national retail network and fashion shopping guide to connect the community e-commerce and realize more possibilities including multi-scenarios links with members and upgrading of consumption scenario. We communicate with customers on fashion product, aesthetic concept in a more convenient and more vivid manner via eco platforms including official account, mini program and Moments, and keep the “customer, products, shopping scenarios” always online and keep the consumption behavior can always be tracked. In 2019, the Group established a new retail department and actively expanded retail channels, integrated online and offline resources and realised sharing of traffic. Meanwhile, it used more digital tools to speed up the rate of product change and offer consumers with better shopping experiences.

### KEEP PACE WITH THE TIMES, SEEK FOR TECHNOLOGICAL INNOVATION

Innovation is an important driving force for the development of enterprise. The Group attaches importance to the development of scientific technology and actively applies it into practice. In December 2017, the electronic labels, corollary equipment and software based on the radio frequency identification technology (hereinafter referred to as “RFID”) was officially put into use, covering the whole process of supply, logistics and sales of clothing, case and bags. In 2018, the Company realized the self-operated brand coverage of RFID.

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



### USE DATA TO MAKE EFFICIENT DECISIONS

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

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

### ENCOURAGING INNOVATION AND FIGHTING FAKES

As a large multi-brand group, we are acutely aware of the importance of innovation in fashion. We therefore take the protection intellectual property, patents and other innovative achievements very seriously. We also respect others' innovations, and abide by industry standards and norms in this area. The Group encourages innovation and welcomes creative talents to join its "family". Every year, we make a large investment in design and textile innovation, and continuously enhance our capacity for independent design and development. At the end of the reporting period, the Group held a total of 486 trademarks, licenses, copyrights and appearance designs.

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

### GUARANTEEING CUSTOMER PRIVACY

We are committed to protect the privacy of our client. The transaction data of the Group is kept in our unique facilities room and protected by network firewall and other relevant data security mechanisms. The access of data is based on duty and authorisation and customers' data will not be provided to third parties without their consent. For this purpose, the Group has adopted strict management practices which ensure that unauthorized employees cannot access private information. We regularly educate and train employees about the customer privacy, and have taken steps to strengthen cyber security for our TMALL, JD and other online stores to protect customer data.



## 8 Community Investment

### SYSTEM PROTECTION, POVERTY ALLEVIATION

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

For La Chapelle, public welfare and charity means more than donating money; it is about integrating social responsibility with corporate strategic planning. During the reporting

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

In the last decade, the Group has made frequent donations of clothing through the Foundation for Disabled People’s Welfare and local Red Cross societies. During the reporting period alone, the Group donated 3,369 items of clothing to vulnerable groups through cooperation with charity organisations.

### NEVER STOP DONATING WITH A WARM HEART

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

Time	Location	Activities	Description
15 January	Shanghai	Poverty alleviation	100 items of clothing were donated under the “poverty alleviation” project of the Wujing Party Building Centre.
3 April	Gansu	Lunch donation	RMB96,366 was donated to Basuchi Primary School, Dongxiang County, Gansu for providing lunch.
5 June, 9 October	Shanghai	Charity sales	A total of RMB2,470, being funds raised in two charity sales of clothing, was donated to Shanghai Charity Foundation.
20 June	Shanghai	Special support	200 items of clothing were donated to Juvenile Diabetes Foundation.
30 November	Yunnan	Village-enterprise pairing for poverty alleviation support	3,069 items of clothing were donated to targeted Xiaomidi Village, Xiangda Town under the Poverty Alleviation and Development Office of Longling County, Yunnan.
20 December	Yunnan	Poverty alleviation	RMB10,000 was donated to Yuanyang, Honghe, Yunnan for poverty alleviation.

### CONFERENCE CENTRE, FASHION TECHNOLOGY

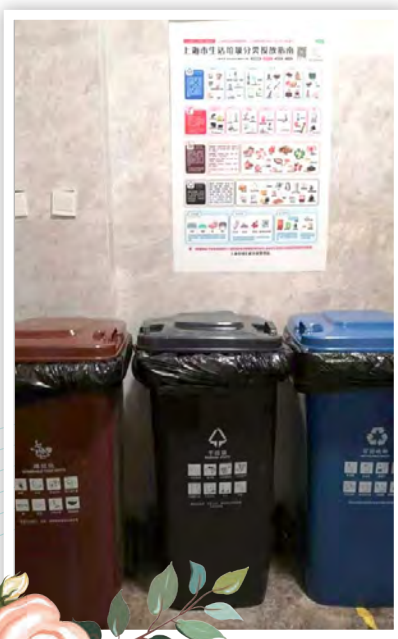
In line with the development concept of “fashion technology” of Wujing County and equipped with high quality facilities, the park conference centre in the Group’s headquarters park has become the preferred venue for major municipal events and industrial meetings organised by government authorities at city, district and county levels and industry associations. As at the end of the reporting period, 32 major events were held, of which two were city level major events, namely the opening ceremony of Shanghai Technology Festival and activities under the Shanghai Safe Production Month; five were district level events; and five were fashion events held by the industry.

### GARBAGE SORTING AND UTILISATION OF RESOURCES

Since 1 July, the Group strictly applied garbage sorting standards. By taking actions such as setting up garbage sorting rooms in the office area, arranging staff to promote and guide the accurate sorting and placing of garbage in

the relevant containers according to their characteristics, setting up a garbage room in the basement for sorting reconfirmation in respect of garbage collected from the office area, recycling and disposing recyclable items, and sorting and pressing of dry garbage to reduce the volume of dry garbage, which resulted in a reduction of the average bin number of domestic garbage collected to 300 bins per month (including both dry and wet garbage), representing a reduction of 35% and meeting the requirement of reducing and disposing garbage reasonably.

During the reporting period, the Group also strengthened supervision of store decoration works and implemented stricter waste sorting control applicable to the contractors, which include separate packing and specific disposal of recyclable materials remaining after new decoration works and construction wastes from demolition works. Although the stricter disposal control involves additional labour and costs, it is beneficial to the future development of the society and the Group will unremittingly implement such measures to strengthen the utilisation of resources.



## 8 Community Investment

### HEAT CONTROL AND EXPRESSING GRATITUDE TO FRONTLINE EMPLOYEES

In order to secure the health of frontline workers and ensure normal production, leaders of Wujing County and the management of the Group jointly visited some 30 frontline cleaners, security guards and property management personnel, understood their working and resting hours and work environment and presented Heat control gift packs to them personally in appreciation of their contribution to the environment of the La Chapelle park.



### SPONSORING THE 8TH ASIA-PACIFIC BUSINESS SCHOOLS DESERT ADVENTURE

In April 2019, the 8th Asia-Pacific Business Schools Desert Adventure was held in the Tengger Desert. More than 2,700 students from 105 top business schools across the APAC region participated in the 70 km desert trekking with weighted backpacks for three days. The Group sponsored RMB100,000 for this Yasha desert adventure to support participants to take this infinity challenge testing their spiritual and physical strength, which also demonstrated the Group's practising of the Adventure's philosophy of "environmental protection, cooperation, persistence and responsibility".



## 9 Environmental Protection



### ENVIRONMENTAL POLICY AND COMPLIANCE STATEMENT

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

The Group's major environmental protection concepts include:

- Using renewable packaging materials;
- Using energy-saving equipment in offices and other places of business;

- Encouraging employees to save resources in their daily work;
- Integrating environmental protection concepts into the design and production of clothing;
- Integrating the concept of energy conservation into site planning and construction.

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

### 9.1 EMISSIONS AND USE OF RESOURCES

#### ENERGY-SAVING FACILITIES TO REDUCE ENERGY CONSUMPTION

The Group has 4,878 outlets and online sales channels including TMALL and JD stores, three logistics centers, and headquarters buildings in mainland China. As they all consume electricity continuously, energy is a major contributor to the Group's use of resources, and also comprises its major source of greenhouse gas emissions.

**Table 1: Electricity Consumption in 2019**

	Location	Number	Electricity consumed (kWh)
New headquarters complex	Wujing Town, Minhang District, Shanghai	1	3,415,373
Warehouse Logistics Centre	Tianjin, Taicang of Jiangsu, Chengdu of Sichuan Shanghai	3	4,360,543
Exclusive shops in shopping centers	30 provinces, autonomous regions and municipalities in Mainland China.		Not included in the statistical scope
Concessionaire counters in department stores	30 provinces, autonomous regions and municipalities in Mainland China.		Not included in the statistical scope

In 2019, the Group generated 4,744 tonnes<sup>1</sup> of greenhouse gases from its controlled properties' outsource electricity.

During the reporting period, the Group had a total of four projects under construction. By installing energy-saving

lighting fixtures, water-saving devices, and equipping them with limiters, their actual water use and electricity consumption was less than designed, boosting the projects 'green credentials'.

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

## 9 Environmental Protection

The Group's influence on equipment used and electricity consumed by its business outlets in department stores is necessarily limited. For example, the Group cannot regulate the use of air conditioning in shopping malls where it operates. However, there are still ways to improve the energy efficiency of these outlets. For example, the group has been using LED lamps in new store design and new decoration of old stores since 2015, which could save 30% ~ 40% electricity for each year. As of the end of the reporting period, stores that use LED lamps has accounted for 100% of all stores overall, stores that still apply metal halide lamp have also replaced the original 70 watts/lamp with 35 watts/lamp. At the same time, the plasterboards are changed into calcium silicate boards which are more environmental friendly when stores are being decorated. The formaldehyde content in calcium silicate boards, which are more fireproof and durable and have a longer useful life than plasterboards, is significantly lower than that in plasterboards, therefore the resources losses can be significantly reduced.

During the reporting period, the Group closed some stores and recycled certain demolished materials of such stores such as hanging Logo, LED lightings and crystal sound magnetic anti-theft door, which were protected during the demolition and sent to other new stores for reuse.

### PRESERVING WATER RESOURCES

Water is the source of life. We understand fully the valuableness of freshwater resources and post promotional slogans next to the water facilities in office buildings to enhance employees' awareness of water conservation. We use faucet taps in construction projects and arrange special personnel to take care of maintenance of the water pipe network to prevent the phenomena of "spraying,

dropping, dripping, and leaking". At the same time, when such use is approved and practical, the Group will exploit such nontraditional sources of water such as rivers and rainwater collection to meet its needs. For example, during the reporting period, the Group's new headquarters complex used 48,287 cubic metres of freshwater, of which 10,000 cubic metres were derived from non-traditional sources. During the reporting period, the Warehouse Logistics Centre consumed 95,005 cubic metres of fresh water and saved 2,965 cubic metres of fresh water by using water from rivers to water plants in the park.

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

### PACKAGING WITH LOW ENVIRONMENTAL IMPACT

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

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

In the logistics sector, manufacturers make deliveries to the Group's warehouses and logistics centres. Packing is completed by the manufacturers, and the logistics centre is responsible for onward delivery to retail points. Although we have limited control over the packaging materials, we advocate saving packaging materials as much as possible and avoiding excessive packaging under the premise of effective protection of goods. At the current stage, the Group will focus more on the use of the packaging materials that can be effectively managed, such as recycling of certain carton boxes and transfer of unrecyclable carton boxes to qualified waste recycling agencies, etc. From 2017 to 2019, we conducted the pilot work for more wear-resistant transit box at the Taicang warehouse. From the test result, the use of transfer boxes reduced consumption of packaging materials in the Group's internal cargo transit. The Group also repaired used carton boxes for reuse. 75,000 carton boxes were repaired during the reporting period.

In the retail sector (which further divided into online sales and stores sales), for online sales the main packaging materials used are plastic bags. Since October 2015, the Group has used a more eco-friendly PE (polyethylene) material for the packaging of new products. For store sales, the major

packaging material is paper shopping bags. The paper bags provided by the Group are made of eco-friendly recyclable raw materials (secondary paper), with a recycling symbol printed to remind consumers to reuse or recycle after initial use. We purchase packaging bags in a centralised manner and distribute them to stores to ensure the controllability and traceability of the process. During the reporting period, a total of 69.548 million paper bags, 0.6179 million PP plastic bags, 5.553 million PE packing bags and 0.358 million tapes were used. The Group has enhanced the management of paper bags in retail stores, configured the number of paper bags based on the number of customers' purchasing vouchers. Compared to 2018, the number of paper bags consumed has been decreased by 18.21 million; In addition, the Group has also strengthened the reuse of PP plastic bags in retail stores, after removing packing materials of the products, all reusable PP plastic bags will be collated and classified and will be reused for packaging in case of retuning goods by customers; When packing, we make good use of the space inside the packaging and use it on demand.

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

**Table 2: Carton boxes use in 2019**

Category	Type	Specification	Number
Carton box	Standardised box	580*380*430	19,980
	½、⅓、¼box	—	72,390
	others	—	46,000

## 9 Environmental Protection

### SAVING ENERGY AND REDUCING EMISSIONS

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

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

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

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

### 9.2 ENVIRONMENT AND NATURAL RESOURCES

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

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

There are 44 landscape tree species with 2,105 trees in total in the 139,600 m<sup>2</sup> area that has been completed in Taicang Logistics Park and the water of the adjacent river is introduced into the park for greening irrigation, which has created a garden-style logistics center. There are 36 landscape tree species with 2,243 trees in total in the 40,000 m<sup>2</sup> area that has been completed in Chengdu Logistics Park. There are 21 landscape tree species with 1,316 trees in total in the 45,000 m<sup>2</sup> area that has been completed in Tianjin Logistics Park.



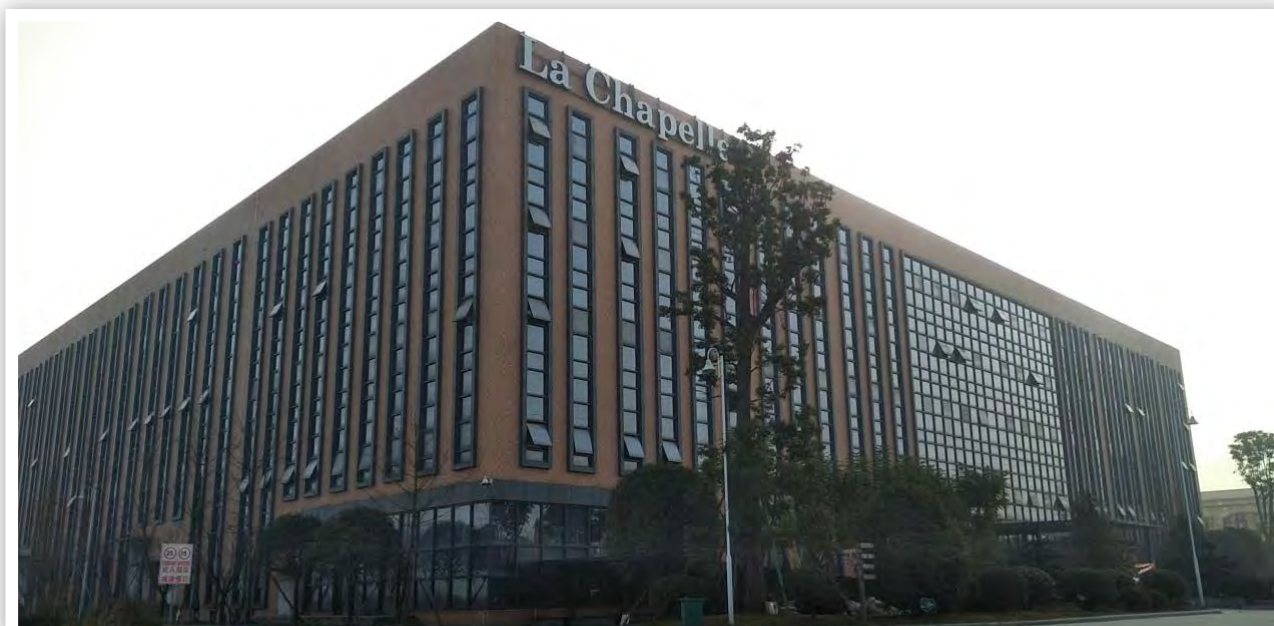
Photo of new headquarter buildings



Photos of Taicang Logistics and Warehousing Zone



## 9 Environmental Protection



Photos of Chengdu Logistics and Warehousing Zone



Photos of Tianjin Logistics and Warehousing Zone

## Appendix: Disclosure Index



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

## Appendix: Disclosure Index

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

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B. Social				
B1: Employment	General Disclosure Information on below relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		4.1	8-10
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.		
	KPI B1.2	Total workforce by gender, employment type, age group and geographical region.		Note 2
B2: Health and Safety	General Disclosure Information on below relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		4.2	11-12
	KPI B2.1	Number and rate of work-related fatalities.		Note 3
	KPI B2.2	Lost days due to work injury.		Note 3
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		11-12
B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		4.3	12-14
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		
	KPI B3.2	The average training hours completed per employee by gender and employee category.		

## Appendix: Disclosure Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B4: Labour Standards	General Disclosure Information on below relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer		4.4	15
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		
	KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered.		
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		6	18-20
	KPI B5.1	Number of suppliers by geographical region.		
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.		

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B6: Product Responsibility	General Disclosure Information on below relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer		7	21-23
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons		Note 2
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.		Note 2
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.		23
	KPI B6.4	Description of quality assurance process and recall procedures.		21
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.		23
B7: Anti-corruption	General Disclosure Information on below relating to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer		5	16-17
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored		

## Appendix: Disclosure Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		8	24-26
	KPI B8.1	Focus areas of contribution (e. g. education, environmental concerns, labour needs, health, culture, sport).		24-26
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		

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

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

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