



Environmental, Social and Governance Report 2019

GXG

Mulsanne Group Holding Limited
慕尚集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1817

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 OVERVIEW OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.1 ABOUT THE ESG REPORT

This ESG Report describes the environmental, social and governance performance of Mulsanne Group Holding Limited and its subsidiaries (the “**Group**”). This ESG Report illustrates the principle requirements of the Group in fulfilling its corporate social responsibility (“**CSR**”) and also the vision and commitments of its CSR.

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

This ESG Report covers the period between 1 January 2019 and 31 December 2019 (“**FY 2019**”). The contents of this ESG Report mainly focus on the core businesses of the Group and its practices regarding sustainable development and its overall performance in fulfilling CSR.

1.2 REPORTING SCOPE

The general disclosure of the environmental and social policies and measures in this ESG Report and the compliance issues contained herein cover the entire group, while the disclosure scope of the environmental key performance indicators (KPIs) section of this ESG Report covers the operation and manufacturing sites of the Group in the People's Republic of China (the “**PRC**”).

The Group's PRC operation represents the majority of the Group's environmental and social impacts. As the manufacturing process of the Group's products is conducted by Original Equipment Manufacturers (OEMs), and the transportation process is completed by third-party logistics service providers, the contents of this ESG Report mainly focus on the Group's warehouses, retail stores, headquarters and branch offices.

2 MAIN BUSINESSES AND MISSION OF THE GROUP

2.1 MAIN BUSINESSES

The Group is a leading fashion menswear company based in China, which also covers the sportswear market and other fashion segments. Utilising its experience in the fashion industry, multi-brand development and execution capabilities, the Group has expanded its brands and positioned itself well to capture future market opportunities. The Group first launched its flagship GXG branded products in 2007, began catering to different menswear styles by introducing gxg jeans in 2010, and brought its GXG series design philosophy into the kidswear market by launching gxg.kids in 2012. With an intention to expand into the rapidly-growing sportswear and performance gear industry, the Group introduced its athleisure apparel brand YAtlas in 2014 and its performance sportswear brand 2XU in 2017. Each of the brands has a uniquely-defined design identity and encompasses a range of products, offered in a variety of fits, fabrics, finishes, styles, and price points intended to appeal to a broad spectrum of customers.

2.2 ESG MISSION

The Group devotes a great amount of resources and contributions in the area of environmental protection and corporate governance. The Group is dedicated to incorporating sustainable development into its daily operation, with sustainability being identified as a key to the Group's long-term development. In seeking to achieve its business objectives, the Group attaches great importance to balancing the needs of business development and fulfilling its ESG responsibilities.

2.3 COMMUNICATION WITH STAKEHOLDERS

The Group believes that an understanding of the demands of its stakeholders helps towards building a solid foundation for the Group's long-term growth and success. The Group has an extensive network of stakeholders that includes investors, clients, employees, suppliers and business partners, and government and other regulatory agencies.

Stakeholder Group	Engagement channels	Expectations and demands
Investors	<ul style="list-style-type: none"> • Shareholders meetings • Annual reports • Circulars and announcements • Results conference calls • Investors meetings 	<ul style="list-style-type: none"> • Business strategy and business sustainability • Financial performance • Corporate governance
Clients	<ul style="list-style-type: none"> • Online customer service • WeChat official account • Hotline • Offline store sales 	<ul style="list-style-type: none"> • Product quality • Product safety • Price transparency • Service quality and reliability
Employees	<ul style="list-style-type: none"> • Labor union • Staff communication meetings • Internal announcement columns • Hotline and email • Online corporate groups 	<ul style="list-style-type: none"> • Training and development • Employee compensation • Rights and benefits • Working hours • Equality
Suppliers and business partners	<ul style="list-style-type: none"> • Official website of the Company • Hotline • Official accounts 	<ul style="list-style-type: none"> • Fair competition • Industry cooperation and development
Government and other regulatory agencies	<ul style="list-style-type: none"> • Licensed institutions reports on regulatory data • Field visits from government leaders 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Respond to inquiries/visits
Community groups	<ul style="list-style-type: none"> • Communication by relevant charitable social groups 	<ul style="list-style-type: none"> • Environmental protection • Community responsibility

2.4 INNOVATION INVESTMENT

The Group invests greatly in its business innovation, product innovation and supply chain innovation so as to achieve a more efficient supply chain system, more accurate product matching and more convenient shopping process, and contribute to the creation of a more efficient society.

The Group adopts an integrated omni-channel business model that capitalises on online and offline strengths, delivers a seamless and consistent customer experience, and increases efficiency in terms of inventory management, supply chain management, product selection and logistics. With its deep understanding of customers, the Group has adopted a customer-centred model to offer its customers a one-stop shopping experience. For both its online and offline channels, the Group provides a similar product range, unified pricing, shared inventories, as well as flexible and efficient logistics support. Moreover, by analysing the big data generated from both online channels and offline retail stores through its product lifecycle management system, the Group is able to monitor the precise level of demand and quickly react to the latest market trends by adjusting its production and inventory plan, which is tremendously helpful for its inventory control and supply chain management. The Group is a leader in new retail integration amongst the major fashion apparel brands in China, all of which have adopted the new retail business model and innovative initiatives.

2.4.1 New Retail Business Model

The Group developed and transformed its business model over time from a traditional retail model to separate, unintegrated online and offline channels, and, subsequently, to its current new retail business model. The Group has thoroughly explored the potential of the two channels and fully exploited their synergies, enabling the Group to provide a seamless shopping experience for its customers.

2.4.2 Big Data Analytics

The Group's big data capabilities are demonstrated by its data collection, analytics and application methods. The Group collects diversified data, including customer behaviour data, product data, regional data and inventory data. The Group uses an application programming interface (API) – a set of functions and procedures that allow the creation of applications which access the features or data of an operating system, application or other services – and data table of techniques to connect its different systems.

The radio frequency identification (RFID) technology and intelligent management system in use records product movement data such as try on rate and combines them with customers' purchasing record in the Group's Enterprise Resource Planning (ERP) system to further conduct data analytics. Through RFID and intelligent management, the Group can further enhance the sorting, distribution and storage capacity of its new logistics centre. Moreover, the smart logistics centre can enhance the Group's sorting and distribution speed significantly.

The introduction of RFID not only greatly improves the management effectiveness of the Group, but also brings certain environmental and social benefits. From the environmental perspective, it speeds up the feedback from sales data to the supply side, enabling the Group to quickly respond to the market, avoiding excessive inventory and reducing resource waste, with many suppliers in the supply chain also benefiting from it. From the perspective of society, it improves the working quality of sales persons by eliminating the original operational need to close down or work overtime due to stocktaking, greatly reducing the labour intensity of store and warehouse staff.

2.4.3 Flexible Supply Chain Reactive System

The Group has adopted a flexible supply chain reactive system to all segments in its supply chain, including design, research and development, raw material preparation, procurement, logistics, and sales. By adopting the flexible supply chain reactive system, the Group has significantly improved its inventory management and its judgment of market trends and consumer demands, leading to reduced energy consumption and higher customer satisfaction.

3 QUALITY CONTROL AND RIGHTS AND INTERESTS OF CUSTOMERS

3.1 CORPORATE SOCIAL RESPONSIBILITY

As a corporate citizen in the society, the Group actively fulfils its social responsibilities. The Group has made strides to utilise resources more effectively and has reduced overall energy consumption in its business operations through the establishment of an efficient operating model. The Group regards CSR as a core obligation as well as a sublimation and extension of its corporate value. The Group holds that it puts people first, and expresses this by maintaining high standards in such areas as employment equality, training and development and employee welfare. The Group has set clear and detailed instructions on applying and filing of intellectual property, in order to avoid any potential commercial or legal conflicts and violations. The Group continues to pay great attention to the rights and interests of its consumers, investors and employees, promote works that are related to sustainable development and environmental governance, and give back to society. The Group strives to comprehensively enhance its overall social performance.

3.2 QUALITY ASSURANCE

In strict compliance with the relevant industry standards, such as the *National General Safety Technical Code for Textile Products (GB 18401-2010)* and the *Instructions for Use of Consumer Goods – Instructions for Use of Textiles and Clothing (GB 5296.4)*, the Group organises training programmes which focus on promoting knowledge of the standards, so as to ensure that the quality control staff can understand their responsibilities clearly and apply these standards in practice. The Group further improved its already-stringent standard system by revising their corporate quality standard in 2017 and its internal standards system and better ensuring product quality. The Group has established a quality control system co-managed by product managers and their quality control department to enhance market satisfaction and user experience, and ultimately protect the reputation of its brand.

The Group puts great emphasis on quality control in every respect of business operations and strives to make sure that its products fulfil all internal reference standards and specifications. From raw material procurement and OEM production to packaging and inventory storage, the Group puts stringent quality control standards in place during business operations. The Group also follows up key junctures specifically for the purpose of ensuring that quality is standardised. Both before and during production, products are strictly checked and verified according to the Group's pre-production samples. In the early stages of production, management is dedicated to prevention and early modification of any defects. Products that fail to pass the quality examinations will be returned to the factory to prevent them from entering the market. If the Group receives a considerable amount of complaints due to product quality issues after the product is marketed, the Group will then issue a product recall notice after quality control verification and notify the relevant stores to return the product at issue in accordance with the relevant internal policies.

As of 31 December 2019, there was no products that had been sold by the Group being recalled for safety and health reasons.

3.3 SUPPLY CHAIN MANAGEMENT

The Group had a total of 421 suppliers as of 31 December 2019, all of which are well-equipped to ensure the on-time and high-quality delivery of raw materials and merchandises. The Group has set clear standards for the assessment and selection of suppliers, and candidates have to meet the following requirements in order to be selected as a supplier for the Group: 1) possess certain manufacturing capacity (usually with a personnel allocation of no fewer than 100 persons); 2) hold official registration from the Bureau of Industry and Commerce and sufficient financial capital; 3) have a complete system of product quality management; and 4) have sufficient manufacturing equipment and/or certain R&D capability and have their own outsourcing channels. The Group visits the suppliers' factories regularly to monitor their manufacturing process and provide them with suggestions for future improvement. Suppliers are required to review these suggestions and comments, then make the specific changes and modifications and be evaluated again by the Group.

The Group has a detailed inspection process for all materials and merchandises purchased from its suppliers, with all inspection results recorded in standard inspection forms for filing. The Group issued the *Disposal Standard and Punishment Methods* for defective materials purchased from its suppliers, according to which defective materials might be sent back for reprocessing, purchased at a discount, re-sold or rejected. Suppliers are scored and rated regularly by the procurement department, manufacturing department, planning department, quality control department and after-sales department of the Group based on their defect rate and complaint rate. The Group then decides future procurement quantities from these suppliers based on the ratings.

The Group also sets detailed selection criteria for its downstream distributors. All distributors are required to 1) have a deep understanding of the Group's brands and a mature plan for cooperation; 2) have physical stores and official registration; 3) have sufficient financial capital and good track records; 4) have extensive experience in apparel retailing or other relevant experience; and 5) be familiar with local sales channels and have well-maintained connections with their business partners.

In FY 2019, the Group cooperated with a total of 407 downstream distributors. Cooperation with individual distributors is based on mutual consent and a contract is signed between both parties in which detailed clauses are set out.

3.4 HANDLING COMPLAINTS FROM CUSTOMERS AND SOLUTIONS TO COMPLAINTS

3.4.1 Complaints from Customers

The Group highly values the rights of its customers, and seeks to develop its business through listening carefully to its customers suggestions and resolving complaints and disputes on a timely basis. The Group's sales team is trained to deal with any complaints that may arise from end customers, including handling the verification of any alleged defects in the merchandise. In FY 2019, the Group did not receive any complaints due to safety or health issues.

3.4.2 Solutions to Complaints

The Group has appointed its after-sales department to handle customer complaints in a dedicated manner. After receiving a complaint from a customer, the after-sales department will first communicate with customers and negotiate for possible solutions. Under the circumstances where the defects or flaws are not caused by the customers, products will be sent back for reprocessing if customers agree or, otherwise, be returned for exchange or refund.

The Group performs quarterly statistical analysis on the quality problems received after sales to analyze the causes of the quality problems and make quality rectifications for suppliers, which will then be included in the supplier's quality assessment.

3.5 INTELLECTUAL PROPERTY RIGHTS MANAGEMENT

In order to standardize the use of the Group's design copyright and trademark, avoid the damage of rights and interests or the occurrence of infringement due to the failure to timely declare the protection of intellectual property rights, and reduce such economic risks and losses, the Group issued the *Application Specification for Intellectual Property Registration*, which specifies the types of intellectual property that can be applied for registration and the procedures of application.

3.6 CUSTOMER DATA PROTECTION AND PRIVACY POLICIES

The Group is committed to protecting the privacy of customers' personal data. The Information Technology Department is required to monitor the IT system periodically, check if the program is run by following the rules and procedures, and record the monitor results. The access of the system and customer data has to be recorded carefully, and the Business Department head and Information Technology Department head need to review the rationality of the jurisdiction of accessing the system periodically.

4 PROTECTION OF EMPLOYEE RIGHTS

4.1 EQUAL EMPLOYMENT AND EMPLOYMENT STATUS

4.1.1 Principles of Equal Employment

The Group strictly abides by applicable labour laws and regulations and has established comprehensive employment rules and regulations that clearly define the rights and obligations of its employees.

During the recruitment process, the Group adheres to the principles of fairness and justice to recruit qualified candidates and avoid any discriminatory behaviour. The Group is committed to building a diverse and inclusive work environment and strives to provide equal opportunities to all employees. The Group promotes fair competition, offers equal opportunities for all staff, and does not discriminate against any employee based on gender, age, marital status, religion, race, nationality or physical condition in recruitment, appointment and promotion.

As for employee dismissal, the Group has clearly set out the situations that is considered as serious violation of disciplines in the Staff Handbook, such as providing fake personal information or fake leave certificates, divulging the Group's business secrets, and asking for or accepting commissions or gifts from customers, suppliers, or other third parties. Employees may also terminate the labor contract relationship with the Group at any time if the Group forces employees to work by means of violence, threats or illegally restricts employees' personal freedom, or compels risky operation which may endanger employees' personal safety.

4.1.2 Employment Status

As of 31 December 2019, the employment status of the Group is shown as follows:

By gender

Male	40.6%
Female	59.4%

By education background

Bachelor's degree and above	37.7%
Junior college degree	36.6%
Vocational school and high school degree	16.0%
Middle school degree and below	9.7%

By age

30 and below	59.6%
31-50	39.7%
51 and above	0.7%

As of 31 December 2019, the total number of employees of the Group was 811. Perceived by gender, the proportion of female employees is higher than that of male employees. Perceived by age group, there are many young employees, and most of the employees are under 30 years old, which reflects the Group's overall staff vitality and ability to better adapt to the development of the rapidly developing menswear industry. Perceived by education background, over 70% of the Group's employees have obtained junior college degree, bachelor's degree or above, demonstrating the high-quality academic background of the Group's employees.

4.1.3 Employee Turnover

In FY 2019, the total employee turnover rate of the Group was 24.9%, which was mainly caused by normal business activities. The Group attaches great importance to the overall staff turnover rate, since it affects overall human resource allocation of the Group and operational efficiency, as well as staff morale.

The Group is committed to building an inclusive, respectful and enjoyable corporate culture. Through diversified activities, the Group encourages employees to stay motivated at work, while taking care of their physical and mental well-being. These activities are intended to enhance the staff's sense of belonging to the Group, and thus reduce the turnover rate.

4.1.4 Employee Promotion

The Group provides attractive promotion channels for employees with outstanding performance. The attendance of employees will also be one of the bases for future promotion, salary increment, training, overseas work and selection of excellent employees.

The Group strives to establish a clear and transparent development path and promotion mechanism to promote newly-employed workers' desire and motivation.

4.1.5 Working Hours and Rest Periods

The working hours of the Group's employees are specified in the employee handbook. Employees' official working time is eight hours per day from Monday to Friday. Apart from this, the Group also adopts a flexible working hour system for the management team. The Group has established an attendance system to regulate the working hours and leaves of its employees.

4.2 EMPLOYEE COMPENSATION AND WELFARE

To attract, motivate and retain talent, the Group provides a comprehensive and competitive compensation scheme for its employees.

As part of the employee's compensation and welfare package, the Group pays social insurance and housing provident fund for employees in accordance with applicable laws and regulations and in a full and timely manner to protect employees' legitimate interests. Social insurance includes pension insurance, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. At the same time, employees are also legally entitled to remuneration, welfare and holidays that are prescribed by applicable laws and regulations.

Employee welfare provided by the Group includes:

— Annual leave

The Group provides employees with annual leave. Employees are entitled to individual annual leave, and the specific annual leave entitlement is determined with reference to the cumulative number of an employee's working years. Employees with less than 10 working years are granted with 5 days of annual leave; employees with 10 or more working years but less than 20 working years are granted with 10 days of annual leave;

– **Sick leave**

Employees are entitled to sick leave, during which employees are eligible to receive salary from the Group in accordance with applicable laws and regulations.

– **Other leave**

Employees of the Group are also entitled to other kinds of leave benefits. For example, the Group provides entitled employees with personal leave, marriage leave, bereavement leave, antenatal check leave, planned parenthood leave, working injury leave, maternity leave and paternity leave. All entitlements are specified in the employee handbook.

The Group has set up an award system for employees who have a full attendance record during a month, in order to reward diligent employees. Employees with full attendance record during a certain month will be rewarded cash, with amounts ranging from RMB100 to RMB500, determined by employee positions.

The Group provides the employees with various extra benefits apart from the statutory benefits by different measures, such as travel activities and internal gatherings.

4.3 EMPLOYEE HEALTH AND SAFETY

The Group pays great attention to the health and safety of its employees, and strictly complies with relevant laws and regulations such as the *Prevention and Control of Occupational Diseases Law of the People's Republic of China*, the *Supervision and Administration Regulations on Occupational Health in the Workplace* and *Regulations on Industrial and Commercial Insurance*. The Group strives to create a safe working environment for employees.

All employees who have passed the probation period are entitled to an annual health check. For employees working in the warehouses, the Group has set specific safety instructions on several aspects, including the operation of electric forklifts, before which thorough examination of the vehicles must be implemented and during which using mobile phones is strictly prohibited. Employees who violate such instructions are subject to fines. All vehicles are maintained every 250 hours by assigned employees to ensure the safety during operation.

The Group also sets up trainings and lectures on fire control knowledge, correct usage of fire extinguishers and necessary escape skills during any crisis.

In FY2019, there were no work-related fatalities or lost days due to work injury.

4.4 EMPLOYEE DEVELOPMENT AND TRAINING

Talent cultivation is an important aspect of enterprise development. An excellent organisation is bound to be a learning-oriented organisation. The Group regards talent development as the core of its talent management strategy and places great emphasis on promoting employee development by periodically providing various types of training activities for employees to help them achieve overall improvement. The Group conducts job training and special training in an orderly and efficient manner to improve the learning ability and knowledge level of employees and to promote the career development ability of employees.

In FY 2019, the Group provided 61 training activities for its employees, which involved a total of 1,354 attendees and lasted for a total of 427 hours. The training topics included orientation training for new employees, internal sharings, invited lecturers and professional trainings.

4.5 GUIDELINES AND MEASURES TO PREVENT CHILD LABOUR OR FORCED LABOUR

The Group strictly abides by relevant laws and regulations including the *National Law on the Protection of Minors* and the *Prohibition of the Use of Child Labour*. It also avoids any use of child labour or forced labour in its business operations, and insists on zero tolerance to any form of child labour or forced labour.

4.6 MEASURES ON ANTI-BRIBERY AND ANTI-FRAUD

The Group strictly abides by relevant laws and regulations including the *Criminal Law of the PRC* and the *Anti-Unfair Competition Law of the PRC*, and resolutely opposes situations including bribery, extortion, fraud, and money laundering.

In January 2017, the Group issued the *Anti-Fraud and Anti-Corruption Management Rule*, the main purpose of which is to regulate the professional behaviour of the Group's middle and senior management teams and all other employees. The management teams and all other employees of the Group must strictly abide by the relevant laws and regulations as well as the *Anti-Fraud and Anti-Corruption Management Rule* and must not engage in corrupt or fraudulent acts that may harm the interests of the Group and its shareholders. The *Anti-Fraud and Anti-Corruption Management Rule* clearly states the definition, verification, follow-up remediation and punishment for fraudulent practices, which effectively reduces the likelihood of occurrences of corrupt and fraudulent practices within the Group.

In November 2019, the Group issued the *Notice of Reporting Violation Acts* that sets up public channels and sets the criteria for reporting such acts.

In FY2019, there were no corruption-related lawsuits across the Group.

5 ENVIRONMENTAL PERFORMANCE ANALYSIS

The Group attaches great importance to the environmental impact caused by the production and operation process. In addition to complying with all relevant environmental laws and regulations, the Group strives to achieve sustainable development in the operation.

5.1 CORPORATE WASTE ANALYSIS

5.1.1 Relevant Indicator Analysis of Corporate Waste

– Total emissions and emission density of exhaust gas

The Group strictly abide by relevant laws and regulations, such as the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China (2018 Amendment)* which was amended by the Standing Committee of the National People's Congress on 26 October 2018, the *Three-year Action Plan for Keeping Our Sky Blue* which was promulgated by the State Council on 27 June 2018, the *13th Five-Year Plan for National Environmental Protection Standards* which was promulgated by the Ministry of Environmental Protection on 10 April 2017.

The exhaust gas generated by the Group is mainly caused by fossil fuel combustion of automobiles, and major pollutants include nitrogen oxides (NOx), sulfur oxides (SOx) and suspended particulate matter (PM).

Total emissions and emission density of exhaust gas generated by the Group in FY 2019 are as follows:

Exhaust Gas Type	Total Emissions (kg)	Emission Density (kg/RMB100 million)
Nitrogen Oxides (NO _x)	670.5	18.0
Sulfur Oxides (SO _x)	0.6	0.02
Suspended Particulate Matter (PM)	48.0	1.3
Total	719.1	19.3

All exhaust gases mentioned above were properly emitted in accordance with relevant environmental laws and regulations.

– *Total Emissions and Emission Density of Greenhouse Gas (GHG)*

The various business segments of the Group cause direct and indirect emissions of greenhouse gases due to the fossil fuel consumption of automobiles and the electricity consumption of daily operation. The major greenhouse gas types emitted by the Group include carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), and the Group did not emit hydrofluorocarbons, perfluorocarbons, or sulphur hexafluoride. In FY 2019, the greenhouse gases emitted by the Group reached a total of 1,832.3 tonnes of CO₂ equivalent, and the emission density was 49.2 tonnes of CO₂ equivalent/RMB100 million. Among them, direct emissions of greenhouse gases caused by fossil fuel combustion totaled approximately 114.4 tonnes of CO₂ equivalent, and indirect emissions of greenhouse gases caused by electricity use totaled approximately 1,717.9 tonnes of CO₂ equivalent.

The total amount of the Group's emissions calculated in terms of various dimensions in FY 2019 is shown in the following table:

Greenhouses Gases Type	Direct Emission (tonnes of CO₂e) from the fossil fuel consumption of automobiles	Direct Emission Density (kg of CO₂e/ RMB million)	Indirect Emission (tonnes of CO₂e) from the electricity consumption of daily operation	Indirect Emission Density (kg of CO₂e/ RMB million)
Carbon Dioxide (CO ₂)	101.0	2,713.6	1,709.4	45,935.2
Methane (CH ₄)	0.2	6.0	0.4	10.5
Nitrous Oxide (N ₂ O)	13.2	353.2	8.1	217.6
Total	114.4	3,072.8	1,717.9	46,163.3

All greenhouse gases mentioned above were properly emitted in accordance with relevant environmental laws and regulations.

– *Total Amount and Density of Hazardous and Non-Hazardous Waste Disposed by the Group*

The total amount and density of waste disposed by the Group from retail stores, warehouses and offices in FY 2019 is shown in the following table:

Waste Type	Disposal	Density
Liquid Waste		
Waste water	0	0
Non-Hazardous Solid Waste		
Office wastes		
Paper consumption	945,000 pieces	254 pieces/RMB million
Logistics wastes		
Paper boxes	546 tonnes	0.15 tonnes/RMB million
Plastic containers	269 Tonnes	0.07 tonnes/RMB million
Bubble bags	93 tonnes	0.02 tonnes/RMB million
Retail store furnishing wastes	3,280 tonnes	0.88 tonnes/RMB million
Hazardous Solid Waste		
Waste lead acid batteries	0	0
Toner cartridge and ink cartridge	700 kg	0.19 kg/RMB million
Others (e.g. waste organic solutions)	0	0

All wastes mentioned above have been properly disposed of in accordance with relevant environmental protection laws and regulations.

In FY2019, the Group did not dispose any discharges into water, or generate any hazardous waste.

5.1.2 Measures to Reduce Emissions

– *Strict management of air conditioning temperature*

In order to save energy and reduce emissions, the Group stipulates that the air conditioner cannot be used until the temperature is higher than 32℃, and the air conditioning temperature shall not be lower than 26℃. In winter, when the daily average temperature is lower than 6℃, the air conditioner can be turned on for heating, and the heating temperature shall not exceed 24℃.

The use of air conditioning is subject to the “special person responsibility system”. The person in charge of each department shall be the person in charge of the use of their designated air conditioners. This person is mainly responsible for mastering the appropriate usage time of air conditioning, supervising, and taking charge of the usage safety of the office air conditioners. The “special person responsibility system” has also been included in employee assessment.

– *Strict waste classification*

In July 2019, in order to respond to the national call for waste classification, the Group set up waste classification groups and the Group's administrative department checks whether the waste is classified correctly every day. Since the implementation of waste classification, the Group's employees have fully cooperated and contributed to environmental protection.

5.2 USE OF RESOURCES

5.2.1 Major Resources Consumption Structure

The consumption of various resources by the Group in FY 2019 is shown in the following table:

Resource Type	Source of Consumption	Unit	Consumption Volume
Gasoline	Automobiles	L	41,670.0
Diesel oil	Automobiles	L	1,000.0
Electricity	Daily operations	kWh	2,179,649.5
Natural water	Daily operations	tonnes	66,204.9

The consumption density of various resources by the Group in FY 2019 is shown in the following table:

Resource Type	Source of Consumption	Unit	Consumption Density
Gasoline	Automobiles	L/RMB1 million	11.2
Diesel oil	Automobiles	L/RMB1 million	0.3
Electricity	Daily office works	kWh/RMB1 million	585.7
Natural water	Daily office works	tonnes/RMB1 million	17.8

In FY 2019, the overall energy consumption of the Group was 926.6 tonnes of standard coal equivalent in total, of which, about 5.0% of the energy consumption came in the form of gasoline and diesel oil use, and the remaining 95.0% came from electricity.

5.2.2 Measures to Promote Effective Usage of Energy and Resources

– *Replace regular light bulbs with LED energy-saving light bulbs*

In order to reduce energy consumption, the Group replaced all regular light bulbs with LED energy-saving light bulbs, which consume 60% less energy than regular incandescent light bulbs.

5.2.3 Results of Obtaining a Suitable Water Source and Enhancing Usage Efficiency of Water

The Group obtained a suitable water source in accordance with the relevant national environmental protection policies and regulations, and there was no issue encountered in sourcing water.

In FY 2019, the Group consumed a total of 66,402.9 tonnes of water from daily operation, with a consumption density of 17.8 tonnes/RMB1 million. While the Group's business maintained stable growth over the year, the Group maintained a relatively stable level of water consumption and usage efficiency of water.

5.2.4 Total Amount of Packaging Materials Used in the Finished Products

The main business of the Group is selling apparel and other textile products. The packaging materials used by the Group include plastic bags, paper bags, paper boxes, etc. The amount of packaging materials used by the Group in FY 2019 are shown in the following table:

Packaging materials	Unit	Consumption volume
Packaging materials used for products		
Plastic bags	tonnes	269
Packaging materials used in the offline retail process		
Paper bags	tonnes	253
Paper boxes	tonnes	150
Packaging materials used in the online retail process		
Paper boxes	tonnes	396
Plastic bags	tonnes	93

5.3 ENVIRONMENT AND NATURAL RESOURCES ANALYSIS

5.3.1 Analysis of the Significant Impacts of Corporate Business Activities on the Environment and Natural Resources and Related Measures

The Group conducts business operations in accordance with all relevant environmental protection and emission laws and regulations. The major sources of waste emissions and disposals of the Group include product packaging, retail processes, daily operation and automobiles, all of which meet the requirements raised by relevant national environmental protection regulations and emission regulations, and caused no significant impact on the environment or natural resources in FY 2019.

6 GIVING BACK TO THE SOCIETY

– CONTINUOUS SUPPORT FOR CHILDREN LIVING IN REMOTE AREAS

As the Group has developed steadily over the years, it has maintained active participation in public charity projects and has demonstrated its responsibility and commitment as a large enterprise. The Group has initiated an activity to spend Children's day with children who live and study in remote areas in Guangxi Province in the PRC and celebrate the day by painting together.

The employees of the Group also actively support local mango farmers by purchasing mangoes at a premium of RMB20 per box, which are then donated to local children with financial difficulties.



– PET PLASTIC BOTTLE EXCHANGE FOR GXG T-SHIRT ACTIVITY

In August 2019, the Group launched an environmental protection activity for its followers to exchange nine empty PET plastic bottles for one environmental protection 'energy suit'. GXG, together with Nongfu Spring Vitamin Water and Wahaha Soda Water, expressed an element of fashion through empty bottle recycling and spoke for the environment.

The Group recycled the waste plastic bottles collected as part of the event and sent them to an industrial recycling facility for sorting and processing. The facility reprocessed the plastic particulates into polyester yarns, weaved the yarns into clothes, and finally into four types of environmental-friendly 'energy' T-shirts. Each environmental-friendly energy T-shirt could be traced to its origins through various indicators. Different sizes and styles have different cloth consumption, which determines the number of empty bottles used. Each of the four types of clothes have their own environmental effects, and their trace tags showed where they came from and how they helped to protect the environment.



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