

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



This Report discloses the performance of Le Saunda Holdings Limited (stock code: 0738) ("the Company") in corporate social responsibility for the year ended 29 February 2020.

Scope of report: In accordance with the magnitude of impacts associated with the Group's operations to the environmental and social aspects, the content of disclosure covers the environmental and social responsibility performance of the business in Hong Kong and its affiliated companies in Mainland China retailing and Shunde factory operation (together as "the Group").

Reporting period: From 1 March 2019 to 29 February 2020.

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

Reporting standard: The Report has been prepared in accordance with the "Comply or Explain" provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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• Background of the Group

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

1977

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

1992

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

2001

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

1991

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

90's

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

2017

The Group launched an online brand "PITTI DONNA".

2011

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







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

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



Facility configuration

In the configuration of the facilities at the retail stores, the Group has implemented LED lighting fixtures as one of the energy saving measures.

Daily operations

For minimization of use of paper, the Group advocates the "paperless" office, actively promotes electronic information management system and set up communication devices to facilitate phone and video conference for reduction of greenhouse gas emission incurred from transportation.





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

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

Key stakeholders and communication channels :



- Supplier review
- Signing of code of practices with

suppliers



Compliance with the Relevant Laws and Regulations

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

During the year ended 29 February 2020, , the Group **did not violate any relevant laws and regulations** at all aspects that have significant impacts on the Group.

Contents in Environmental and Social Categories Environmental

Emissions

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

Since the operating processes of the factory involved emission of organic exhaust gas, exhaust ventilation equipment has been installed throughout the factory and **"activated carbon absorption equipment"** has also been installed along the production lines to mitigate the environmental impact by filtering off organic compounds within the exhaust gas emission.

Despites there was no emission incident which violated the relevant environmental regulations, the Group was still dedicated to identifying the relevant greenhouse gas (GHG) sources for monitoring. The emission volume of GHG generated during the reporting period reached 5,194 tonnes carbon dioxide equivalent.

In terms of the Group's revenues in this financial year, the emission intensity was around 7.05 tonnes carbon dioxide equivalent per million revenues in RMB.



	2020	2019
Total GHG emission volume (tonnes carbon dioxide equivalent)	5,194	9,544
GHG emission intensity (tonnes carbon dioxide equivalent / million revenues in RMB)	7.05	10.50



Total GHG emission volume 5,193.94 tonnes carbon dioxide equivalent Direct (Scope 1) aEnergy Indirect (Scope 2) aGHG emission volumeGHG emission volume20.695,173.25tonnes carbon dioxidetonnes carbon dioxideequivalentequivalent

Those used activated carbons from the exhaust ventilation system were hazardous wastes. In this year, the Shunde factory released 0.80 tonnes of these activated carbon wastes. Including waste mineral oils and scrap chemical containers generated from operating processes of the factory, a total of around 0.95 tonnes of hazardous wastes was discharged. The abovementioned hazardous wastes were all conveyed to the qualified agencies for handling. For the reporting year, non-hazardous wastes were mainly industrial wastes and scrap packaging materials (examples: cartons, paper boxes and plastic courier bags) which both were non-hazardous in nature, as well as some metallic wastes originated from the metallic goods shelves in mall counters, sundry racks in warehouse, and outdated display stands. Non-hazardous wastes of all aforesaid types totally amounted to around 29.61 tonnes in the reporting year. In terms of the Group's revenues per million RMB in this financial year, the emission intensities of hazardous and non-hazardous wastes were 1.28 kg and 40.20 kg respectively.

Annual emission

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Type of wastes	Year 2020	Year 2019	
Hazardous wastes (tonne)	0.95	6.00	
Emission intensity of Hazardous wastes (kg / million revenues in RMB)	1.28	6.60	
Non-hazardous wastes (tonne)	29.61	21.40	
Emission intensity of Non-hazardous wastes (kg / million revenues in RMB)	40.20	23.55	

Note:

a) Scope 1 direct emission covered the GHG emission generated directly from consumption of diesel oil, gasoline and natural gas by the facilities owned or controlled by the company. Scope 2 energy indirect emission covered the GHG emission indirectly generated from the company's consumption of electricity procured from external sources.



Use of Resources

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



In addition, the Group advocates "paperless" office, and has been promoting electronic information management system. With the use of electronic files, it has reduced unnecessary use of papers. Also, by means of office administrative measures, all employees are required to switch off the power supply of office equipment when it is not in use and are required to switch off the lighting at the time of lunch break and off duty.



Contents in Environmental and Social Categories - Environmental

Through implementation of the aforesaid measures for raising resource utilization, the consumption of main resources by the Group during the reporting period was set forth in the following table and the consumption intensities were calculated in terms of the Group's revenues per million RMB in this financial year :

	Annual consumption		Consumption Intensity per million revenue in RMB			
Resource	Unit	2020	2019	Unit	2020	2019
Electricity	(kWh)	6,193,412	11,280,742	(kWh/ million revenue in RMB)	8,410.39	12,413.01
Diesel oil ^b	(litre)	0	2,224	(litre/ million revenue in RMB)	0	2.45
Gasoline	(litre)	8,593	9,325	(litre/ million revenue in RMB)	11.67	10.26
Water ^c	(cubic metre)	53,492	110,442	(cubic metre/ million revenue in RMB)	72.64	121.53
Natural gas	(cubic metre)	230	240	(cubic metre/ million revenue in RMB)	0.31	0.26
Packaging material (paper)	(tonne)	348.28	405.70	(kg/ million revenue in RMB)	472.95	446.46
Packaging material (plastic)	(tonne)	1.59	7.40	(kg/ million revenue in RMB)	2.16	8.14

Note:

b) Figure of diesel oil consumption in the previous reporting year was originated from the use of vehicles for warehouse operation in the early months of the previous year. After that, the Group no longer owned any vehicles by subcontracting the delivery fleet. Consequently, there was no figure of diesel oil consumption in this reporting year.

c) During the previous reporting period, water charges of many retail shops in Mainland China were integrated into the lumpsum bill of water and electricity. For accurate statistics in this reporting period, bills of water and electricity were separated and consequently the consumption figures obtained from the statistics of this year would be deviated from those of previous year to a certain extent.



Environment and Natural Resources

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



Refuse

The Group is striving to use non-hazardous and environment-friendly materials. With "green procurement" policy, the Group purchases degradable raw materials for production (including fabrics and packaging materials) as far as possible to reduce environmental hazards. Also, the Group is dedicated to continuously improve its production engineering, in which the more environment-friendly "non-laminating" technology has been adopting in the manufacture of paper bags for prevention of environmental pollution.

Reduce

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

Reuse

The Group has established the guidelines for the classification of recyclable wastes (example: packaging cartons, plastic bags) and the ways to reuse them. In addition, the Group promotes the practice of reusing single-printed

Repair

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

Recycle

To support recycling, the Group has appointed vendors to handle recyclable resources, such as paper waste.

Contents in Environmental and Social Categories - Environmental

Risk Management for Climate Change

In response to extreme weather brought by the climate change in recent years, the Group has identified the possible emergency situations such as the flooding risk caused by rainstorm weather. For addressing the risks associated with the relevant natural disasters, emergency plan has been established to prevent the occurrence of dangers and damages and the measures include but not limited to:

- Prevention of flooding around the production and warehouse facilities at the time of rainstorm weather;
- Securing of the outdoor equipment or machinery before the hoisting of super typhoon signal;
- Instruction to employees to ensure all windows closed and regular window inspection prior to typhoon;
- Regarding the material transportation risk caused by extreme weather, evaluation of the impacts to the procurement of raw materials (such as price and quantity) will be conducted;
- For tackling resource strain caused by climate change, contingency plan for changing the product compositions will be established.

Moreover, knowing that the climate change mainly attributed to greenhouse gases, the Group has adopted measures mentioned in the previous sections of this report regarding energy conservation and emission reduction, with the aim to reduce emission of greenhouse gases which ultimately mitigates the trend of climate change.



Employment

Recruitment and Promotion Policies:

The Group only considers the capabilities of job applicants as the primary assessment criteria, and reviews the job performance, experience, business performance and competence of employees as the conditions for promotion. We have developed practices of "employment management for persons with disabilities" to actively consider the job applications by persons with different disabilities. In the past, ethnic minorities have been employed to create a diversified working environment. The Group will not neither reject the job application nor review the promotion based on the attributes of applicants such as gender, disability, race, family status, etc.

As of 29 February 2020, the total number of full-time employees in the Group was 2,394, of which 53 persons were employed in Hong Kong. In addition, there was a total of 14 part-time employees ^d engaged in Mainland China.



Note:

d) According to the business needs, the Group would recruit a considerable number of part-time employees on irregular basis. In Mainland China retailing operation, the part-time employees were generally warehousing and retailing staff, including the part-time workers responsible for transporting cargoes, and part-time salespersons responsible for the sales and administrative tasks in retail shops. Numbers of part-time employees were recorded separately, and the figures of these part-time employees were not included in the statistics of employee proportion by gender and age group.

Remunerations and Employee Benefits :

The Group not only meets the minimum wage requirements in each operating location, but also offers remunerations which are competitive on the market to attain a higher staff retention rate. In this reporting year, the Group's overall average rate for monthly employee turnover was 2.94%. As compared with the previous year (2018/2019: 4.95%), the overall turnover rate of this reporting year was significantly reduced by around 40%. For calculation of the "employee turnover rate" of the retailing business in Mainland China, it only took into account of the full-time employees' mobility, given that part-time employees were engaged on irregular needs of the business and hence the aforesaid calculation did not include the number of part-time employees.

In terms of employee benefits, we have always been complying with social security and other legal benefits in PRC, including social insurance contributions for all employees. In addition, long service awards will be granted to permanent employees after they have completed every five consecutive years of service with the Group, as kind of encouragement and enhancement of employees' sense of belonging. Different operating regions will provide other forms of employees' benefits in accordance with different job positions.

Working Hours :

To achieve work-life balance, the Group neither advocates nor forces employees to work overtime. However, due to the needs of different positions, certain employees may still need to work overtime provided that all overtime work must be done on a voluntary basis and in compliance with the relevant regulations of the operating region. In addition, the factory in Shunde is equipped with sporting facilities, such as basketball and badminton courts, to enrich the leisure time of the employees for achieving balance between work and life. The Group has also arranged leisure activities for employees and a total of 20 recreational events were organized amongst various operating regions during the reporting period, such as festive celebrations and birthday parties. Furthermore, the Group was honoured with the following annual awards from various institutions in a row of years and was awarded "10 years+ Caring Company" logo in this reporting year, which represented consecutive awards on Caring Company in the past 14 years and demonstrated the continued commitment by the Group on maintaining good employment relationship.

Name of Award / Achievement	Awarding Institution	Years of Award
"Caring Company" Scheme	Hong Kong Council of Social Service (HKCSS)	2006 - 2020
"Manpower Developer Award Scheme"	Employees Retraining Board (ERB)	2016 - 2020
"Happiness-at-Work Promotion Scheme"	Hong Kong Productivity Council (HKPC)	2017 - 2020







Health and Safety

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

During the reporting period, the Shunde factory of the Group arranged health and safety training to a total of

750 participants (2018/2019: 541 participants). In the same period, the factory also arranged physical examination to those employees who were exposed to occupational risks and totally 302 employees attended the examination in the reporting period. No incident of occupational disease was diagnosed, nor any suspect case was identified. Besides the factory's region, the Group's office operation also concerns the occupational safety. During the year, the Group carried out fire drills and inspections of all fire equipment on a regular basis to avoid occurrence of accidents.

During the reporting period, the Group did not identify any violation of the occupational health and safety regulations and provisions in all operating regions. In the same period, the Group did not identify any employee's fatality incurred from work (2018/2019: 0 person), however there were 35.5 work days lost due to work injuries (2018/2019: 345 days).

Development and Training

For raising the professional knowledge and skills of employees, the Group has established the "Le Saunda Training Institute" to provide appropriate training for different ranks of employees, and to equip employees with product knowledge in a professional manner by regular training or training upon the launch of new product or technology. Whenever appropriate, contests or other forms of workshop will be organized to enhance learning motivation of employees.

During the reporting period, there was a total of 5,459 participants in employees' trainings within the Group (2018/2019: 8,483 participants), and the total training hours achieved by all employees amounted to 57,948 hours (2018/2019: 18,536 hours). As compared with the previous year, the monthly average number of training hours per employee has overall been increased by around 44%. This illustrated the Group's dedication in developing the competency of employees for raising the competitive advantage of the Group.

	No. of Staff Attended Training		No. of Training Hours	
Gender	2020	2019	2020	2019
Male	233	643	1,815	1,316
Female	5,226	7,840	56,133	17,220
Staff Rank	2020	2019	2020	2019
Senior Management	69	276	1,446	583
Middle Management	292	645	4,397	1,297
General Staff	5,098	7,562	52,106	16,656
Total	5,459	8,483	57,948	18,536

Labour Standards

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

Supply Chain Management

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

During the reporting period, the Group engaged a total of 105 suppliers, mainly from Hong Kong, Mainland China and Italy. Suppliers in Hong Kong and Mainland China accounted for 80% of the total number of suppliers. There were 8 new suppliers engaged in this year and they had been evaluated prior to formal procurement for assurance of compliance with the requirements of customers, regulations and corporate strategies. In the same period, existing suppliers were also evaluated as kind of continued monitoring practice. The means of evaluation included on-site assessment, documentation review, material and sample testing, etc. Only after passing the supplier evaluation, the relevant newly supplied materials could be formally procured and proceeded to the pilot production, etc.

For monitoring of environmental risks within the supply chain, the Group gives priority to those suppliers who have attained environmental certification (e.g. ISO 14001) and a total of 20 suppliers of this type was engaged during the reporting period.

Product Responsibility

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

According to the categories of shoes and handbags, "Three-R" provision (i.e. Return, Replacement, Repair) applies to the sold products under the specific conditions. First: items guarantee for return and replacement ; second: items guarantee for repair ; third: handling methods of product replacement. According to the Group's "Three-R" provision, there were return requests for 2,889 pairs of shoes and 10 items of handbags, and repair requests for 4,996 pairs of shoes and 708 items of handbags during the reporting period. In the same period, the Group's operating regions (i.e. Hong Kong, Guangzhou and Shunde factory) did not identify any significant incident of product non-compliance or any case of complaint, as well as not identify any incident of product recall owing to product's health and safety reason.

With our commitment and practices to deliver excellent products and service, the Group is entitled to participate the "Quality Tourism Services (QTS)" Scheme administered by the Hong Kong Tourism Board (HKTB) in this reporting year. All accredited merchants of the Scheme are required to pass the annual assessment for assuring the provision of clearly displayed prices, clear product information and superb customer service.

Moreover, the Group also participated in this year the "No Fakes Pledge" Scheme launched by the Intellectual Property Department. Merchants participating under the Scheme are committed not to sell or distribute any counterfeit or pirated products, and to allow personnel of Hong Kong Customs to conduct the supervision work at the shops or office areas for verification of selling only genuine goods. The employees of the Group also adhere to the established rules for protection of intellectual property.

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

months, and restricts access to internal file servers by permission.

Anti-Corruption

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

At the same time, the Group requires all employees at all ranks to declare and state any possible conflict of interest that may arise during work. In addition, we encourages employees to report misconduct, fraudulent activities and illegal behaviours related to the Group under the confidential whistleblowing mechanism. Current means of whistleblowing is generally in the form of mails sent to the designated mailbox of senior management for this whistleblowing purpose.

The Group has included the integrity trading terms in the procurement contracts. For those suppliers in longterm partnership, both parties have signed the designated integrity contracts. During the reporting period, the Group did not identify any incident for behaviour non-compliant with the code, nor violation of regulations related to corruption. Also, no incident of relevant whistleblowing was received in the same period.

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

For reinforcement of the relevant practices, during the year employees of retailing department at Mainland China were provided with trainings which reiterated the rules for declaring the acceptance of benefits, declaration form for conflict of interests, as well as the rules in the code of conduct for employees.

Community Investment

The Group is striving to integrate social responsibility into its business philosophy and to assist community and the needy people in multiple aspects, which cover charity, environmental protection and public health, etc. In February 2020, the Group donated, through its factory located at Beijiao Town of Shunde, RMB 3 millions to Beijiao Charity Federation for the prevention and control against the epidemic of novel coronavirus pneumonia at Beijiao.

In addition to supporting the community, the Group is also dedicated to the industry development. During the year the Group continued to support the "19th Footwear Design Competition Hong Kong" hosted by both The Federation of Hong Kong Footwear Ltd. & Hong Kong Trade Development Council. The Group assigned staff to organize and advise the event, and sponsored for event expenditures and prizes of winners. For those awarded designers, the Group would encourage and assist them the manufacture of their designs to help cultivate the design talents in the industry. Moreover, since 2013, the Group has been partnering with St. James' Settlement to organize "Career Sparkle", programme which provided opportunities during summer vacation for the participated students to enhance their understanding in the real working environment of the retailing industry. The programme helped them to explore their personal interests and abilities, and encouraged them to plan their future careers.







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

Туре	Organizer / Name of Event	Sponsorship	Employee Participation
Industry Development and Occupational Training	 The Federation of Hong Kong Footwear Ltd. and Hong Kong Trade Development Council - The 19th Footwear Design Competition Hong Kong St. James' Settlement - Partnership on "Career Sparkle" programme to provide students with opportunities for understanding the real working environment of the retailing industry 	\checkmark	\checkmark
Anti-epidemic Support	 Donation of RMB 3 millions to Beijiao Charity Federation for the prevention and control against the epidemic of novel coronavirus pneumonia at Beijiao 	\checkmark	
Rehabilitation and Healthcare	 St. James' Settlement - Mooncake charity sales, for encouraging and supporting rehabilitation clients back to work "The Community Chest Green Day"- fundraising for medical and healthcare services "The Community Chest Love Teeth Day"- fundraising for oral health services 	\checkmark	
Charity	 Fundraising events such as "The Community Chest Dress Casual Day", "The Community Chest Walk for Millions" 	\checkmark	\checkmark
Environmental Protection	 Greeners Actions - recycling of red packets 	\checkmark	

