

YANGTZKIANG GARMENT LIMITED

(Stock : 294)

Environmental, Social and Governance

Report 2019/20

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1. MESSAGE FROM CHAIRMAN

Yangtzekiang Garment Limited, founded in 1949 and headquartered in Hong Kong, is a garment manufacturer that is committed to providing high-quality products and services. Our core garment business had a difficult year. The overall performance of our business for the year under review incurred a substantial loss. The main reasons for the adverse results besides the drop of revenue were the loss incurred by our Wuxi investments, impairment losses on other property, plant and equipment as well as the decreased value of our investment properties after revaluation. However, despite all the unfavourable political and economic adversities, our core garment business was still able to yield a profit from operations. Nevertheless, the Group continues to strive to embed environmental, social and governance (“ESG”) issues into business operations and as the key pillars of caring of people, operation practice and environmental management.

Sustainability is one of our core values and embedded in our culture that we are committed to upholding in the future. The ESG committee, led by senior management, has been established to strengthen the governance and board oversight of ESG issues. The committee reports to the board and the chairman on a regular basis, with the purpose of addressing ESG issues and risks. All department heads and factory managers are required to identify the existing and emerging business risks pertaining to their business lines, as well as to report them to the board’s risk management committee for discussion and review on an annual basis, in order to ensure appropriate measures are taken to manage the risks. We will continue to strengthen our ESG governance through regular discussions on ESG issues at the board meetings.

The Group cares about the well-being of employees and is committed to providing them with a healthy and safe work environment. Following the Group’s commitment, Code of Conduct and local legal requirements, we collated salient topics including but not limited to employment, health and safety, product responsibility, anti-corruption, labour standards, community investment and supply chain management for Social Policy, which provides guidance to our employees and our senior management regarding social responsibility within our business. We also expect and require all our business partners such as contractors, suppliers and factories to adopt the same social practices.

The Group remains committed to being a responsible corporate citizen and actively supports various charitable organisations and causes. We encourage our staff to join our “YGM Volunteer Team” and participate in various charitable activities to help people in need, demonstrating corporate social responsibility and promoting a caring culture in the society.

One of our priorities is to deal with the impacts of climate change. We are committed to protecting and sustaining the environment through reduced GHG emissions and energy consumption. In the future, we aim to develop a target-setting plan on our environmental performance.

When we prepared this report, the coronavirus (“COVID-19”) outbreak was affecting all communities and businesses globally. We have focused on supporting our people, our customers and the communities around us as best as we can. Although the full impact of the pandemic is not yet known and consequent challenges may be complex in these unprecedented times, we believe we can all work together in a more sustainable garment industry to deliver a positive future for our society and environment.

By Order of the Board

Chan Wing Fui, Peter

Chairman, Yangtzekiang Garment Limited

Hong Kong, 29 October 2020

2. ABOUT THIS REPORT

2.1 Aim of the Report

The Group is pleased to present its ESG report (the “Report”), covering its ESG management approach and performance for the 2019/20 financial year. This report has summarised measures undertaken by the Group in its pursuit of sustainability and the evaluation of the environmental and social impact as a result of these actions. We look forward to working with stakeholders to deliver greater green enterprise value.

This report is prepared in accordance with Appendix 27 - Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“SEHK”), meeting the “comply or explain” provision of the ESG Reporting Guide. The SEHK ESG Reporting Guide Content Index is provided in Appendix II.

2.2 The Reporting Year

The Report covers the ESG management approach and performance of the Group for the financial year from 1 April 2019 to 31 March 2020 (the “Year” or the “FY19/20”) - same as the Group’s Annual Report 2019/20.

2.3 Scope of this Report

The scope of this report primarily covers the Group’s businesses related to the manufacture and sales of garments during the FY19/20. Considering both revenue contribution and the impact of our business activities on the environment and society, the scope of the Report encompasses the Group’s Hong Kong Head Office as well as subsidiaries in Mainland China, Bangladesh and Myanmar.

Table 1: Entities covered within the scope of this Report

| Location of Head Office | Name of the Head Office |
|-----------------------------------------|---------------------------------------------------------------|
| Hong Kong | YangtzeKiang Garment Limited (“the Company” or “Head Office”) |
| Location of subsidiaries | Name of subsidiaries |
| Panyu, China | Exquisite Knitters (Guangzhou) Limited (“EQK”) |
| Guigang, China | Whampoa Garment Manufacturing (Guigang) Co., Ltd. (“WGG”) |
| Myanmar | Dagon Talent Garment Limited (“DTG”) |
| Bangladesh | Lavender Garment Limited (“LAV”) |
| Location of joint ventures ¹ | Name of joint ventures |
| Wuxi, China | Wuxi YGM Textile Co., Ltd. (“Wuxi”) |
| Taizhou, China | Taizhou Changxin Textile (Xinghua) Co., Ltd. (“TZCX”) |

2.4 Feedback for this Report

The overall direction of the development is set according to the stakeholders’ views and insights, and to address their concerns wherever possible. The Group values stakeholder engagement as it provides valuable inputs, which contribute to steering the Group’s development in the ESG aspects. If you have any questions or suggestions on this Report and its contents, please contact us at cs_info@ygm.com.hk.

¹ The Report covers 100% of the ESG data and performance of our joint ventures, including the consumption of electricity, fuel and water, as well as employment, occupational health and safety, and training data, unless otherwise specified.

3. OUR ESG APPROACH

3.1 Stakeholder Engagement

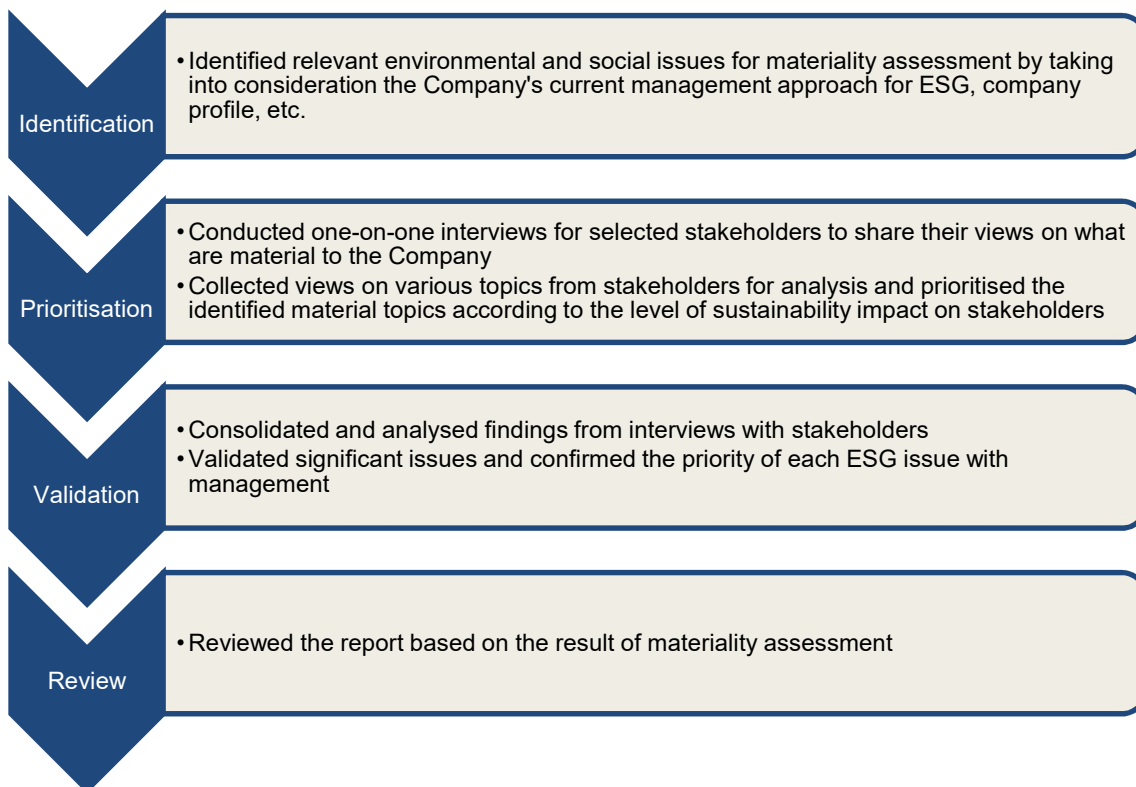
The Group aims to establish close and long-term cooperative relationships with stakeholders to achieve an all-win situation of mutual benefits. We regularly engage with stakeholders, such as customers and consumers, employees, suppliers, the government, shareholders and investors through various approaches, including meetings, training, annual reports and company website, to understand their expectations and thoughts regarding various ESG issues.

In preparing this Year's ESG report, we held in-depth interviews with our senior management who has a strong understanding of our business operation. Guided by a third-party consultant, the interviews enabled us to identify material ESG issues and understand the ESG performance of our business activities during the Year.

3.2 Materiality Assessment

Materiality assessment helps us identify ESG priorities that we should focus on and report to our stakeholders. It also helps us better utilise our resources to address the most critical issues identified by our stakeholders.

We effectively respond to stakeholders' expectations, as well as strive to improve our environmental, social and governance performance. In line with this, we have identified, prioritised, validated and reviewed potential material issues.












3.3 United Nations Sustainable Development Goals

Given that our businesses did not undergo significant changes compared with the preceding financial year, we consider that the materiality results with reference to the industry standards and benchmarks continue to be relevant and applicable this Year as well. Six material issues covering social, operations and environment aspects have been identified as being material to our stakeholders and the Group’s business, and are thus focused on by the Group.

We support the United Nations 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). The SDGs are 17 global goals designed to guide towards a more sustainable and better future for all. We are making efforts to achieve these goals by maintaining quality, ensuring environmentally friendly operations, as well as engaging employees. This Year, we support SDGs through working on our priority areas and use them as the theme of the ESG report to illustrate the values that our business has created for the society and the environment. For more details about the SDGs, please visit <https://sdgs.un.org/goals>.

Table 2: Material issues identified and their relevance to the Group’s business

| Aspect | Material issues | Relevance to our business operations | Relevance to the SDGs |
|----------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Caring for People | Child and forced labour | We firmly oppose all forms of child labour and forced labour. We employ only those persons who are in the legal working age and who choose to work voluntarily. Our clients also consider it as an essential aspect. |    |
| | Human rights | We strive to protect the human rights of our employees. We respect the rights of employees to join associations freely and bargain collectively. | |
| | Health and safety | We are committed to providing a healthy and safe working environment to our employees. |  |
| Operations Practices | Anti-corruption | Corruption may cause a fatal blow to the Company’s continuing operations and damage its reputation. We do not tolerate bribery, extortion, fraud or money laundering in our business operations. |  |
| | Product responsibility | To sustain our business and retain customers’ trust, high-quality and safe products with minimal impact on the environment are vital. |   |

| | | | |
|--------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental Management | Use of electricity | Electricity is essential to our business, from the operation of machines to air conditioning and lighting in our factories, offices and dormitories. |   |
|--------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

4. CARING FOR PEOPLE

4.1 Labour Standards



The Group respects human rights, the right to a healthy environment, as well as rights against discrimination, harassment and abuse. Our support for the protection of internationally proclaimed human rights is set out in our Code of Conduct and Employee Handbook. We firmly oppose any form of forced and child labour. We employ only those who freely choose to work, and we do not use forced or compulsory labour. We ensure equal opportunities, freedom of association and collective bargaining. Corporal punishment, sexual and verbal harassment or abuse shall never be allowed.

During the Year, there were no reported incidents of non-compliance with laws and regulations regarding labour standards.

4.2 Employment



As at 31 March 2020, the Group, including its subsidiaries but excluding its joint ventures, employed approximately 4,300 employees. We are dedicated to promoting equal opportunities for all our employees in different areas, including recruitment, compensation and benefits, training, staff promotion, transfer, and dismissal. The Recruitment Policy established by DTG, EQK, LAV and the Equal Opportunity Policy established by our head office outlines our commitment to provide a fair and inclusive working environment that embraces and promotes diversity. We do not make hiring decisions based on candidates' gender, marital status, religion, age, race, political affiliation, and physical or mental disability. On the contrary, we recruit employees based on their work experience, skills and knowledge. Furthermore, we respect the rights of employees to join associations freely and bargain collectively.

We provide a confidential channel for employees to report misconduct, malpractices and/or suspicions of fraudulent activities that could cause damage to them as individuals and/or to the Company. This formal reporting channel enables the employees to directly contact the management regarding suspected cases of non-compliance or malfeasance.

Our employment contract is in compliance with local labour laws and regulations. These relate to terms such as wages, overtime payment, maximum working hours, compensation, rest period and dismissal. Remuneration packages are determined by reference to employees' performance and the prevailing salary levels in the market. We provide meal allowance for employees who work overtime. All employees are entitled to paid holidays, which include statutory holidays and leave such as sick leave, as well as maternity and paternity leave as per local laws. In addition, the Group provides year-end double pay, provident fund scheme, medical insurance and training to staff.

During the Year, there were no reported incidents of non-compliance with laws and regulations regarding employment practices.

4.3 Health and Safety



The Group is committed to ensuring the health, safety and welfare of all employees. We pledge full compliance in all occupational health and safety legislations, and we have implemented an effective and safe working environment for our employees. Adhering to the stringent Health and Safety Policy and Code of Conduct, we implement a variety of safety measures, such as special and routine inspections. In addition, we have developed proper control methods to minimise the risks pertaining to our operations. To ensure workplace safety, smoke detectors, first-aid boxes and fire extinguishers are put in place, and regular testing of ventilation, temperature and dust is conducted.

We have taken additional measures in Bangladesh and Myanmar to ensure the safety of our employees. In Bangladesh, as required by some of our clients, we comply with the requirements of the Accord on Fire and Building Safety in Bangladesh ("Accord"), which is an independent, legally binding agreement between global brands and retailers and trade unions designed to build a safe and healthy workplace in Bangladesh. The clients that require us to comply with the Accord are mainly European brands. We arrange meetings with doctors and nurses for our employees every two months to promote health and safety in our factory and minimise any potential risks and hazards.

During the Year, there were no reported incidents of non-compliance with laws and regulations regarding occupational health and safety.

Safeguarding against COVID-19

The COVID-19 outbreak has spread across the world, impacting the society, economy and businesses in all the countries affected. Our highest priority remains the safety and well-being of employees, clients, suppliers, and the communities where we operate.

The Group has formulated the COVID-19 Prevention and Control Policy to ensure a safe and healthy workplace, and to support employees with stable jobs and income source. The Group actively connects with local governments where it operates, as well as keeps track of policies and regulations on epidemic prevention and control through various channels. COVID-19 brochure has been distributed to employees in order to enhance their awareness of the precaution measures.

We have developed proper control methods aimed at identifying and taking action against any potential hazards in our production and living areas. All employees and visitors are required to wear face masks, conduct temperature body check and wash their hands before entering the factories. Face masks have been provided to employees who resumed duties daily.

Flexible working options are also provided to employees in case they, or their family members or close contacts, display relevant symptoms, or when they are in self-quarantine following a recent trip to a high-risk location. We have scheduled lunch breaks in four different shifts to prevent large groups from gathering in rest areas or in queues at the canteen for lunch.



COVID-19 precaution brochure distribution



Arrangements on social distancing and temperature body check



All employees are required to wear face masks in factories



Regular factory disinfection

4.4 Development and Training



We attach importance to all-round talent training to add value to the work, skill and career development of employees. We remain focused on supporting people development by conducting training programs. Various seminars conducted by third parties, in-house discussion meetings and on-the-job training have been organised to achieve better learning outcomes and improve employees' performance and competitiveness.

We regularly arrange health and safety training, along with technical training, for our employees in Mainland China, Myanmar and Bangladesh to raise their alertness and knowledge over safety issues as well as to meet our clients' expectations and requirements. In addition, the Business Social Compliance Initiative ("BSCI") training and sexual harassment training to enhance our employees' knowledge and attitude have been conducted for over 300 employees and new employees respectively at DTG this Year. If our employees wish to pursue work-related courses, they are eligible to apply for an education allowance upon the completion of probation.

5. OPERATING PRACTICES

5.1 Anti-corruption



The Group is committed to doing business with integrity and taking a zero-tolerance approach to bribery, extortion, fraud or money laundering. The Group strictly complies with the relevant laws and regulations where we operate, such as the Criminal Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China. Our Anti-Corruption & Anti-Bribery Policy which established by DTG and LAV outline our expectations of employees and representatives to conduct business in a fair, ethical and legal manner. Monitoring measures and procedures are in place to detect bribery, fraud or other malpractice activities. If an employee observes any suspicious activity mentioned above, he or she must immediately report to the management or the relevant government department.

During the Year, the Group had no known material instances of non-compliance with relevant laws and regulations regarding bribery, extortion, fraud, or money laundering in its countries of employment.

5.2 Product Responsibility



The Group places the highest importance on the welfare of its customers globally, as well as on its broader societal and environmental impact. The quality and safety of our products is a vital part of this. In accordance with the corporate principle and the value of "Quality First", the Code of Conduct as well as the Product Safety and Quality Policy which set out by LAV outline our standards regarding product quality, health and safety, labelling and privacy matters relating to products provided and methods of redress. These policies contribute to sustainable and profitable growth by providing guidance on how to offer products that provide customer satisfaction while complying with the relevant laws and regulations.

Quality Control

To drive an effective process for continuous improvement, we have formulated a quality control system to manage product quality performance in our factories. The Group manufactures quality products in accordance with the requirements of clients and operating areas. For instance, our joint venture in Wuxi has obtained ISO9001: 2015 certification and thus maintained the quality management system with respect to the design and manufacture of yarn and textile products. Moreover, factory compliance audits will be conducted by our clients or audit firms assigned by our clients regularly for ensuring optimum product quality and production capabilities, as well as compliance with international labour and environmental laws.

In case of any complaints and recall requests, the Group handles each case with prompt response, examines the reasons for the raised concerns and keeps internal records. Before shipping the products to clients, we inspect and test products in every order to ensure all relevant requirements are met. Shipments are only executed after receiving approval from the clients on the Acceptable Quality Limit (AQL) report.

The Group observes strict compliance with the relevant local and national regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. None of our products were subject to recalls for safety and health reasons during the Year.

Intellectual Property Rights

To protect the intellectual property rights of our customers' clothing design, visitors or employees (excluding relevant staff) are prohibited from taking photographs in the production area. Employees are not allowed to share any information related to the Group's trademarks, raw materials, product development, craftsmanship, orders, prices and profits with any irrelevant personnel. The relevant department shall sign agreements related to intellectual property rights and confidentiality with suppliers. Severe disciplinary action is taken against any perpetrator. Any external party found stealing or collecting the Group's confidential information will be prosecuted.

5.3 Supply Chain Management



The Group follows the principle of open, fair and just procurement. We select suppliers strictly based on five criteria — availability for production, price, credibility, capability, and compliance with local laws and regulations.

The Supply Chain Management Policy have been established at EQK and WGG to ensure proper management and monitoring of the supply chain. We always work closely with both clients and suppliers, primarily located in Mainland China, Myanmar and Bangladesh. Some of our clients or audit firms assigned by our clients conduct audits such as social audits, safety audits and/or technical audits at our factories once a year. If any issue remains outstanding within the period, they also run a follow-up audit to leave no room for non-compliance.

5.4 Community Investment

We remain strongly committed to our social obligations towards the communities where we operate. We have mobilised our employees to engage in community activities by setting up the YGM Corporate Volunteering Team back in 2014. The team provides employees with the opportunities to participate in volunteering work and activities. To promote employee participation, we offer fare subsidies, certificates and insurance purchased by the Group to the participants. Colleagues taking part in charity and volunteer services are granted a half-day leave for every two activities participated. During the Year, charitable donations made by the Group amounted to HK\$25,000.

Due to the unprecedented disruption caused by the COVID-19 pandemic this Year, some community investments have been postponed or cancelled. We will continue our search for opportunities to support the communities through donations or volunteering.

6. ENVIRONMENTAL MANAGEMENT

The Group makes efforts to implement green operations in its garment and textile manufacturing business in Mainland China, Bangladesh and Myanmar, as well as reduce environmental impacts on surrounding communities, in a bid to achieve harmonious coexistence between humanity and nature.

Although the environmental impacts of our major manufacturing processes are considered less significant compared with other companies involved in fabric processing activities such as dyeing and washing, we still strive to minimise the impacts through the following, whenever practicable:

- Efficient use of resources such as energy, water and raw materials;
- Waste reduction by minimising waste at source and recycling used products;
- Optimisation of material use;
- Compliance with applicable environmental legislation, rules and regulations;
- Regular review of our operational controls to enhance our environmental performance;
- Communication with internal and external stakeholders on environmental performance; and
- Environmental awareness building of employees through education and corporate activities.

To tackle the environmental issues and mitigate their impacts on our operations, our subsidiaries have either developed an overall Environmental Policy or put in place various environmental requirements to abide by. In addition, our joint venture in Wuxi has obtained ISO 14001:2015 Environmental Management System certification with respect to the design, manufacture and relevant management process of yarn and textile products.

During the Year, there were no reported incidents of non-compliance with laws and regulations regarding environmental issues.

6.1 Energy Consumption



We advocate the philosophy of energy conservation in daily operations especially at our manufacturing sites. The major sources of energy consumption are our factories, dormitories and offices. During the Year, the following measures were implemented at our different operations to improve energy-saving and efficiency.

Table 3: Energy-saving initiatives carried out during the Year

| Location | Energy-saving initiatives |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mainland China (EQK, WGG) | <ul style="list-style-type: none"> ▪ Replaced old boiler with energy-efficient ones to reduce the steam consumption ▪ Replaced old lighting with LED lighting to enhance energy efficiency at the factories, including the warehouse ▪ Switched off lighting and electric appliances during idling period ▪ Implemented machinery scheduling to increase energy efficiency |
| Bangladesh (LAV) | <ul style="list-style-type: none"> ▪ Replaced old lighting with LED lighting to enhance energy efficiency ▪ Replaced old sewing machine servo motors with energy-efficient ones. These sewing machines are not only safer to use but also greatly enhance the productivity of employees |
| Myanmar (DTG) | <ul style="list-style-type: none"> ▪ Replaced 864 old light tubes with LED lighting ▪ Planned to replace the remaining 67 light tubes with LED tubes from June 2020 to March 2021, which is expected to save a total of 38,038 kWh annually ▪ Targeted to achieve 100% replacement of LED light tube in the whole factory in FY20/21 |

6.2 Water Consumption



The Group uses relatively less amount of water in the production process compared with other garment manufacturers engaged in fabric processing such as dyeing and washing, but we still seek opportunities to reduce and manage our water consumption proactively. We have installed water metres to monitor water consumption at our operations in Hong Kong and Mainland China. We will continue to seek opportunities to install water metres in Myanmar and Bangladesh facilities in the future.

In Mainland China, water is used mainly for domestic purpose throughout our business operations such as for consumption in dormitories. We encourage our employees to not only use water wisely but also implement proper maintenance to prevent leakages. In addition, we examine water safety and quality through regular inspections at our business operations in Mainland China, Bangladesh and Myanmar.

During the Year, the following water-saving measures were implemented.

Table 4: Water-saving initiatives carried out during the Year

| Location | Water-saving initiatives |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mainland China (EQK, WGG) | <ul style="list-style-type: none"> ▪ Conducted regular quality checks for drinking water as a continual measure ▪ Installed water metres on every floor of the dormitory to monitor water consumption of employees |
| Bangladesh (LAV) | <ul style="list-style-type: none"> ▪ Conducted regular quantity and quality checks for drinking water as a continual measure as part the BSCI compliance audit requirements ▪ Installed water metres to take the reading of water use ▪ Replaced existing washer taps with handle taps to reduce water use ▪ Posted water-saving signage in toilets and drinking water facility area ▪ Promoted water-saving messages through public address (PA) system regularly |
| Myanmar (DTG) | <ul style="list-style-type: none"> ▪ Collected rain water in brick tanks and used it for flushing workers' toilets, which is expected to save a total of 45,454 gallons per month ▪ Conducted regular checks for drinking water as a continual measure as part the local government's compliance requirements |

Wastewater Management

Wastewater generated in our operations is properly handled in accordance with the laws and regulations of the countries in which we operate. In both Hong Kong and Mainland China, our domestic wastewater generated is properly managed by the municipal treatment facilities provided by the government. In Myanmar and Bangladesh, the sewage generated from domestic use is collected by septic tanks, and further removed by a qualified contractor on a regular basis.

6.3 Air and Greenhouse Gas Emissions



Considering the nature of business and the materiality assessment results, our environmental impacts relating to air emissions, hazardous waste or wastewater discharge are not considered significant. Nevertheless, we continue to seek compliance with all relevant regulatory requirements and remain committed to reducing these where possible.

We understand climate change is one of the biggest threats to our generation. Facing this global challenge, we continue to press on with our commitment to and efforts on low carbon manufacturing. Various measures are taken to conserve energy, such as adopting energy-efficient LED lighting systems and switching off idle electric appliances.

We have developed and implemented the CO2 Emission Policy at LAV in Bangladesh. As energy consumption generates most of the greenhouse gas (GHG) emissions, we will continue to minimise our environmental impacts by continuously implementing new energy-saving measures. For further details regarding our energy-saving measures, please refer to the Energy Consumption section.

The Air Emissions Management Procedure has been established at WGG in Mainland China. In the Year, all factories monitored emission quality regularly and measured the level of air pollutants emitted from the use of boilers and back-up generators, all of which complied with the relevant legal standards.

6.4 Waste Management



The Group strictly implemented the relevant requirements for the treatment of waste and packaging materials. Both hazardous waste and non-hazardous waste are disposed of in compliance with local laws and regulations. Any non-reusable fabric pieces were collected by a qualified waste handler in Mainland China while fabric scraps were also regularly collected by recyclers in Bangladesh and Myanmar. As our manufacturing process mainly involves sewing of garments, lubricant oil and light tubes are the only hazardous waste generated, and they are disposed of properly through qualified contractors.

6.5 Use of Packaging Materials



Though packaging material is not identified as a material issue in our materiality assessment, we continue to make efforts to ensure our packaging materials are kept to the minimum to reduce waste generation. The packaging materials used in our operations are primarily paper cartons, paper hand tags, tissue papers and plastic bags. Though our control over the selection of these packaging materials is very limited, we will continuously encourage our clients to use green materials such as biodegradable plastic bags instead of those made from polyethylene (PE) and polypropylene (PP).

6.6 Green Manufacturing



The Group is committed to taking care of the environment and investing in green practices. Hence, we are purposefully adopting sustainable business processes. As required by our clients, we have manufactured products with the Global Organic Textile Standard (GOTS), which is recognised as the world's leading processing standard for textiles made from organic fibres. We strive to comply with the international standards or initiatives, such as the Business Social Compliance Initiative (“BSCI”) and Ethical Trading Initiative (“ETI”) and Better Cotton Initiative (“BCI”), which promotes better standards in cotton farming and practices.

APPENDIX I: KEY PERFORMANCE INDICATORS

| Environmental KPIs | | | | |
|-----------------------------------------------------------|-----------------------|----------------|------------------|---------------|
| Use of Energy | Unit of Measure (UOM) | FY19/20 | FY18/19 | % change |
| Total direct energy consumption | GJ ² | 103,654 | 104,045 | -0.38% |
| Total indirect energy consumption (purchased electricity) | kWh | 234,192,925 | 253,372,821 | -7.57% |
| | GJ | 843,095 | 912,142 | -7.57% |
| Total energy consumption | GJ | 946,749 | 1,016,188 | -6.83% |

| Total Fuel Use by Operation | UOM | FY19/20 | | |
|-----------------------------|-----------|-------------|----------------|---------------|
| | | Head Office | Subsidiaries | Joint venture |
| Natural gas | GJ | - | 3,592 | - |
| Diesel | GJ | - | 3,702 | 47 |
| CN Gas | GJ | - | 94,120 | - |
| Gasoline | GJ | 180 | 981 | 1,032 |
| Total Fuel Used | GJ | 180 | 102,395 | 1,078 |

| Electricity Consumption | UOM | FY19/20 |
|--------------------------------------|------------|--------------------|
| Head Office | kWh | 784,657 |
| EQK | kWh | 1,471,350 |
| WGG | kWh | 1,524,980 |
| DTG | kWh | 841,670 |
| LAV | kWh | 1,226,838 |
| Wuxi | kWh | 209,207,251 |
| TZCX | kWh | 19,136,180 |
| Total Electricity Consumption | kWh | 234,192,925 |

| Energy Use Intensity | UOM | FY19/20 | FY18/19 | % change |
|-----------------------------------|--------------------------------|---------|---------|----------|
| Head Office | GJ/m ² (floor area) | 0.16 | 0.17 | -5.43% |
| Subsidiaries (EQK, WGG, DTG, LAV) | GJ/piece of garment produced | 0.02 | 0.02 | -8.26% |
| Joint venture (Wuxi & TZCX) | GJ/tonne of yarn produced | 49.10 | 45.91 | 6.94% |

| Use of Water | | |
|--------------------------------|----------------------|----------------|
| Water Consumption | UOM | FY19/20 |
| Head Office | m ³ | 4,974 |
| EQK | m ³ | 23,065 |
| WGG | m ³ | 48,944 |
| DTG | m ³ | - ³ |
| LAV | m ³ | - ³ |
| Wuxi | m ³ | 233,319 |
| TZCX | m ³ | 17,555 |
| Total Water Consumption | m³ | 327,857 |

| Water Use Intensity | UOM | FY19/20 | FY18/19 | % change |
|-----------------------------------|---------------------------------------------|---------|---------|----------|
| Head Office | m ³ /m ² (floor area) | 0.26 | 0.28 | -6.56% |
| Subsidiaries (EQK, WGG, DTG, LAV) | m ³ /piece of garment produced | 0.04 | 0.04 | -4.10% |
| Joint venture (Wuxi & TZCX) | m ³ /tonne of yarn produced | 14.96 | 11.87 | 26.09% |

² Fuel properties conversion factors are referenced from Department of the Environment, Food and Rural Affairs of the United Kingdom (DEFRA) Greenhouse gas reporting: conversion factors 2020 for calculating the energy consumed in GJ.

³ The water consumption has not been captured in DTG and LAV.

| Social KPIs | | |
|---------------------------|------------|----------------|
| Employment Details | UOM | FY19/20 |
| Total number of employees | Number | 5,897 |
| Gender | | |
| Male employees | Number | 1,886 |
| Female employees | Number | 4,011 |
| Employment Type | | |
| Full time employees | Number | 5,895 |
| Part time employees | Number | 2 |
| Age | | |
| Under 16 | Number | - |
| Aged between 16-29 | Number | 2,348 |
| Aged between 30-50 | Number | 3,021 |
| Aged 51 or above | Number | 528 |
| Working Location | | |
| Hong Kong | Number | 162 |
| Mainland China | Number | 2,683 |
| Myanmar | Number | 1,299 |
| Bangladesh | Number | 1,750 |
| Others | Number | 3 |
| Employee Category | | |
| Senior management | Number | 37 |
| Middle management | Number | 402 |
| Non-management | Number | 5,458 |

| Employee Turnover | UOM | FY19/20 |
|-------------------------------------|------------|----------------|
| Total turnover | Percentage | 20.6% |
| Turnover by Gender | | |
| Male | Percentage | 16.7% |
| Female | Percentage | 22.4% |
| Turnover by Working Location | | |
| Hong Kong | Percentage | 0.0% |
| Mainland China | Percentage | 27.8% |
| Myanmar | Percentage | 4.3% |
| Bangladesh | Percentage | 23.4% |
| Others | Percentage | 0.0% |

| Training and Development | UOM | FY19/20 |
|--------------------------------------------|------------|----------------|
| Average Training Hours of Employees | | |
| By Gender | | |
| Male | Hour | 4.2 |
| Female | Hour | 7.7 |
| By Employee Category | | |
| Senior management | Hour | 18 |
| Middle management | Hour | 6 |
| Non-management | Hour | 7 |

| Anti-corruption | UOM | FY19/20 |
|---------------------------------|------------|----------------|
| No. of anti-corruption training | Number | 7 |

| Occupational Health and Safety | UOM | FY19/20 | FY18/19 | % change |
|---------------------------------------|------------|----------------|----------------|-----------------|
| No. of fatal cases | Number | - | - | 0.0% |
| No. of injury cases | Number | 24 | 27 | -11.11% |
| No. of lost working days | Number | 147 | 211 | -30.21% |

APPENDIX II: SEHK ESG REPORTING GUIDE CONTENT INDEX

| | Aspects | Section |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A | | |
| A1 | Emissions Policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Compliance with relevant laws and regulations that have a significant impact on the issuer | 6. Environmental Management; 6.3 Air and Greenhouse Gas Emissions; 6.4 Waste Management |
| A1.1 | The types of emissions and respective emission data | The data is not tracked based on the materiality and level of control of the issue. However, we are improving our data collection system for better disclosure in the future. |
| A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility) | |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility) | |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility) | |
| A1.5 | Description of measures to mitigate emissions and result achieved | 6.3 Air and Greenhouse Gas Emissions; |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved | 6.4 Waste Management |
| A2 | Use of Resources Policies on the efficient use of resources, including energy, water and other raw materials | 6. Environmental Management; 6.1 Energy Consumption; 6.2 Water Consumption; 6.5 Use of Packaging Materials |
| 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) | Appendix I: Key Performance Indicators |
| A2.2 | Water consumption in total and intensity (e.g., per unit of production volume, per facility) | Appendix I: Key Performance Indicators |
| A2.3 | Description of energy use efficiency initiatives and result achieved | 6. Environmental Management; 6.1 Energy Consumption; |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | 6. Environmental Management; 6.2 Water Consumption; |

| | Aspects | Section |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced | The data is not tracked based on the materiality and level of control of the issue. However, we are improving our data collection system for better disclosure in the future. |
| A3 | The Environment and Natural Resources Policies on minimising the issuer's significant impact on the environment and natural resources | 6. Environmental Management |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them | 6. Environmental Management |
| B | | |
| B1 | Employment Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer regarding the following: <ul style="list-style-type: none"> ▪ Compensation and dismissal ▪ Recruitment and promotion ▪ Working hours and rest periods ▪ Equal opportunity and anti-discrimination ▪ Diversity ▪ Other benefits and welfare | 4. Caring for People; 4.1 Labour Standards; 4.2 Employment |
| B2 | Health and Safety Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations | 4. Caring for People; 4.3 Health and Safety |
| B3 | Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities | 4. Caring for People; 4.4 Development and Training |
| B4 | Labour Standards Policies and compliance with laws and regulations on preventing child and forced labour | 4. Caring for People; 4.1 Labour Standards |
| B5 | Supply Chain Management Policies on managing environmental and social risks of the supply chain | 5.3 Supply Chain Management |
| B6 | Product Responsibility Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress | 5.2 Product Responsibility |
| B7 | Anti-corruption Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering | 5.1 Anti-corruption |
| B8 | Community Investment 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 | 5.4 Community Investment |