



# 361°

361 DEGREES  
INTERNATIONAL LIMITED

STOCK CODE: 1361

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

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### I. PREAMBLE

2020 was deemed to be one of the most extraordinarily challenging years to the entire world in history, during which the COVID-19 pandemic spread across the planet and posed serious threats to the global economy, social stability, environmental sustainability and most importantly, people's health and wellbeing. The sporting goods industry was facing its largest and potentially worst crisis ever with the COVID-19 pandemic, as many countries and regions resorted to drastic measures that led to prolonged lockdowns and uncertainties adversely impacted both the supply-and-demand-sides. While the whole industry was disproportionately hit by rounds of waves of the pandemic with a more profound and lasting impact on the global sportswear market continuing to be imposed on the sales of sporting goods enterprises, "Sustainability-related concepts" including circularity measures, health and safety, standards of decent work and resilience of business model towards crisis have been put forward and centred under the global trend of embracing "Green" recovery. Albeit the devastating impacts resulting in the inevitable contraction throughout the sporting goods value chain, the increasing ramp-up of COVID-19 vaccinations and shift in mindset among people towards health-oriented lifestyles that will see more participation in sports may bring sporting goods enterprises a silver lining.

In 2020, the Chinese government introduced a series of policies to promote development of the sports industry and bolster the consumption, including the Implementation Opinions on Expanding Consumption, Improving Quality and Accelerating Formation of a Strong Domestic Market 《關於促進消費擴容提質加快形成強大國內市場的實施意見》, Implementation Plan of the Pilot Work of Promoting Sports Consumption 《促進體育消費試點工作實施方案》 and Opinions of the General Office of the State Council on Strengthening the Construction of National Fitness Facilities and Developing Mass Sports 《國務院辦公廳關於加強全民健身場地設施建設發展群眾體育的意見》. In 2019, the promulgation of the Outline for Building a Sports Powerful Country 《體育強國建設綱要》 further highlighted the development towards implementing the people-oriented sports concept to strengthen people's health in China, optimising the structure of competitive sports projects to leapfrog into a powerful country of sports and improving the economic structure chain of sports industry to meet the growing and diversified needs of people, which marked a great opportunity for the sports industry to thrive by adapting its customer proposition, its operational capabilities and business strategies.

Standing at the intersection between the 13th Five-Year Plan and 14th Five-Year Plan for National Economic and Social Development that aims to promote high-quality development, deepen supply-side structural reform and further meet people's growing need for a better life, 361 Degrees International Limited (hereinafter referred to as the "Company") and its subsidiaries (the "Group" or "We") have been committed to being strategic, forward-looking, targeted and practical in seeking sustainable development. Underpinned by the Chinese government in transforming the sports industry into a landmark case of the national rejuvenation, the Group has been in constant pursuit of a business purpose and operational model that is characterised by the fulfilment of environmental and social responsibilities with a robust governance framework. As a comprehensive sports goods enterprise that is principally engaging in brand management, research and development (R&D), design, manufacturing and distribution, the Group has been and will always be the trailblazer contributing to the sportswear industry of China since its establishment in 2003. Facing countless ups-and-downs during all these years, the Group has always been carrying forward the perseverance in upholding its original aspirations, remaining true to its roots – "One Extra Degree of Passion" (多一度熱愛), and adopting a consumer-centric approach to bring reliable, diverse and fantastic sports life experience to its valued customers by catering to the ever-changing demands of different markets and customers through technological innovation, operational optimisation and keen insights in grasping the opportunities engendered by the advancement of humankind that may spawn new business trends and open up new fashion markets of the sports industry.

Bearing in mind its ambition to consistently provide high-performance and value-for-money functional sports products targeted at the mass market, the Group's goal of designing for zero waste to go circular and connecting dedicated customers to sustainability journeys has been the engines driving the Group to go beyond advocating environmental and social sustainability through words, but with actions to stimulate eco-friendly design with innovations, raise public consciousness around climate change and contribute to immediate COVID-19 response and public health needs. Being a responsible enterprise that strives to integrate environmental, social and governance ("ESG") management concept in every aspect of operations, the Group has been committed to building upon the understanding of its stakeholders' expectations, opinions of its employees, preference of its customers, concerns of its partners throughout its supply chain and the urgent needs to make our environment better.

## II. ABOUT THE REPORT

In strict compliance with the requirement under Appendix 27 – ESG Reporting Guide (“ESG Guide”) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Group is pleased to present its ESG report for the year ended 31 December 2020 (“FY2020”), which demonstrates the Group’s approach and performance in terms of ESG management and corporate sustainable development for FY2020. For corporate governance report, please refer to the Group’s 2020 Annual Report (Page 50 to 61).

### Boundary Setting

Setting a clear and appropriate reporting boundary from the outset of the entire reporting process is the requisite for report preparers and readers to garner a fuller and clearer picture of the effectiveness of the implementation of relevant ESG policies. Given that the distributorship business model and development plans of the Group, the scope of the ESG report remains unchanged, covering the performance and management policies of major operations of the Group under the operational control approach, including the Group’s offices in Hong Kong Special Administrative Region (“Hong Kong”) and business operations in Brazil, the United States, Europe (Netherlands), Taiwan, China and the People’s Republic of China (“PRC”).

### Application of Reporting Principles

The commitment to transparency drives the Group to share its priority issues and reporting on its progress towards sustainability with its stakeholders. Following the updated ESG reporting requirements of Stock Exchange, the content of the ESG Report has been determined, organised and presented under the principles of Materiality, Quantitative, Balance and Consistency, the application of which is detailed below.

#### **Materiality:**

The Group, as always, implemented a broad, inclusive and science-based materiality assessment in FY2020 by consulting with its key stakeholders through stakeholder engagement and gathering the feedback of various stakeholder representatives in terms of their important concerns and expectations regarding the Group’s sustainable development. Together with the opinions collected from its stakeholders, the Group referenced to GRI standards and the recommended procedures set out in “How to prepare an ESG report – a step-by-step guide to ESG reporting” released by the Stock Exchange, identifying, assessing and prioritising its material ESG topics and associated economic, social and environmental impacts. The Board of Directors of the Group (the “Board”) were presented with a picture, reflecting potentially material ESG issues which may impact the Group’s ability to develop in a sustainable way and create value to all. This, in turn, informed the decision-makers of the Group to allocate more resources to the management of practices in corresponding areas. Further, as a supporter of Task Force on Climate-Related Financial Disclosure (“TCFD”), the Group analysed the interconnections of its business operations with material climate-related risks and opportunities as well.

As the distributorship business model adopted by the Group remained unchanged in FY2020, the Group laid more emphasis on the data collection and information disclosure of its operational control in the production factories and research and development centres.

### **Quantitative:**

The application of the reporting principle of Quantitative was reflected throughout the ESG report. Specifically, a summary of the Group's performance in greenhouse gas ("GHG") emissions, consumption of various energy resources and distribution of employees in terms of gender, age, geographic locations and position types was presented in the measurable format. Further, as an enterprise focusing its efforts on innovations, the research and development costs and achievements were disclosed as well.

### **Balance:**

In order to present an unbiased landscape of the Group's sustainable development, the Group objectively presented its performance during the year under review and unreservedly disclosed the areas where further improvements will be made in the future.

### **Consistency:**

For better comparability across years and against peers, the Group based its data collection process and presentation of its ESG management, especially the calculation and disclosure of GHG emissions on a coherent approach, adopting a consistent reporting framework that was in alignment with its previous ESG reports. Meanwhile, the Group consistently made use of the same platform with moderate improvements for data monitoring and organisation, which was fundamental to eliminating any risks or chaos resulting in the data providers' misunderstanding of requirements and inefficiency.

### III. SUSTAINABILITY MANAGEMENT

The Group has been the pioneer in business strategy and management approach since it was founded in 2003. Aiming to refine its operational model, inspire positive changes, build competitive advantage, drive bottom-line impact and enable partners to grow together through efficient collaboration, the Group believes that it is of paramount importance to establish an improved and robust governance structure and management approach in seeking sustainable development at corporate levels, and allow the message from the top to be conveyed to the authorised retailers smoothly for policy execution and value creation. A robust governance structure developed by the Group ensures efficient implementation of policies, monitoring of practices and review on the progress towards the translation of its overall sustainability endeavours into tangible goals.

Putting a robust sustainability strategy at the core of its development provides the Group and its partner organisations a clear roadmap, guiding principle and framework for delivering tangible benefits across environmental, social and economic sustainability. The Group's commitment to sustainable practices rests on its tenet for growth: "One Extra Degree of Passion" (多一度熱愛). The foundation of the Group's ESG management lies in the "Top-down" approach with a clear hierarchical management mechanism, which underpins the resilient business model and guarantees the communication of its corporate visions, business strategies and sustainability commitments. The Board takes the lead on and has the oversight of the execution of relevant ESG issues in the Group. Responsible for formulating strategies and plans for the Group's long-term sustainable development, the Board also keeps monitoring the progress towards relevant goals with well-defined metrics and steering the direction for development of the Group that gives the play to the advantage of the unity of its operations and sustainability, which is "achieving growth and output while reducing its impacts on the environment and natural resources". The management of the Group is mainly responsible for supervising and coordinating the implementation of sustainability policies in various business departments, offering integrated solutions to the problems encountered during policy execution and monitoring the Group's sustainability performance, including the achievements in waste reduction, improvement of resource utilisation efficiency, effectiveness of sustainability practices and respecting ecological resources in operations. Front-line operators, under the guidance of the management, take actions towards sustainability and perform the work in accordance with the policies at different stages of operations. The front-line operators are also responsible for continuing and expanding stakeholder dialogues in accordance with global standards, communicating and partnering with the Group's major stakeholders such as suppliers, customers, government agencies and community members. The Group believes that acting in accordance with the communication and engagement strategy informs and inspires its stakeholders to take collective measures on sustainability, thereby building the momentum for change. The front-line operators need to report the risks, opportunities and findings to the management with particular focuses on compliance affairs, social welfare, climate change, environmental contributions, and sum up the operational experience in policy execution and develop feasible solutions to addressing environmental and social risks. Benefiting from the robust governance framework and management approach, the Board can identify the potential ESG risks and opportunities through the report from the Group's management team, external ESG experts and the internal auditing centre of the Group, which collects, verifies and summarises the information that is material to the Group's sustainable development, and timely reports to the Board for review. The management plays a pivotal role in evaluating and managing the material ESG risks arising from business operations of the Group and is regarded as the core team in ESG risk assessment and response under the leadership of the Board. The Group has been focusing its efforts on integrating the ESG-related risks into the scope of enterprise risk control and management and leveraging its strength as the trailblazer in pursuing sustainable development to make ESG management concepts cascade throughout the entire organisation.

The Group conforms to a series of international standards, such as ISO 5001:2018 Energy Management System, ISO 14001: 2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety, in order to operate its business while minimising the Group's burdens on the environment and natural resources as well as enlarging its positive social impacts. The Group tracks and monitors the operational, financial, environmental and social performance of its business partners as well, including its suppliers and distributors, aiming to influence all members in the value chain to minimise their potential environmental and social risks.

## Board

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- Reviewing and understanding the Group's environmental and social impacts;
- Overseeing the Group's ESG management and making informed decisions on business development with ESG and climate considerations;
- Promoting a culture from the top to ensure ESG considerations are part of the business decision-making process.



Top-down: decision making and leadership

## Management & ESG experts

- Supervising the implementation of ESG policies at the operational level;
- Tracking and reporting on the progress towards well-established ESG goals and sub-targets;
- Ensuring cross-functional collaboration, transparent end-to-end management and execution of policies within various functions effectively with insights and support being provided.



## General employees

- Studying and executing the ESG plans set up by the top;
- Taking actions to make changes to the Group and the industry;
- Assessing and reporting on the ESG-related risks faced during daily operations.



## "One Extra Degree of Passion" (多一度熱愛)

The past 12 months were set to be characterised by economic turbulences and social fears under the shadow of COVID-19 pandemic, challenging the robustness and resilience of the global system in facing unprecedented public health emergencies. As one of the many industries most vulnerable to the profound and long-lasting crisis impacting the livelihoods of employees, the financial viability of factories and stability of supply chains, the Group's business operations and development plans were also affected at the beginning of 2020, while global sustainability journey was forced to be on pause, as most businesses reeled in response to the pandemic. However, under the leadership and oversight of the central government of the PRC and with concerted efforts by all in the fight against the epidemic, the economic and social recovery in China has been in an orderly process that is already witnessing the full resumption of work and production in the industry. As trends including increased investments in technological advancements and process optimisation have been in motion, the Group has been committed and well-prepared in grasping the opportunities to realise environmental and social responsibilities by making changes. Positioning sustainable innovation and operation at the core of its business purpose for years, the Group is deeply aware that being a leading enterprise in the sportswear industry, it should take the responsibility to deliver inspiration and innovation to its customers, contribute to a beautiful planet with no pollution, mitigate the damaging effects of climate change, respect the rights of all employees, make progress in promoting healthy lifestyles, empower female to speak out and act, facilitate partnership for positive changes, transform lives in the community and influence other players in the value chains to move towards sustainability.

### Innovation

Under the overarching goal to build a global community of health for all through solidarity and cooperation, the Group's concept of "One Extra Degree of Passion" (多一度熱愛) by taking consumer-centric approach for operations has never changed, which lays the foundation for the Group's unrelenting efforts to seek innovations, embrace new ideas and employ an advanced but feasible approach to address environmental and social risks. Guided by the 'dual circulation strategy' in the post-epidemic era, the Group's sustainability commitment is built and delivered upon the endeavours in product, service and operational innovative breakthroughs.

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"One Extra Degree  
of Passion"  
(多一度熱愛)

In FY2020, the co-branded series of 361° × Gundam was awarded the Best Sports Innovation Award (最佳體育創新獎) at "Chinese Sports Industry Awards 2019", while the vigorous development of its e-commerce business enables the Group to swiftly seize the opportunities brought by the social distancing rules and stay-at-home economy. In 2020, the Group introduced 3D digital technology in apparel design. The application of the technology allowed the designers and craftsmen to collaborate in parallel mode, which improved the speed and quality of design and development and communication efficiency and reduced the cost of sample production. The 3D ready-to-wear design created by the 3D digital technology can visually display the wearing effect of ready-made garments, provide a more intuitive visual reference for planning, design, technical and sales experts, and ultimately play a pivotal role in the marketing and retail process. As the first enterprise to introduce the use of 3D digital technology, the successful application will utterly subvert the traditional 2D design and development process.

#### Climate action

In 2020, China announced its ambitious carbon neutrality goal by 2060, which unquestionably will result in a massive adjustment of the national economy and dramatic industrial manufacturing upgrades. Recognising the urgent need for climate actions, the Group remains committed to refining its operational process and enlarging the application of "Circular Economy" in its product design. By researching the production process and manufacturing process, for example, the Group has adjusted the formula for making soles by overcoming the barriers of the use of waste rubber and EVA recycled materials, and successfully achieved the application of recycled materials in product design, which significantly lowered the waste of materials.

#### Social responsibility

In the fight against the epidemic, the Group fully delivered on its social responsibility as a national enterprise, dedicated to taking actions to help the society and in particular, those seriously wounded by the crisis. On 10 February 2020, the Group purchased 2,000 sets of medical-grade goggles and protective suits overseas, and donated them to medical institutions including Wuhan Central Hospital.

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# BOARD STATEMENT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

"One Extra Degree  
of Passion"  
(多一度熱愛)

Further, the Group made use of its strength and donated cold-weather and sports apparel to Hubei Province through the China Youth Development Foundation, as a support and appreciation for the frontline medical heroes – the most beautiful "Angels in white".

In 2021, the accelerated economic recovery under the leadership of the central government is expected to further lower unemployment rates, bring consumer confidence and boost the need for sportswear for outdoor activities. The Group will maintain a momentum of vigorous development in the future driven by long-term market demand, and insist on its sustainability vision to incorporate ESG within new growth strategies built on the collective efforts of the entire industry.

*Sincerely,*

*Ding Huihuang*

*Chairman*

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### IV. STAKEHOLDER ENGAGEMENT

The Group deeply understands that building an ongoing stakeholder dialogue and facilitating the engagement of its key stakeholders, as part of the sustainability strategy, allows the Group to timely recognise its stakeholders' important concerns and expectations, to be aware of the impact of its businesses on the environment and society and vice versa, and to identify material ESG issues so as to mitigate risks and maximise opportunities. Following its communications strategy to inspire and engage an increasingly wider stakeholder community, the Group has been committed to building a sound relationship with its stakeholders and addressing the ever-changing stakeholders' expectations by fine-tuning its business strategy and development models. The Group values the feedback from its stakeholders on a continuous basis and takes an initiative to build a trustful and supportive relationship with them through their preferred ways of communication that are listed in the table below.

Stakeholders	Expectations and Concerns	Communication Channels
		
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>-Compliance with laws and regulations</li> <li>-Anti-corruption policies</li> <li>-Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>-Supervision on the compliance with local laws and regulations</li> <li>-Routine reports and tax payments</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>-Return on investments</li> <li>-Corporate governance</li> <li>-Business compliance</li> </ul>	<ul style="list-style-type: none"> <li>-Regular reports</li> <li>-Announcements</li> <li>-General meetings</li> <li>-Official website of the Group</li> <li>-Investor briefings</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>-Employees' remuneration and benefits</li> <li>-Health and safety in the workplace</li> <li>-Increase the reuse and recycling of waste materials for environmental protection</li> <li>-Illustrate the value proposition of ESG responsibilities</li> <li>-Effective Board oversight</li> <li>-Diversified employee training</li> <li>-Engagement in charitable activities and improve local employment</li> </ul>	<ul style="list-style-type: none"> <li>-Performance appraisals</li> <li>-Regular meetings and training</li> <li>-Focus groups</li> <li>-Emails, notices, circulars, hotline and team building activities</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>-Production quality assurance</li> <li>-Continuous promotion of reliable products/services to customers</li> <li>-Eco-friendly materials and circularity measures</li> <li>-Technology innovations</li> </ul>	<ul style="list-style-type: none"> <li>-Customers' satisfaction surveys</li> <li>-Customer service hotline and emails</li> <li>-Media conferences</li> <li>-Corporate website</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>-Fair and open procurement</li> <li>-Win-win cooperation</li> <li>-Protection of intellectual property rights</li> <li>-Energy efficiency improvement</li> <li>-Strengthen the systematic training on employees</li> </ul>	<ul style="list-style-type: none"> <li>-Open tender</li> <li>-Contracts and agreements</li> <li>-Telephone discussions</li> <li>-Face-to-face meetings and onsite visits</li> <li>-Industry seminars</li> </ul>
<b>Distributors and authorised retailers</b>	<ul style="list-style-type: none"> <li>-Improvement in product quality and design</li> <li>-Strong marketing efforts</li> <li>-Business profitability</li> </ul>	<ul style="list-style-type: none"> <li>-Trade fairs for 361° core brand</li> <li>-Communication with retail channel management department</li> <li>-Regular conferences</li> <li>-Corporate website &amp; Email</li> <li>-Corporate training programmes</li> <li>-E-commerce platforms</li> </ul>

To further enhance its corporate governance and ESG reporting framework and to align its objectives with global sustainable development, the Group has evaluated its stakeholders' opinions on corporate sustainability stewardship through dialogues and surveys with its key stakeholders. In particular, the Group has been committed to utilising UN Sustainable Development Goals ("SDGs") framework, to integrate its sustainability roadmap and targets with the directions set out by SDGs. By taking into considerations its stakeholders' concerns in global sustainable development, the Group plans to clarify the correlation between the SDGs and its ESG commitment, thereby prioritising its efforts to address the needs of all mankind. The alignment with SDGs allows the Group to:

- Understand the globally agreed sustainable development goals that act as an articulation of the world's latest and most pressing environmental, social and economic issues of which all companies should be aware;
- Identify and seek potential business opportunities by addressing sustainability-related risks through business innovation and operational optimisation; and
- Solidify a common language for reporting the company's business impact on climate change and social welfare, and promoting a sustainability culture throughout the organisation.

According to the results, it was found that Goal 3 (Good Health and Well-Being), Goal 4 (Quality Education), Goal 5 (Gender Equality), Goal 9 (Industry, Innovation and Infrastructure), Goal 10 (Reduced Inequalities), Goal 11 (Sustainable Cities and Communities) and Goal 12 (Responsible Consumption and Production) topped the list among all 17 SDGs in terms of the degree of its stakeholders' attention and interest as well as the internal prioritisation of the Group's endeavours in seeking sustainable development according to SDG Compass. In response to the call and concerns from stakeholders, the Group has been laying its emphasis on the management of relevant areas in its business operations and setting out appropriate targets and metrics in either directional or quantitative ways.

For example, inspired and pushed by the targets under Goal 4, Goal 5 and Goal 10, the Group has unwaveringly advocated equality in the workplace and female empowerment in the society through awareness enhancement training. To facilitate the achievement of quality education for all, as being reflected from the training principle of the Group – "Training should be elevated to the strategic level and linked to KPIs", the Group endeavours to improve its management approach and policies in standardising the training programmes and integrating more resources and technologies in the platform and training plan for its employees. Under the "Group Training Management System", the Group's training policies such as "New Employees Integration Management Measures" and "Group Annual Training Planning and Budget Management Measures" have been constantly reviewed and optimised, aiming to regulate the training practices.

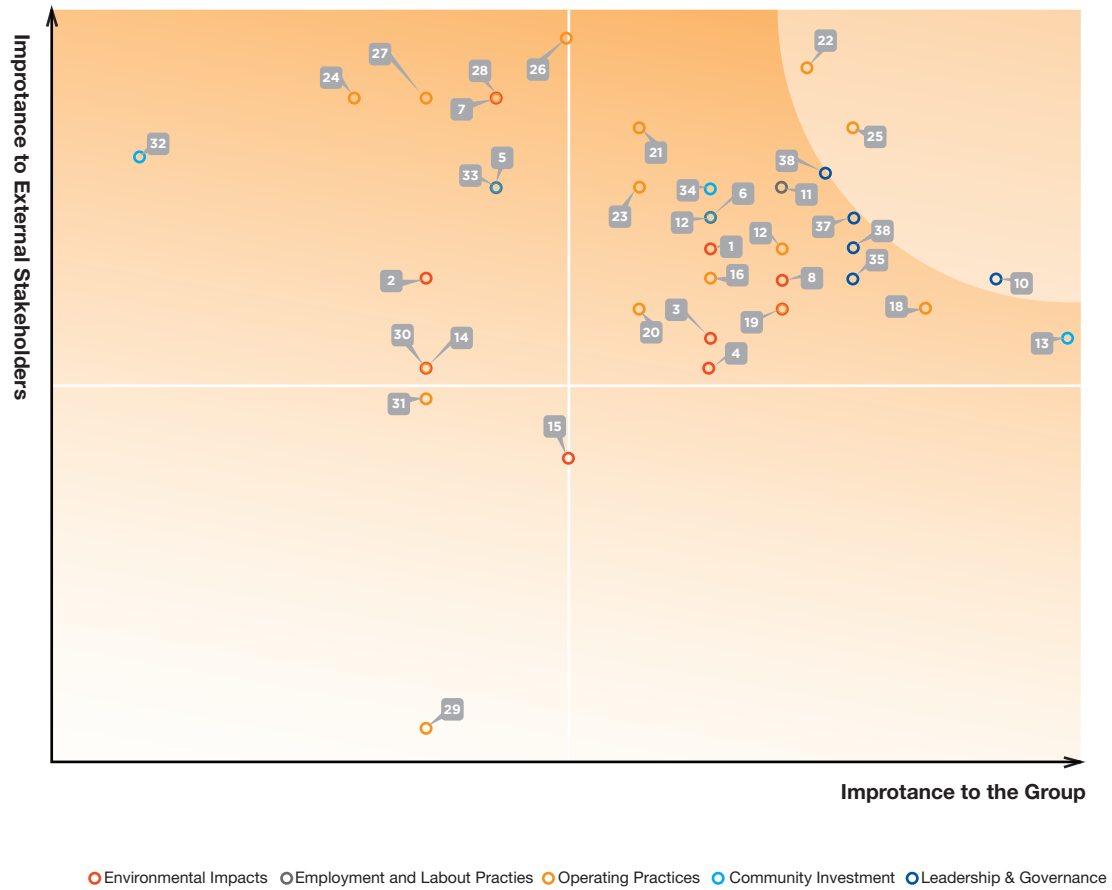
In the innovation of apparel materials that is emphasised under Goal 9, for instance, the Group has embedded environmental concepts into product research and design, developing a series of ecological and environmentally friendly textile materials, such as "Polyester Double-sided Elastic Hollow Jacquard Fabric" and "Full-dull Polyester Imitated Cotton Double-sided Composite Football Polar Cloth", winning the award of the best eco-friendly product. In the innovation of thermal apparel, the Group researched and developed floating thermal clothing, replacing the conventional down and cotton with air, which not only lowers costs on material while keeping the performance, but also greatly reduces the use of raw materials for the production of sports apparel.



### Materiality Assessment

As ESG risks and opportunities for companies vary across industries and depend on specific corporate business models, the Group undertakes an annual review to consult with its stakeholders about their main concerns and material interests towards ESG issues every year, in order to better pinpoint the material topics with reference to GRI Standards, through the process of assessing the Group's context, identifying actual and potential impacts and evaluating the significance of impacts. In FY2020, the Group engaged its stakeholders by carrying out a materiality assessment survey. A group of internal and external stakeholders were identified, prioritised and selected based on their influence and dependence on the Group. Specifically, the Group referenced ISO 26000 (Guidance on Social Responsibility) and chose its stakeholders against criteria including legal obligations, power of influence, significance in the value chain and willingness for engagement. The selected stakeholder representatives were invited to take part in an ESG online survey, which was comprised of numerous questions around ESG topics that were regarded financially material and relevant to the Group's business development. The objective, transparent and decision-useful materiality assessment allowed the Group to give priority to the management under certain ESG topics and to map the results out in a materiality matrix as shown below. With the continuous and effective stakeholders' engagement, the outcome of the materiality assessment survey functioned as a powerful tool that can facilitate the Group to develop its action plans for more effective ESG management.

## Stakeholder Engagement Materiality Matrix



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1	Air and greenhouse gas emissions	14	Preventing child and forced labour	27	Labelling relating to products/services
2	Sewage treatment	15	Selection of local suppliers	28	Product design & Lifecycle management
3	Land use, pollution and restoration	16	Smooth communication and sound relationship with suppliers	29	Number of legal cases filed against the company about bribery, extortion, fraud and money laundering
4	Solid waste treatment	17	Environmental risks (e.g. pollution) of the suppliers	30	Anti-corruption policies and whistle-blowing procedure
5	Energy use	18	Social risks (e.g. monopoly) of the suppliers	31	Anti-corruption training provided to directors and staff
6	Water use	19	Procurement practices	32	Community engagement
7	Use of other raw/packaging materials	20	Environmentally preferable products and services	33	Participation in charitable activities and support public welfare
8	Mitigation measures to protect environment and natural resources	21	Health and safety relating to products/services	34	Cultivation of local employment
9	Climate-related risks	22	Customers satisfaction (Welfare)	35	Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
10	Diversity of employees	23	Marketing and promotion	36	Management of the legal & regulatory environment (regulation-compliance management)
11	Employee remuneration and benefits	24	Observing and protecting intellectual property rights	37	Critical incident risk responsiveness
12	Occupational health and safety	25	Product quality assurance and recall percentage	38	Systemic risk management
13	Employee development and training	26	Protection of consumer information and privacy		

Through the materiality analysis, the Group identified “Diversity of Employees”, “Customer Satisfaction (Welfare)” and “Product Quality Assurance and Recall Percentage” as issues of high importance to the Group in FY2020. Given the high degree of concerns on the aforementioned material issues, the Group has focussed its efforts on the internal management under these areas.

## Responding to Material Concerns

	<p>Highlighted in the Group's sustainability vision, employee diversity and inclusion is believed to play a key part supporting the competitiveness and vitalisation of the Group in the industry. To unleash its employees' potential at work and promote the fairness of treatment for both male and female staff, the Group's recruitment practices always maintain a focus on diversity. Meanwhile, as the needs of customers are becoming increasingly diverse in sporting goods industry, the Group is aware that bringing more talents by respecting their unique backgrounds, skillsets, value proposition and working style is conducive to making the Group's operations and practices up to the international standards, and the engine enabling the Group to remain competitive in the market.</p>	
<p><b>CUSTOMER SATISFACTION (WELFARE)</b></p> <p>As an enterprise persevering in operating under the concept of "Customer Centric", the Group focuses its efforts on making its customers satisfied and more importantly, looking for innovative products designed and produced by the Group. The Group has made use of the big data system from its large membership base, which has been strictly protected as highly classified information by teams of the Group, to predict customer preferences and consumption trends, thereby refining its operations.</p> <p>In FY2020, to deal with the weakening consumption during the epidemic, the Group kept studying and applying e-commerce platform and newly popped technologies for sales, in order to cater to the changing shopping habits of its customers. In particular, the Group invited popular singers, famous athletes and other celebrities to bring its latest products to its valued customers.</p>	<p><b>DIVERSITY OF EMPLOYEES</b></p>	<p><b>PRODUCT QUALITY ASSURANCE AND RECALL PERCENTAGE</b></p> <p>Central to the Group's sustainable development and growing momentum to create value to all is the high quality of its footwear, apparel and other products. The design, development and production of all products are based on national/industry standards. The Group has introduced international advanced testing methods and standards, and formulated and implemented high-level internal quality control standards. The mature monitoring system enables the Group to regularly examine the restricted substances in products and sample materials from its suppliers on a quarterly basis for testing, which is normally performed by a qualified third-party agency.</p> <p>From raw material procurement, product design, production, dyeing practices, transportation, all the way to the delivery, use, end-of-life treatment and final disposal at each stage of the life cycle, the Group has implemented its standards that are stricter than industry requirements in quality control.</p>

### Stakeholders' Feedback

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

## V. ENVIRONMENTAL SUSTAINABILITY

2020 was to be one of the most challenging years for actions on improving climate and nature sustainability. The urgency still remains to chart a new pathway for the world to meet the ambitious aims of Paris Agreement to strengthen the global response to the threat of climate change by limiting the global temperature rise. To contribute to speeding up the reform of the system for developing an ecological civilisation and building a “Beautiful China”, the Group has been committed to continuing its ongoing efforts to reduce its products’ environmental impact and footprint by sourcing more sustainable materials, leveraging durability, advocating reuse, promoting recycling practices and grasping circularity opportunities in the design and development, and raising the awareness of its stakeholder to reduce waste and improve energy efficiency along its supply chain. In response to the national call for accelerating the construction of the ecological civilisation system (加快構建生態文明體系) and sticking to its pursuit of the vision of innovative, coordinated, green and open development that is for everyone (創新、協調、綠色、開放、共享的發展理念), the Group keeps seeking the long-term sustainability of the environment and the community where it operates, and has been prudent in controlling its emissions and consumption of resources, ensuring its compliance with relevant environmental laws and regulations in operating regions during operations. The material laws and regulations are listed below:

- Environmental Protection Law of the People’s Republic of China 《中華人民共和國環境保護法》;
- Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》;
- Law of the People’s Republic of China on Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》;
- Law of the People’s Republic of China on the Prevention and Control of Solid Waste Pollution 《中華人民共和國固體廢物污染環境防治法》; and
- Law of the People’s Republic of China on Prevention and Control of Environmental Noise Pollution 《中華人民共和國環境噪聲污染防治法》.

This section primarily discloses the policies and practices of the Group on **A.1 Emissions**, **A.2 Use of Resources** and **A.3 The Environment and Natural Resources** during FY2020.

## A.1 Emissions

In FY2020, the Group was in compliance with applicable laws and regulations concerning air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. As environmental sustainability is an integral part of the Group's initiative to minimise its environmental impacts, the Group strives to make full use of innovative research and technologies to go sustainable in its product design and development process, aiming to realise zero waste and circularity goals.

During the year under review, the air pollutants from the Group including sulphur oxides ("SO<sub>x</sub>"), nitrogen oxides ("NO<sub>x</sub>") and particulate matter ("PM") were mainly generated from vehicles for transportation for business affairs and operations. Specifically, the Group's air emissions of SO<sub>x</sub>, NO<sub>x</sub> and PM amounted to 3.55 kg, 229.91 kg and 16.93 kg respectively in FY2020. It is widely accepted that climate change is unequivocally linked to the increasing concentrations of greenhouse gases ("GHGs") in the atmosphere. Under the grand goal to achieve carbon neutrality by 2060 by China, the Group endeavours to capitalise on the opportunities of the transition to a low-carbon economy and eliminate the impacts of the potential physical and transition risks posed by climate change. In FY2020, the GHG emissions from the Group were primarily caused by the combustion of fossil fuels for transportation and the electricity purchase and consumption for operations. During the year under review, the Group's total GHG emissions amounted to 23,969.97 tonnes of CO<sub>2</sub>e. In addition, the Group generated a total of 3,303.4 tonnes of non-hazardous solid wastes including 1,873.4 tonnes of domestic and commercial waste and 1,430 tonnes of waste from manufacturing processes, while 535,780.49 m<sup>3</sup> of non-hazardous wastewater was discharged from the factories and offices of the Group. In FY2020, the Group did not generate any hazardous wastes (solid waste or sewage) during its operations. The Group's total emissions in FY2020 are summarised in Table 1 below.

**Table 1 The Group's total emissions by category in FY2020<sup>7</sup>**

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity <sup>1</sup> (unit/employee) in FY2020	Amount in FY2019	Intensity (unit/employee) In FY2019
Air Emissions <sup>2</sup>	SO <sub>x</sub>	Kg	3.55	–	3.42	–
	NO <sub>x</sub>	Kg	229.91	–	151.55	–
	PM	Kg	16.93	–	11.03	–
GHG Emissions	Scope 1 <sup>3</sup> (Direct Emissions)	Tonnes of CO <sub>2</sub> e	647.1	0.1	555.81	0.1
	Scope 2 <sup>4</sup> (Energy Indirect Emissions)	Tonnes of CO <sub>2</sub> e	22,228.82	3.5	21,425.01	2.9
	Scope 3 <sup>5</sup> (Other Indirect Emissions)	Tonnes of CO <sub>2</sub> e	1,094.05	0.2	193.14	–
	Total (Scope 1 & 2 & 3)	Tonnes of CO <sub>2</sub> e	23,969.97	3.8	22,173.96	3.0
Non-hazardous Waste	Domestic and commercial solid Wastes	Tonnes	1,873.4	0.3	1,761.2	0.2
	Manufacturing solid wastes	Tonnes	1,430	0.2	1,502	0.2
	Wastewater <sup>6</sup>	m <sup>3</sup>	535,780.49	84.8	508,138.99	69.1

1. *Intensity in FY2020 was calculated by dividing the amount of air emissions, GHG emissions and other emissions by the number of employees of the Group as of 31 December 2020, which was 6,319;*
2. *Air emissions included only the air pollutants in the exhaust gas from vehicles for transportation;*
3. *The Group's Scope 1 (Direct Emissions) included only the consumption of gasoline and other fossil fuels for vehicles;*
4. *The Group's Scope 2 (Energy Indirect Emissions) included only electricity consumption;*
5. *In FY2020, the Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills, electricity used for processing fresh water and sewage by government departments and business air travel, which was equivalent to 870.2 tonnes of GHG emissions, while in FY2019, the business air travel was not included;*
6. *The total amount of wastewater generated from the Group in FY2020 was based on the accurate recording of sewage from operations and the assumption that 100% of the freshwater consumed in the offices entered the building drainage system for which the amount of sewage during certain operations could not be estimated precisely; and*
7. *The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the IPCC Emission Factor Database.*

### **Sportswear business**

While the Group has paid close attention to performance transparency through the systematic monitoring on its progress against environmental KPIs, the innovation and improvement in its manufacturing processes towards eco-friendlier operations never stop. The Group manufactures the majority of its products by the two factories located in Jiangtou and Wuli in Jinjiang, Fujian Province of the PRC. With great emphasis laid on the emission control and the implementation of effective policies that instruct all business divisions and employees to spearhead sustainability initiatives to lower carbon emissions, track and reduce energy usage, go for zero waste and control water consumption during operations, the Group has been committed to designing and producing its sportswear products in ways that respect and preserve the environment and natural resources.

### **Air and GHG Emissions**

In FY2020, the air and GHG emissions of the Group mainly came from the combustion of fossil fuels for the use of vehicles for transportation and business affairs, and electricity for manufacturing and office operations. To optimise its operating practices towards sustainable consumption, the Group has continued to bring forward effective policies and measures in daily operations, regulating the use of vehicles and encouraging all its employees to take actions to lower their environmental impacts. In strict compliance with the national and industry standards, the Group keeps upgrading its facilities and production lines, aiming to lower its impacts of emissions on surrounding areas. Believing that the manufacturing industry has the power to shape a 2° C trajectory of global warming, the Group has concentrated on rejuvenating the existing vegetation around its factories, committed to offsetting its carbon emissions while providing an array of amenity, recreational and biodiversity benefits.

During the year under review, the GHG emissions of the Group increased slightly, which was partly due to the inclusion of indirect emissions from business air travel. In FY2020, the Group expanded the GHG reporting scope further by recording the information of all flights taken by its employees during the year under review, including airports of origin, destination, cabin class, etc. The moderately rising amount of energy consumption for transportation and operations was another contributor to the growing level of air and GHG emissions of the Group. The Group commits to focusing on its fleet management in the future by bringing more effective policies.

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

### **Wastewater**

In the textile and apparel industry, the management of wastewater is a fundamental, as dyeing and other processing of products may carry the burden of dealing with large amounts of wastewater containing potentially toxic by-products. As such, the Group has relentlessly followed the “3R principles”, that is, “reduce, reuse and recycle” the wastewater from boiler operations in the production line, and taken the initiative to install more water-efficient facilities such as advanced dyeing equipment or wastewater recycling to reduce their freshwater footprint. As the Group champions wastewater recycling and water efficiency improvement, the factories of the Group remain committed to stepping up their monitoring on the operational data from wastewater treatment systems. The domestic wastewater from employees is normally discharged into the local municipal wastewater treatment plant for further disposal.

In FY2020, the Group generated a total of 535,780.49 m<sup>3</sup> of wastewater, which was moderately higher than the figure in FY2019. Since the amount of wastewater highly depends on the amount of water that has been used, the Group has adopted specific measures and aims to proactively explore effective ways to save water, which are further described in the next subsection headed “**Water**”, to improve water efficiency.

### **Solid Wastes**

The major solid wastes from factories of the Group were comprised of the leftover materials and offcuts during manufacturing processes in FY2020. Embracing the concept of “Circular Economy”, the Group has brought in draconian and innovative measures, and implemented internal policies that advance eco-friendly product design, considering waste as a source of value and innovating on the use of reclaimed materials throughout the manufacturing process. Through research and experiments, for example, the Group has adjusted the formula for footwear products, which drastically reduces the waste of rubber materials. Pulverisers have been adopted for crushing the leftover materials and offcuts as well, which are then sent to recycling stations. For unrecyclable materials, such as industrial materials including glue and synthetic resin, the Group has partnered with qualified recycling centres for disposal, thereby diverting waste from landfill. The Group has built a complete due diligence process and performs audits on the qualification and capacity of the waste management service providers regularly, aiming to monitor the impacts of its generation of waste from a lifecycle perspective. As for domestic and commercial wastes, the Group has encouraged its employees to respond to the call of the PRC government to promote rubbish sorting by taking active actions to minimise the waste every day. For instance, employees are recommended to take their own lunch boxes to prevent the packaging waste of takeaway food and prohibit the massive use of disposable cups or plastic cups in the company.

Given the effective implementation of policies and integration of Waste Hierarchy Management into operations, the amount of manufacturing solid waste of the Group dropped by approximately 5% as compared to that in FY2019, while the total amount of solid wastes generated by the Group remained almost changed in FY2020.

### Noise

Industrial facilities and manufacturing factories are among the harshest work environments for employees due to potentially excessive noise levels. Abiding by the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) and Emission standards for industrial enterprises noise at boundary (GB12348-2008) (工業企業廠界環境噪聲排放標準) during manufacturing operations, the Group ensures that the noise level in factories is below the limit by introducing effective noise control solutions that include isolating equipment with machine noise enclosures, isolating employees with modular in-plant offices and upgrading existing facilities. In FY2020, the Group did not receive any complaint on the noise issue from surrounding residents or regulators.

### *Overseas business and Hong Kong office*

Since the businesses in Hong Kong, Taiwan, China, the United States, Brazil and Europe (the Netherlands) are mainly related to the trading of sporting goods where there is no manufacturing process, the environmental impacts of the Group's overseas business and Hong Kong office are insignificant as compared to the Group's manufacturing factories. Nevertheless, the Group is still committed to a complete measurement and improvement of its environmental performance in the offices and trading operations, thereby making use of a clearer segmentation structure and platform for data management. Further, the Group is dedicated to eliminating the consumption of single-use plastic water bottles in most office spaces and promoting the utilisation of digital technology and internet for communication instead of unnecessary printing or travel.

## A.2 Use of Resources

Adhering to the requirements and recommendations set out in applicable laws, regulations and standards, including the Energy Conservation Law of the People's Republic of China 《中華人民共和國節約能源法》 and Provisions on the Management of Water Conservation in Cities 《城市節約用水管理規定》, the Group has been committed to stepping up its efforts in moving towards green production and consumption, and forging a business model that facilitates green, low-carbon, and circular development. In FY2020, the primary resources consumed by the Group were electricity, gasoline, natural gas, water, paper and various forms of packaging materials. Table 2 illustrates the amount of different resources used by the Group.

**Table 2 Total Resource Consumption in FY2020**

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity <sup>1</sup> (unit/employee) in FY2020	Amount in FY2019	Intensity (unit/employee) in FY2019
Energy	Electricity	kWh	31,781,044	5,029.4	30,659,282	4,169.6
	Gasoline	litre	241,709	38.3	231,567	31.5
	Diesel	litre	–	–	1,071	0.1
	Natural gas	m <sup>3</sup>	2,100	0.3	2,100	0.3
	TOTAL	GJ	122,593.2	19.4	118,256.0	18.7
Water	Water	m <sup>3</sup>	557,107	88.2	508,139	69.1
Paper <sup>2</sup>	Paper	kg	5,733	0.9	4,000	0.5
Packaging material	Paper box	Thousand pcs	2,570	0.4	2,521	0.3
	Other paper-made products	Tonnes	33.27	$5.3 \times 10^{-3}$	31.57	$4.3 \times 10^{-3}$

1. Intensity for FY2020 was calculated by dividing the amount of resources the Group consumed in FY2020 by the number of employees of the Group as at 31 December 2020, which was 6,319; and
2. Paper consumption = paper inventory at the beginning of reporting period + paper added to inventory during reporting period – paper collected for recycling purposes – paper inventory at end of the reporting period. In FY2020, the total amount of paper recycled by the Group was 807.8 kg.

### Electricity

In FY2020, the Group purchased electricity from local public utility companies and the total electricity usage ascended by 3.7%. Due to the unremitting efforts of the Group in electricity control, the Group's overseas business witnessed a substantial reduction in electricity consumption by 16.3%. The use of purchased electricity dominated the total amount of energy use accounting for around 92.7% of the total energy consumption in FY2020 (FY2019: 93.3%). Electricity consumption was also the major driver of GHG emissions and constituted almost 92.3% of total emissions. As such, the Group is committed to becoming more efficient in electricity usage in the factories and embedding the slogan of "Saving Electricity" into its business strategy and daily operations, with an aim to maintain its electricity use efficiency and pursue efforts to further lower the absolute electricity consumption and intensity on yearly basis. To achieve the target, the Group has implemented the following practices:

- Apply advanced production technologies to enhance energy efficiency;
- Purchase energy-efficient equipment with labels of good environmental performance in the offices;
- Switch off idle facilities, lighting fixtures and air-conditioners timely;

- Encourage all employees to switch off electronic equipment when leaving;
- Replace energy-intensive lighting bulbs and equipment with LED lighting fixtures or other energy-efficient equipment;
- Formulate “Electricity and Energy Use Manual” as guidelines for execution;
- Explore the feasibility of scaling up the application of renewable energy;
- Place posters and stickers of “Saving Electricity” and “Do not keep the light on all night” in prominent areas to educate employees of energy conservation; and
- Regularly perform planned maintenance of electrical and mechanical equipment to optimise its performance and lifespan, which can translate to energy efficiency savings.

### Water

Considering water as the most precious resource in the world and unquestionably vital to manufacturing operations, the Group is conscious of its role of being a leading enterprise in improving water efficiency. In FY2020, the Group did not face any problem in sourcing water that was fit for its purpose. With strenuous efforts in advocating the “3R rules – Reduce, Reuse and Recycle” in its water management, the water consumption of the Group in FY2020 rose marginally by 9.6% as compared with the figure in FY2019. However, the performance of the Group’s overseas business showed a magnificent improvement, with a decline of 43.1% water usage being recorded during the year under review. In addition to continuous technology innovation and operational optimisation to reduce water footprint, the Group has further adopted the following practices:

- Build dual flush toilets in the company;
- Install a separate water metering device in the canteen to monitor the consumption of water with extra cost charged on the excess of water use over set value;
- Mop the floor instead of washing with water;
- Control the flow rate of faucets;
- Place posters of “Water is the source of life” in prominent areas to encourage water conservation;
- Strengthen the inspection and maintenance on the water taps, water pipelines and water storage tanks;
- Turn off the water supply system during holidays;
- Advocate the importance of water conservation among employees during morning briefings; and
- Apply advanced technologies to strengthen water recycling in the manufacturing process.

### Other energy resources

The Group's consumption of other energy resources mainly came from the use of various forms of fossil fuels for transportation. The Group has set up effective policies standardising the use of fleets for business affairs and product transportation, highly encouraged its employees to make full use of video conference or communication via digital platforms instead of unnecessary business travel. In addition, the Group has been making significant progress toward its new energy commitment and dedicated to promoting the use of electric vehicles in the industrial park and installing solar water heating systems to alleviate its impact on the environment and natural resources.

In FY2020, while a slight increase in gasoline consumption was recorded, the amount of diesel consumed fell to zero. The Group is committed to keeping its upgrade of vehicles and making changes towards cleaner energy resources.

### Packaging materials

Minimising packaging materials and maximising the use of responsibly sourced materials has long been an important task of the Group towards its sustainable development. Committed to designing packaging materials for durability, reuse, recycling and circularity, the Group has put enormous efforts in the research and development of packaging materials with 100% recycled content and long durability, and the recycling of plastic bags and woven bags. To minimise the environmental impacts, the Group keeps exploring and piloting alternative packaging solutions and selecting more environmentally friendly materials such as cartons, paper and woven bags. In the application of circular concepts, all the promotional T-shirts in Europe of the Group are made from 100% recycled PET bottles. In FY2020, the amount of packaging materials consumed by the Group remained at the similar level as that in FY2019 under the overarching resource conservation policies of the Group.

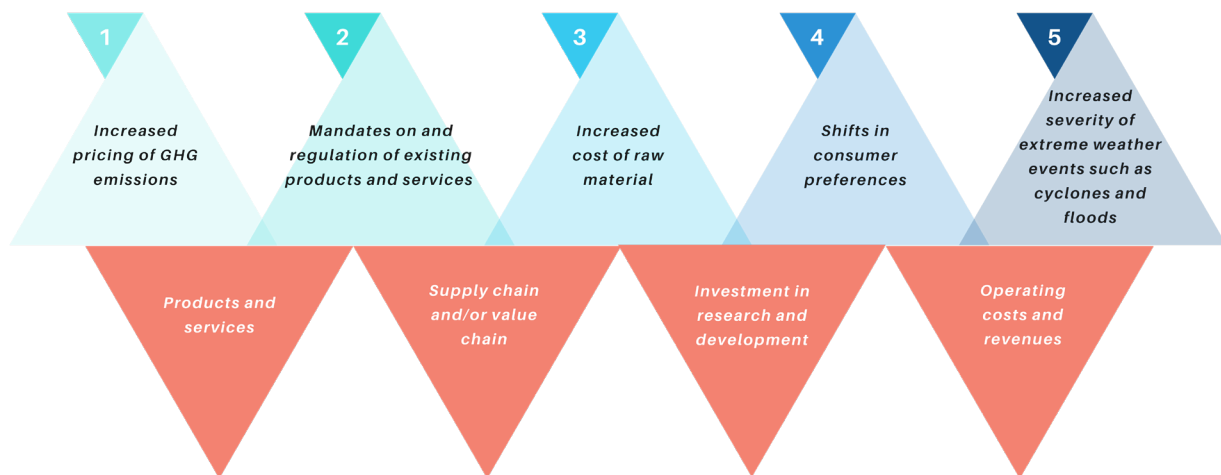
## A.3 The Environment and Natural Resources

In 2014, the State Council promulgated the "Several Opinions on Accelerating the Development of Sports Industry and Promoting Sports Consumption" (國務院關於加快發展體育產業促進體育消費的若干意見), which upgraded national fitness to the national strategy, regarded the enhancement of people's physical fitness and health as the fundamental goal, and more importantly, committed to developing the sports industry to be a green and sunrise industry. As an essential pillar of the Group's strategic development for years, a sound environmental stewardship to creating an enabling environment for innovative breakthroughs, inspiring partners along the value chain to respect and embrace environmentally friendly technologies and practices, and leading the entire industry to grow in a resilient manner is what the Group has long been pursuing. The COVID-19 pandemic has presented a particularly vivid wake-up call for all businesses, that are urgently needed to transform from fragile into more sustainable and resilient modes for development. Under the unprecedented public health emergency, health, social inclusion, ecological sustainability and systematic resilience have deeply been entwined in the economic model and future of any business. Recognising the significance of improving adaptability and resilience to withstand the ripple effects of the pandemic, and even more, the imminent future crisis including climate change, resource scarcity and biodiversity loss, the Group has persevered in taking a lifecycle approach with SDGs logics to strengthen sustainable development.

In FY2020, the major impacts of the Group's operations on the environment and natural resources were the consumption of fossil fuels for transportation and electricity usage for manufacturing operations in its factories. To minimise its impacts, the Group has focused its efforts mainly on product and process innovation. Building upon the information technology, the Group has integrated the textile, footwear, consumption, communication and other industries to link fibre manufacturing, textile processing, footwear product production, warehousing, logistics and most industry chains, aiming to create a brand-new textile and apparel ecosystem supported by the informatisation of supply chain coordination, informatisation of product research and development, and the systemisation of business intelligence. The layout of the industrial chain leverages information technology, artificial intelligence and communication innovation that boost the development of intelligent manufacturing, business operations, product research and development, marketing and sales and other aspects to reconstruct the textile and apparel industry and improve the overall efficiency. The innovative industrial chain has been included in the Industrial Internet "Ten Hundred Million" project of Fujian Province, China, which effectively integrates leading CAD system, CAPP system, CAM system, ERP system and FMS. With the drastically more efficient business model, at present, the average efficiency of the apparel production line of the Group has increased from 63% to 80%. The fast response and delivery period of the footwear products in e-commerce supply chain has been decreased from the original 45 days to 30 days. The product research and development cycle has been shortened by 20%. The transfer cost between stores in the pilot area has dropped by 20%. The shortened manufacturing cycle and time on transportation can significantly lower the energy consumption and reduce emissions of the Group. During recent three years, the total revenue from the rollout of new products of the Group was RMB3.7 billion, accounting for 64.8% of the total product/service revenue of the Group.

As a supporter of TCFD, the Group endeavours to identify, evaluate and manage both the physical risks and transition risks imposed by climate crisis according to the recommended framework. The Group believes that climate-related risks are mainly reflected in the increasing investments in the environmental protection during production and the substantially mounting prices of raw material, which may put pressure on the costs of the Group's production and sales, thereby affecting profit margins. In addition, more frequent extreme weather events such as floods and snow disasters may severely impact the retail business segment of the Group. However, the Group believes its massive investments in innovation and the scientific research of climate actions will create more value for the Group, and its rapid development of e-commerce business has already proved its effectiveness to adapt to climate crisis. Facing the impacts of climate-related risks and opportunities on the decisions of the Group, such as capital expenditures, acquisitions and divestitures, the Board has incorporated more climate considerations into decision-making process. For example, when acquiring properties or building factories, regional climate factors including meteorological characteristics are to be factored into risk assessment in site selection.

## CLIMATE CHANGE RISKS



## CLIMATE CHANGE IMPLICATIONS FOR BUSINESS

In 2020, the immediate human suffering caused by the confinement and the loss of livelihoods for millions due to COVID-19 pandemic, has highlighted the key vulnerabilities of our societies and economic system. To build back better and facilitate a “green” recovery, the Group will make reference to the OECD policy responses to the pandemic and the overarching goal of the Chinese government by focusing on the alignment with net-zero GHG emissions, development of climate resilience, mitigation of biodiversity loss, influence on behavioural change and improvement of supply chain circularity, aiming to play the leading role in unswervingly supporting sustainable development.

## VI. SOCIAL SUSTAINABILITY

### EMPLOYMENT AND LABOUR PRACTICES

#### B.1 Employment

The Group values its employees' talent and sees it as the key to driving the success and maintaining the sustainable development of the Group. By listening to its employees' voice and forging a corporate culture of "One Extra Degree of Passion" (多一度熱愛), the Group has been committed to creating a workplace where all employees are respected and have equal opportunities for good health and career growth. The Group works on providing all its employees with a secure and suitable platform for development and proactively expanding its reach and diversifying its talent pool. As of 31 December 2020, the Group employed a total of 6,319 full-time employees, including management staff, technicians, salesperson and workers.

**Table 3 Total workforce of the Group by gender, position level, age and geographical location in FY2020**

Unit : Number of employees			Age Group			
Gender	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above	Total	
Male	1,117	945	689	356	3,107	
Female	1,086	900	829	397	3,212	
Total	2,203	1,845	1,518	753	6,319	
Employment Type						
Full time	Part time	Total				
6,319	0	6,319				
Position Level						
General staff	The Management	Director	Total			
5,657	564	98	6,319			
Geographical Locations						
PRC	Hong Kong	Taiwan, China	United States	Brazil	Netherlands	Total
6,303	4	0	4	2	6	6,319

**Table 4 – Employee turnover by gender, age and geographical location in FY2020<sup>1</sup>**

Unit : Number of employees				Age group	
Gender	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above	Total
Male	365	257	235	78	935
Female	342	233	124	62	761
Total	707	490	359	140	1,696

Geographical Locations						
PRC	Hong Kong	Taiwan, China	United States	Brazil	Netherlands	Total
1,659	0	28	4	5	0	1,696

1. *Employee turnover was the number of employees who left employment with the Group voluntarily or due to dismissal, retirement or death in service during the reporting period.*

### **Law compliance**

The Group's employment policies are periodically updated and adjusted to cater to social changes since the inception of the Group, and more importantly, to abide by the relevant laws and regulations in mainland China, Hong Kong and other operating regions. In FY2020, the Group complied with all the relevant laws and regulations that have a significant impact on the Group, including the following:

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong);
- Company Law of the People's Republic of China 《中華人民共和國公司法》;
- Labour Law of the People's Republic of China 《中華人民共和國勞動法》;
- Law of the People's Republic of China on Promotion of Employment 《中華人民共和國就業促進法》;
- Social Insurance Law of the People's Republic of China 《中華人民共和國社會保險法》;
- Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》;
- Regulations on Management of Housing Provident Fund in Xiamen 《廈門市住房公積金管理規定》;
- Labour Standards Act (Taiwan);
- Consolidation of Labour Laws (Consolidação das Leis do Trabalho, CLT) (Brazil);
- Fair Labour Standards Act (FLSA) (United States);
- Work and Security Act (Netherlands);
- General Data Protection Regulation (GDPR).

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

### Recruitment and promotion

The Group has strictly implemented its internal policies in the process of recruitment and employee management, including “Yearly Recruitment Plan”, to ensure that the whole recruitment is standardised and transparent and only based on the candidates’ capability, level of performance, academic background and experience requirement as indicated in the job description. In FY2020, the Group held a number of campus job fairs in the PRC, to grasp every chance of acquiring top-tier talent from universities while strengthening its brand in the public.

To attract high-calibre workforce, the Group offers fair, competitive remuneration and benefits based on employee’s performance, education level, professional qualifications, and experiences. The Group references to market benchmarks in relation to staff promotion and provides equal opportunities for promotion to eligible employees who have shown excellent performance and made giant contributions to the Group. Guided by the principle of “comprehensive and talented, fair and equitable, progressive promotion, strict control over promotion in job vacancies”, the Group has set up a clear promotion path and qualification for promotion, and strictly followed the rules to ensure that its employees are suitable for their positions where they can fully exert their talent and fulfil their potential.

### Compensation and dismissal

In order to motivate and reward the existing management and employees, the Group has formulated the compensation and benefits system and conducted regular salary adjustment to ensure that all employees are recognised by the Group appropriately with regard to their efforts and contributions. Considering the Group’s development strategy, cost control strategy, current operating conditions, corporate compensation levels, business objectives next year and the average salary levels in the industry, the Human Resource Department draws up the plan for determining the employees’ salary. The salary of employees is primarily based on the peculiarity of different job categories and business divisions within the organisation. Through efficient KPI management, the salary of employees can be linked to their own performance and the Company’s development stage. The Group has implemented the policy of “Total Compensation Control” (薪酬總量控制), which links the employee’s salary level to the Group’s business growth.

Meanwhile, any termination of the employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

### Working hours and rest periods

The Group has formulated internal policies based on local employment laws including the “Provisions of the State Council on Employees’ Working Hours” (國務院關於職工工作時間的規定) in the PRC to determine appropriate working hours and rest periods for its employees. The Group has installed an attendance system to strengthen the monitoring of the working hours of employees and compensating those who work overtime.

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

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

As an equal opportunity employer that applies SDGs logistic in both business and employment management, which highlights the importance of achieving greater equality, the Group has been committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. In the Group, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements. The Group follows the "Staff Manual" (員工手冊) and ensures that any workplace discrimination, harassment or vilification is prohibited in accordance with local ordinances and regulations, such as Special Rules on the Labour Protection of Female Employees 《女職工勞動保護特別規定》 in the PRC, and Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) and Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong) in Hong Kong. Moreover, employees are encouraged to report any incidents involving discrimination to the Human Resource Department of the Group. The Group takes responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions accordingly.

### **Benefits and welfare**

To bring its employees a sense of belonging, the Group encourages its employees to express their concerns and engage in critical thinking. The Group also provides additional benefits such as medical insurance and annual physical examinations to its employees. In its manufacturing factories, the benefits provided to the employees include working meals allowance, well-equipped dormitories and free transportation between working sites and dormitories. To enhance the relationship between the management staff and general employees, the management of the Group maintains efficient communication with general staff via various means, including emails, WeChat and other social media platforms.

During the year under review, the Group organised a multitude of meaningful events and entertaining activities for its employees, including activities of Children's Family Day on Children's Day, Yoga Class on Tuesday, Mid-Autumn Festival Cake, Christmas Party, 361° Brand Day, Corporate Culture Ambassador and Annual Dinner.



In FY2020, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

## B.2 Health and Safety

The Group respects its employees' fundamental rights to the protection of life and health in the workplace. Aiming to provide safe, hygienic, and healthy workplaces not only in its factories and offices, but across its value chain along which its suppliers are encouraged to do so is the objective of the Group. As such, the Group has set up an improved safety system and a series of occupational health and safety rules and keeps fostering a safety culture and raising employees' awareness of health and safety during operations. To provide and maintain a safe, clean and environmentally friendly working condition for employees, the Group has established strict internal safety and health policies, which are in line with relevant laws and regulations in the PRC, Hong Kong and other operating regions, including but not limited to the:

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Production Safety Law of the People's Republic of China 《中華人民共和國安全生產法》;

- Law of the People's Republic of China on Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》；
- Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents 《生產安全事故報告和調查處理條例》；
- Special Rules on the Labour Protection of Female Employees 《女職工勞動保護特別規定》； and
- Regulation on Work-Related Injury Insurance 《工傷保險條例》.

In FY2020, the Group's productions and operations strictly complied with GB/T 28001 (Occupational health and safety management systems – Requirements). The Administrative Department of the Group has set up “Environmental and Occupational Health and Safety Operation Control Procedures”, establishing the process of setting material environmental factors, identifying unacceptable risks and controlling main hazardous sources. The policy also defines the rules and regulations of safe production management, relevant control criteria and resources that are required for risk control. Each business division should set up own control criteria and rules for the outsourcing process that may impact the Group's environmental and occupational health and safety performance, and determine the measures based on its impacts on the safety system.

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

The Group has been dedicated to providing a tidy and safe working environment. The Group set up and strictly followed internal manuals, including onsite safety management standards, safety production accident investigation and management system, labour protection management system, safety production management system and other procedures documents, to meet the specific safety requirement and comply with the related fire safety regulations, labour protection management regulations and the safety regulations in the production bases during the year under review. The Group regularly monitors the exposure risks in the workplace of each plant, and ensures that the results meet the requirements of the national occupational health standards GBZ2.1 Occupational Exposure Limits for Hazardous Agents in the Workplace – chemical hazardous agents and GBZ2.2 Occupational Exposure Limits for Hazardous Agents in the Workplace – physical agents.

To foster a safety culture throughout the Group and raise the awareness of occupational health and safety among its employees, the Group believes improving safety knowledge and practices through training is of paramount importance. In FY2020, the relevant training courses arranged by the Group included “6S Management & Safe Production” (6S 管理與安全生產), “Emergency Management” (應急管理) and “Fire Control” (消防). The Group also organised fire drills to enhance the preparedness of its workers to deal with emergency. The Administrative Department is responsible for the supervision and oversight of the implementation of health and safety policies in the Group.

Meanwhile, the Group requires its suppliers to be certified to Environmental Management System and Occupational Health and Safety Management System and provide their employees with healthy and safe workplaces as well.

**Table 5 – Number and Rate of Work-related Fatalities of the Group in Past Three Years**

Year	2018	2019	2020
Number of work-related fatalities	0	0	0

In FY2020, the Group had zero work-related fatality and one work-related injury was recorded, leading to 90 lost days due to work injury. During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

### B.3 Development and Training

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

The Group sticks to its training principle – “Training should be elevated to the strategic level and linked to KPIs” and regards this as a vital part of its sustainable development. The Group believes that the accomplishment of corporate strategic goals relies on efficient management process and high-calibre staff, which is inherently tied to training. The growth of the company comes with a cost, which should be used to maximise the benefits. Considering the input-output ratio, the time, efforts and investment should be put in the training that supports the improvement of business operations and corporate performance.

To this end, the Group’s training can be divided into company-level training and department-level training according to its “Group Training Management System”. Company-level training is led by the Talent Development, while department-level training is organised by each business department. The Group also incorporates the latest technology in the development of training programmes, making full use of online platforms and digital training tools, including:

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

Under the overarching training framework and guiding principles, the Group has further set up its internal policies for training management, including “New Employees Integration Management Measures” and “Group Annual Training Planning and Budget Management Measures”.

For new hires, the Group provides a well-designed induction training that introduces the corporate culture, organisational structure, work safety requirements and management policies, whilst professional courses are offered to the experienced staff who is expected to obtain advanced working skills. In FY2020, a wide variety of training courses were designed and provided by the Group to its employees, including but not limited to “2020 On-Campus Recruitment Graduate Training”, “Internal Lecturer Study Salon”, “Workplace Etiquette”, “Recruitment Under COVID-19 Pandemic”, “How to Shorten the Production Cycle”, “SOP Standards”, “Production & Management Operation Process” and “Laboratory Equipment Maintenance”.

Distributors and authorised retailers of the Group are required to attend the training programs organised by the Group every year, in order to gain a better understanding of the Group’s latest technology and product-related knowledge that assist their consumers to choose the most suitable products. To further enhance the professional skills of its employees and meet the Group’s development goal, employees are highly encouraged to attend external training programmes and take professional qualification examinations. Meanwhile, the Group often invites external organisations and experts to provide relevant training to its employees.

### B.4 Labour Standards

The Group strictly abides by local and national labour standards, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and Labour Law of the People’s Republic of China 《中華人民共和國勞動法》, Labour Standards Act (Taiwan), Consolidation of Labour Laws (Consolidação das Leis do Trabalho, CLT) (Brazil), Fair Labour Standards Act (FLSA) (the United States) and Work and Security Act (Netherlands), and to prohibit any child or forced labour employment.

To combat illegal employment on child labour, underage workers and forced labour, the Group’s Human Resource Department requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. Furthermore, the Human Resource Department of the Group is responsible for monitoring the compliance of the Group with the relevant laws and regulations that prohibit child labour and forced labour employment. Once any case that fails to conform to the relevant labour laws, regulations or standards is found, the relevant employment contract will be immediately terminated and the individuals responsible for the management of human resources will be disciplined accordingly.

In FY2020, the Group was in compliance with applicable laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

## OPERATING PRACTICES

### B.5 Supply Chain Management

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

#### Social risk management

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

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## FUNDAMENTAL CRITERIA FOR SUPPLIER SELECTION

#### Integrity

In compliance with national laws and regulations, conformance to the integrity commitments in business dealings with the Group, and no violations of contract or with records in the blacklist in business dealings with the Group or its customers in the past.

#### Finance

Standard financial accounting with good financial strength and financial status.



#### Legality

In line with the requirements on qualification and with the legal capacity to independently fulfil civil liability.

#### Quality

Quality production and business premises, facilities and management systems that meet the requirements of fulfilling the contract.

#### Certification

Suppliers in certain industries and engaging in the supply of certain equipment should have qualification certificates issued by relevant function departments.

# RISK MANAGEMENT

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to create a stable and resilient supply chain

## RISK IDENTIFICATION

The Group identifies the potential risks of suppliers from time to time through the following methods:

- Whether the supplier has a standardised management manual or process operation manual through analysis;
- Whether the financial statements (for listed supplier companies) and relevant information against financial indicators of suppliers are healthy;
- Background check through the Internet, magazines, newspapers and other media sources;
- Site visit to suppliers' factories and operating places, and regular communication with suppliers to assess suppliers' internal management risks, such as personnel risks and management risks;
- Conduct surveys with suppliers' partners and peers in the industry;
- Internal analysis of supplier performance data via the Group's supplier management system.

## RISK EVALUATION

### • Probability

The Supplier Coordination Management Department analyses the data based on the information collected from various channels, and forecasts the probability of risk occurrence and takes precautionary measures in advance;

### • Severity

The Supplier Coordination Management Department analyses the degree of supplier risk that may affect the business of the Group, and keeps effective monitoring.



## RISK MANAGEMENT

- Perform strict tracking procedures during the trial cooperation period of newly admitted suppliers to ensure that new suppliers meet the requirements. The first order quantity shall not exceed 5% of the total order of a certain type of product;
- During the production process of each production season, the Supplier Coordination Management Department occasionally organises the Production Planning Department and Quality Centre to make a risk prediction for the supplier;
- Backup suppliers and alternative products should be in place;
- Blacklisted suppliers who are found to have the following problems that may bring greater procurement risks to the Group:
  1. Major deviation between the product quotation and average market level;
  2. Seriously breaking the contract, including but not limited to delays in supply, provision of fake and shoddy products and slow response of after-sales service;
  3. Severe quality accident;
  4. Commercial bribery;
  5. Bad credit records.

### Environmental risk management

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

In the process of controlling potential environmental risks along its supply chain, all suppliers are required to scientifically and effectively treat the drainage and exhaust, in compliance with the government requirements and have the certificates issued by relevant authorities. The Group requires those suppliers to possess the pollution permit and meet the discharge standards. The suppliers of the Group should be certified to the Environmental Management System and Occupational Health and Safety Management System, promising to provide their employees with a healthy and secure workplace. For the supply of textiles, adhesives, footwear materials and products, the suppliers are required to provide samples to the Group's laboratory that is accredited by CNAS for testing before delivery. Suppliers must provide the test reports issued by qualified third-party testing organisations. All the procedures implemented by the Group ensure that the raw materials meet the requirements of standards including GB18401 "National General Safety Technical Code for Textile Products", GB/T15107 "Athletic Shoes", GB19340 "Adhesives for Footwear and Case and Bag".

Nowadays, China's textile industry is moving towards a responsibility-oriented green development mode and actively participating in the global textile economic development trend led by ecological and environmental sustainability. The Group has advocated "green" concept as the guide, focusing on the design featuring eco-elements and sourcing practices that eliminate any environmental risks. The Group has built an effective supervision mechanism, strengthening the control of all potential environmental risks of all links from material procurement planning, approval, sourcing, product acceptance to payment and post-evaluation. During these years, the Group has actively introduced policies and taken actions to promote the sourcing and development of environmentally friendly/recycled materials.

In the first quarter of 2020, the Group partnered with the leading international chemical company, Huntsman Corporation, to launch a technology product, which was fluorine-free waterproof, environmentally friendly, harmless and comfortable to wear. The Group also applied DuPont SORONA green material that integrates biotechnology to achieve the perfect combination of textile function and environmental protection. In FY2020, the Group collaborated with PEPSI in launching a new co-branding series of sweater products. The series of products were made of cotton No. 41, which had strong ability to resist pests and diseases during cultivation that could significantly reduce the use of pesticides. Meanwhile, through scientific fertilisation and irrigation, the cultivation can also save a great amount of water for irrigation.



## B.6 Product Responsibility

### Law compliance

The Group has adopted a proactive approach to maintaining a high level of reliability and robustness of its products and services through continuous improvements of its facilities, personnel and management processes. With regard to the Group's health and safety, advertising, labelling and privacy matters of its products and services, the Group was in compliance with relevant rules, regulations and standards in the PRC, Hong Kong, Taiwan, China, the United States, Brazil, the Netherlands and other regions where the Group operated in FY2020, including:

- The Law of the People's Republic of China on Product Quality 《中華人民共和國產品質量法》;
- The Fire Protection Law of the People's Republic of China 《中華人民共和國消防法》;
- The Metrology Law of the People's Republic of China 《中華人民共和國計量法》);
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests 《中華人民共和國消費者權益保護法》;
- The Patent Law of the People's Republic of China 《中華人民共和國專利法》; and
- The Trademark Law of the People's Republic of China 《中華人民共和國商標法》).

The material international, national and industry standards that the Group has strictly abided by in its production process and operations include but are not limited to:

	<ul style="list-style-type: none"> <li>• CA Prop 65</li> <li>• AATCC 81</li> <li>• AATCC 112</li> <li>• CONEG TPCH</li> <li>• ISO 3071</li> <li>• ISO 14184-1</li> <li>• ISO 17353</li> </ul>	<ul style="list-style-type: none"> <li>• EN 14362-1</li> <li>• EN 14362-3</li> <li>• EN1122</li> <li>• EN 1811</li> <li>• EN 12472</li> <li>• POPs Regulation</li> <li>• LFGB §64 BVL B82.02.8</li> </ul>	<ul style="list-style-type: none"> <li>• ISO/TS 16186</li> <li>• CEN/TS 15968</li> <li>• DIN 54231</li> <li>• Directive 94/62/EC</li> <li>• 1907/2006/EC (REACH)</li> <li>• (EU) No. 528/2012</li> <li>• AFIRM Restricted Substances List</li> </ul>
	<ul style="list-style-type: none"> <li>• GB 18401-2010</li> <li>• GB 20400-2006</li> <li>• GB 31701-2015</li> <li>• GB/T 22583-2019</li> <li>• GB/T 22849-2014</li> <li>• GB/T 26385-2011</li> <li>• GB/T 2662-2017</li> </ul>	<ul style="list-style-type: none"> <li>• 22700-2016</li> <li>• GB/T 21295-2014</li> <li>• GB 25038-2010</li> <li>• GB 30585-2014</li> <li>• GB 19340</li> <li>• GB 20400</li> <li>• GB/T 15107-2013</li> </ul>	<ul style="list-style-type: none"> <li>• GBT 36975-2018</li> <li>• GB/T 24152-2018</li> <li>• QB/T 2955-2008</li> <li>• FZ/T 73020-2019</li> <li>• FZ/T 81007-2012</li> <li>• FZ/T 81008-2011</li> <li>• FZ/T 81019-2014</li> </ul>

### Quality management

The Group keeps formulating and implementing high requirements for internal product quality control according to the latest national/industry standards and by introducing advanced international detection methods, to ensure the premium quality of products. As a leading enterprise in the sportswear industry, the Group has actively participated in the research and formulation of national policies and industry standards concerning the quality assurance of shoes and clothing products. Specifically, the Group engaged in the formulation of over 30 national, regional, industry and corporate standards during the year, and provided support as the First Drafter of GB/T 3903.43-2019 《Footwear-Test methods for uppers, lining and insoles-Seam strength》. As the strategic cooperation unit of the National Technical Committee 209 on Textiles of Standardization Administration of China and the National Standardisation Advanced Unit, the Group insists on the optimisation of its quality assurance management system, the strict monitoring and management of the whole production process of its sportswear products and the formulation and implementation of product quality standards to prevent the occurrence of mass quality accidents, thereby enhancing its competitiveness in the market of apparel products while meeting consumers' expectations. The Group upholds the principle of "Quality is the foundation of trust, the best brand promotion, the starting point of value and dignity, and the endless pursuit of the Group". With the joint efforts of all colleagues at all levels, the quality control work has been carried out in an orderly manner, which includes quality review and verification, quality standard formulation, warehousing inspection, supplier support and market analysis.

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

The Group has built a national standardised testing centre, where standard laboratories, advanced testing equipment and a professional testing team are in place. The Group uses the LIMS testing system to ensure the accuracy of testing result. The physical and chemical properties, safety protection, colour fastness, functional performance are all included in the quality control procedures of the Group.

### Health and safety

The Group has strictly followed the requirements of and been certified to GB/T 19001-2016/ISO9001:2015, GB/T 24001-2016/ISO14001, GB/T 28001-2018/ISO45001:2018 and ISO/IEC17025:2005/CNAS-CL01 management systems, to ensure the safety of its products. The Group runs tests on raw materials, semi-finished products and finished products to track any potentially unqualified goods which might cause health problems of its consumers. If any defective product with health concerns or quality problems is found, the Group will take actions immediately by contacting the consumers, collecting the sample product for experiment and analysis, and requiring distributors to recall unqualified products according to the Group's recall procedures set out in the policy of "Product Return Management Regulations" if necessary.

## Advertising

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

## Consumer complaints

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



### Consumer privacy

The Group has strictly complied with the relevant laws or regulations regarding the protection of customer's privacy, including the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), Law of the People's Republic of China on the Protection of Consumer Rights and Interests, General Data Protection Regulation (EU) 2016/679 (GDPR) and Personal Data Protection Act (PDPA), to ensure that its customers' rights and information are protected. Information collected by the Group from its customers would only be used for the purpose which has been agreed upon mutually while being collected. The Group prohibits the provision of customer information to a third party without the authorisation of customers. All the information is secured and reserved safely, and only the authorised staff could have access to confidential information according to the limits of authorisation. The employees are educated to enhance the awareness of data leakage risks and required to sign the confidentiality agreement with the Group. The IT department has set up firewalls between office network and commercial network to prevent the abuse, exportation and copy of any unauthorised data. Any staff who has violated the policy and regulation in relation to consumer privacy will be heavily penalised by the Group.

### Labelling and intellectual property rights

The Group is dedicated to protecting and enforcing its intellectual property rights, which are crucial to its sustainable business growth in the sportswear industry. As a highly recognisable brand in the PRC and overseas markets, the Group's trademark and patents have been registered in mainland China, the Macau Special Administrative Region and hundreds of other jurisdictions legally. As of 31 December 2020, the Group obtained 395 patents with a total of 721 technicians engaging in product R&D.

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

### Innovation

The Group has invested hugely in the building of research and innovation centres, including ergonomics research centre, functional sports equipment research centre, footwear technology centre and physical and chemical testing centre, in which professional basketball courts, football pitch, rock climbing walls and various types of running tracks that meet international standards for competition are built. Equipped with internationally advanced Vicon infrared high-speed camera system, Kistler 3D force measurement platform, Novel plantar pressure testing system and automatic treadmill testing machine, the Group's research and innovation centre lays the solid foundation for the research of professional sports equipment and is in a leading position in the industry.

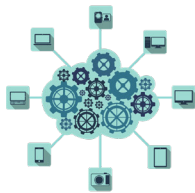
The Group focuses on its own innovation and has engaged in the industrial big data application demonstration project of the Development and Reform Commission of Fujian Province, the development project of the Provincial Science and Technology Department, the research and development project of Quanzhou Municipal Government (intelligent pressure-controlled air-cushion shoes) and many national and regional projects.

All new products of the Group must undergo approval, research, development, technical management and a series of rigorous stages. Leveraging the information technology, the Group has integrated the research and development with the design process of innovative products.

### ADVANTAGES OF THE GROUP'S INNOVATION MANAGEMENT APPROACH **361°**



PLAN AND SEARCH FOR NEW INNOVATIONS IN ADVANCE AND MAKE FULL USE OF EXISTING TECHNOLOGIES TO SHORTEN PRODUCT RESEARCH AND DEVELOPMENT CYCLES;



STRENGTHEN THE VERIFICATION OF PRODUCT'S FUNCTION IN THE RESEARCH AND DEVELOPMENT STAGE, DISCOVER AND SOLVE TECHNICAL PROBLEMS TIMELY AND IMPROVE THE CONVERSION RATE OF RESEARCH AND DEVELOPMENT RESULTS; AND



PERFORM ITERATIVE PLANNING FOR INNOVATIVE PRODUCTS AND FORMULATE PRODUCT ROLLOUT PLANS AND MARKETING STRATEGIES IN ADVANCE.

In FY2020, the Group was in compliance with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group.

## B.7 Anti-corruption

To maintain a fair, ethical and efficient working environment, the Group strictly abided by the local laws and regulations relating to anti-corruption, bribery, extortion, fraud and anti-money laundering, irrespective of the region in which the Group operated in FY2020, including the Anti-Corruption Law of the People's Republic of China (中華人民共和國反腐敗法), the Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

The Group prohibits all forms of bribery and corruption and requires all employees to strictly abide by professional ethics and eliminate any corruption and bribery. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests.

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

In FY2020, no concluded legal cases regarding corrupt practices were brought against the Group or its employees and the Group was in compliance with relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

## COMMUNITY

### B.8 Community Investment

Since its establishment, the Group has taken the fulfilment of its corporate responsibilities as the top priority task in its development by actively participating in public welfare activities spanning from the "education aid", "caring for children", "home reconstruction", "environmental protection", through to combating the quake and carrying out relief work in 2008 Wenchuan Earthquake and 2010 Yushu Earthquake, donating funds and materials to support the recovery efforts from the disasters. Instead of contributing to corporate philanthropy in a sporadic manner, the Group, as a purpose-led enterprise, aims to integrate the social responsibility with its business strategies and daily practices. In FY2020, the total charitable donations made by the Group amounted to RMB3,150,000. 2020 was a year full of high uncertainties where the global-scale threats posed by COVID-19 had devastating local ramifications. The Group has been dedicated to supporting the communities of which it was a part. In FY2020, the Group focused its endeavours mainly on voluntary services, health improvement, community co-development and epidemic prevention and control.



In FY2020, the Group arranged its employees to join the Voluntary Blood Donation Team, in which the total number of participants exceeded 200. In addition, the Group's security personnel participated in the activity of "Safe Huli", joining the patrol team in organising educational events about anti-theft and anti-robbing. In December 2020, the Group won the honorary title of "Excellent Project" in property management of Huli Innovation Park.

On 21 June 2020, the Group officially announced to become the official sportswear partner of the 19th Asian Games in Hangzhou 2022. Following the 2010 Guangzhou Asian Games, the 2014 Incheon Asian Games and the 2018 Jakarta Asian Games, the Group will use Hangzhou Asian Games to continue its brand concept of “One Extra Degree of Passion” (多一度熱愛) and showcase the Chinese sports brand in the Asian market.

### Community co-development

In FY2020, the Group organised a series of activities to promote the harmony of communities. For instance, the Group partnered with the local police station, launching an ‘Anti-Fraud Safety Education’ seminar about how to spot fraudulent practice in the community. At the second parent-child sports meeting of Zhongzhai Minzu Kindergarten, the Group prepared various types of sports equipment and gifts for teachers, referees and family members that provided performance. In response to the national call and instructions of targeted poverty alleviation, the Group resolutely supported the country-wide campaign and donated materials including footwear and sportswear worth RMB100,000 to Dongxiang County in Gansu Province. In October 2020, the Group was awarded the honorary title of “Caring Company” in helping Linxia to eradicate poverty.

### Epidemic prevention and control

Facing the COVID-19 pandemic, the Group made a swift response and took the lead in establishing an emergency management commanding team for epidemic prevention with an aim to minimise the impact of the epidemic on the Group. Following the instructions and requirements under “361° Employee Epidemic Prevention and Control Must-Read Manual” that regulates the practices of workplace and personal protection, and the national rules such as Dutch Measures Against Coronavirus issued by the Government of the Netherlands, the Group fully supported the community epidemic prevention and control policy, strictly implementing the practices including temperature measurement of all employees, Health Code check, masks distribution, frequent disinfection, etc.

With the outbreak of the epidemic, the Group stayed steadfast to fulfil its corporate social responsibility and reacted speedily to procure 2,000 sets of medical goggles and protective suits overseas and donated them to various medical institutions including Central Hospital of Wuhan. Meanwhile, the Group donated RMB10 million worth of winter sportswear to Hubei Province through China Youth Development Foundation, showing its support and appreciation for the “Angels in white” fighting on the front line.



## VII. REPORT DISCLOSURE INDEX

### HKEx ESG Guide content index

Aspects	ESG Indicators	Description	Section	Page
<b>A. Environmental</b>				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Sustainability	19
	KPI A1.1	The types of emissions and respective emission data.	Environmental Sustainability	20
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	20
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	20
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	20
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Sustainability	21
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Sustainability	22

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Aspects	ESG Indicators	Description	Section	Page
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Sustainability	23
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	24
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability	24
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Sustainability	24
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Sustainability	25
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Sustainability	24
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Sustainability	26
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Sustainability	26

Aspects	ESG Indicators	Description	Section	Page
<b>B. Social</b>				
<b>Employment and Labour Practices</b>				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practice	29
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practice	33
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practice	35
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practice	36

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Aspects	ESG Indicators	Description	Section	Page
<b>Operating Practices</b>				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practice	37
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practice	40
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practice	45
<b>Community</b>				
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community	45