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KEEP GAP \ GRANT DIFFERENCE

BETTER ME

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

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1817

2020

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

CONTENTS

BETTER ME

1 OVERVIEW OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

1.1 About the ESG report

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

This ESG Report complies with the provision of the ESG Reporting Guide (the "**ESG Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It is recommended that this ESG Report to be read in conjunction with the Company's Annual Report 2020. The calculation methods implemented in this ESG Report are consistent with the last year's report. Any choice, omissions, or presentation format that may influence readers' decision-making or judgment has been avoided.

This ESG report covers the period between 1 January 2020 and 31 December 2020 ("**FY 2020**"). Through this report, the Group hopes to enhance communication and build consensus with its stakeholders on the strategies and performance of the Group's social responsibility and sustainability performance.

1.2 Reporting scope

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

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

2 MAIN BUSINESSES AND MISSION OF THE GROUP

2.1 Main businesses

The Group is a leading fashion menswear company based in China, which also covers the sportswear market and other fashion segments. Its broad and diverse portfolio in both menswear and sportswear categories, execution capabilities and experience in the fashion industry enables the Group to expand multiple brands to capture future market opportunities. The Group first launched its flagship GXG brand products in 2007, then introduced gxg jeans in 2010 which caters to individuals of different menswear styles. The Group also brought its GXG series design philosophy into the kidswear market by launching gxg.kids in 2012. Intending to expand into the rapidly-growing sportswear and techwear industry, the Group introduced its athleisure apparel brand Yatlas in 2014. Yatlas has shifted its business focus from athleisure to high-end commuting smart menswear since early 2020. In 2020, the Group launched Free Volt, a casual wear brand that is sports-styled and lifestyle-friendly, and MODE COMMUTER, a high-quality commuting apparel brand, which helped strengthen the brand portfolio of the Group. Both brands cover menswear and womenswear, further expanding the customer base of the Group. Each of the Group's brands has a uniquely defined design icon and encompasses a range of products, offered in a variety of fits, fabrics, finishes, styles, and price points, which are intended to appeal a broad spectrum of customers.

2.2 ESG mission

Operating the business responsibly and sustainably has always been an integral part of the Group. The Group devotes a significant amount of resources and contributes to environmental protection and corporate governance. It has always been important to the Group since its inception. Sustainability is identified as a critical mission to the Group's long-term development, and the Group has always been at the forefront of the topic. The board of directors of the Company (the "**Board**") has well recognized the significance of ESG measures at the operational level. In seeking to achieve the business objectives, the Board attaches importance to and supervises the Group in balancing business development needs and fulfilling its ESG responsibilities.

2.3 Stakeholder participation

The Group has an extensive network of stakeholders that includes its employees, customers, suppliers and business partners, investors, governments and community groups. The Group strives to offer lone-term benefits to all stakeholders through responsible operation, which not only considers the business development goals, but also values the sustainable development concept. The Group endeavors to establish meaningful communication with all stakeholders to understand their views and to protect their interests, so as to guarantee the long-term development of the Group and maintain sustainable relationship with all stakeholders.

2.4 Innovation investment

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

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

2.4.1 New Retail Business Model

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

2.4.2 Big Data Analytics

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

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

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

2.4.3 Flexible Supply Chain Reactive System

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

3   QUALITY CONTROL AND RIGHTS AND INTERESTS OF CLIENTS

3.1   Corporate social responsibility

As a corporate citizen in society, the Group actively fulfills its social responsibilities. The Group continues to build a circular economy for the fashion market segment, taking into account environmental protection, employee well-being, utilization of the resources and technological innovation. In addition, the Group is monitoring the latest customer concerns and supply chain issues, and pressing agency problems in the realm of sustainability. The Group has made strides to utilize resources more effectively and reduce overall energy consumption in its business operations by establishing an efficient operating model. The Group regards corporate social responsibility as a core obligation and sublimation and extension of its corporate value. The Group has set clear and detailed instructions in applying and filing to avoid any potential commercial or legal conflicts and violations. The Group pays great attention to the rights and interests of its consumers, investors and employees, promotes works related to sustainable development and environmental governance and gives back to society. The Group strives to comprehensively enhance its overall social performance.

3.2 Quality assurance

In strict compliance with the relevant industry standards, such as the National mandatory standard GB 18401-2010 *National General Safety Code for Textile Products*《國家紡織產品基本安全技術規範》, GB/T5296.4-2012 *Instructions for the use of products of consumer interest- Part 4: Textiles and apparel* 《消費者使用説明 – 第4部分: 紡織品和服裝使用説明》, apparel industry standard GB/T2660-2017 *Shirts and blouses*《襯衫》, FZ/T81007-2012 *Casual wear*《單、夾服裝》, the Group arranges for training focusing on promoting knowledge of the standards to ensure that the quality control staff understand their responsibilities and execute them in practice. The Group further improved its already-stringent standard system by revising its corporate quality standard in 2017, further enhancing its internal standards and better ensuring product quality. The Group has established a quality control system co-managed by product managers with their quality control department to enhance market satisfaction and user experience, ultimately protecting the reputation of the Group and its brands.

From raw material procurement and OEM production to packaging and inventory storage, the Group puts stringent quality control standards in place during business operations. The relevant measures and policies to ensure product quality are as follows:

- Before the formal production process, the risk assessment meeting of product quality is held to minimize the quality safety issues.

- In the early stages of production, the management team is dedicated to preventing and early modification of any defects.

- Before the products are delivered to the warehouse, the quality check process and random inspections must be conducted, strictly following the AQL1.5 standard. Furthermore, the physical and chemical testing of goods should also be operated under the national standard.

- After the goods are delivered to the warehouse, the final appearance and functional inspections of the goods are conducted.

- Lastly, the Group continuously optimizes the after-sales service.

3.3 Supply chain management

The Group has formulated supply chain management policies such as "Suppliers Management Regulations", "Supply Chain Efficiency Improvement Execution Plan", and "Suppliers Quality Control Risk Assessment Guideline", and continuously monitoring procurement and supplier management, thereby ensuring qualified raw materials and final goods. The Group also works closely with various transportation services providers. The Group had engaged a total of 277 suppliers as of 31 December 2020, all of which are well-equipped to ensure the on-time and high-quality delivery of raw materials and final goods.

The Group values mutual benefits and performance of the suppliers in terms of sustainability and social responsibility and establishes supplier's selection regulations. The criteria are as follows:

- Possess certain manufacturing capacity.

- Hold an official registration from the Bureau of Industry and Commerce and sufficient financial resources.

- Have a complete product quality management system.

- Have sufficient manufacturing equipment or have research and development (R&D) capability and have their own outsourcing channels.

Furthermore, the suppliers should impose no significant adverse environmental impact or pollution during the production processes. Practical actions have been adopted to ensure that the suppliers have not violated environmental protection regulations. The Group visits the factories of the suppliers regularly to monitor their manufacturing process and provides them with suggestions for future improvement. Suppliers are required to consider these suggestions and comments, then make the corresponding changes and modifications and be re-evaluated by the Group.

The Group has a detailed inspection process for all materials and merchandise purchased from its suppliers, with all inspection results recorded in standard inspection forms for filing. The Group issued the Disposal Standard and Punishment Policies for defective goods purchased from its suppliers. According to the policies, defective materials might be returned for reprocessing, purchased at a discount, re-sold or rejected. Suppliers are jointly rated by the procurement department, manufacturing department, commodity department, quality control department and after-sales department of the Group based on defect rate and complaint rate. According to the evaluation results, the Group will conduct hierarchical supplier management and would remove unqualified suppliers to ensure that the Group continuously provides stable and high-quality products and services.

The Group has established a collaborative working relationship with its suppliers that are widely distributed. The majority of suppliers are located in East China, accounting for 82.0% of the total number of suppliers engaged by the Group as of 31 December 2020.

Percentage of suppliers by region	%
East China	82.0%
South China	16.0%
West China	0.8%
North China	0.4%
Central China	0.4%
Overseas	0.4%
Total	100%

The Group also sets detailed selection criteria for its downstream distributors. The Group provides regular training to all its distributors. The requirements are as follows: 1) have a deep understanding of the Group's brands and a mature plan for cooperation; 2) have physical stores and official registration; 3) have sufficient financial and good track records; 4) have extensive experience in apparel retailing or other relevant experience; and 5) are familiar with local sales channels and have well-maintained connections with their business partners. In FY 2020, the Group cooperated with a total of 231 downstream distributors.

3.4 Handling complaints from clients and solutions to complaints

3.4.1 Complaints from Clients

The Group highly values the rights of its customers and has set up multiple transparent channels for clients to make complaints, such as customer service at Tmall and JD e-commerce platforms, hotline and email. The Group listens carefully to customers' suggestions and resolves complaints and disputes on a timely basis. All complaints received through these channels are diverted to and handled by the Group's after-sales service department. The number of after-sales service or product complaints received by the Group in FY 2020 is 20,848, which are related to GXG, gxg jeans, gxg.kids, YATLAS, Free Volt and MODE COMMUTER brands. In FY 2020, the Group did not receive any complaints due to safety or health issues.

3.4.2 Solutions to Complaints

In the light of the importance of products safety and customer satisfaction, the Group has set various policies to manage the risk of selling defective products that may injure consumers or impair the brand image. To mitigate this risk, the Group has put company-wide product safety policies in place. The Group has standard complaints-processing guidelines and has appointed the after-sales department to handle customer complaints. The after-sales department will communicate with customers and negotiate optimal solutions. Where the defects or flaws in the products are not caused by the customers, products will be sent back to the Group for re-processing if customers agree, otherwise the products will be returned for exchange or refund.

3.5 Intellectual property security

The Group formulates specifications regarding intellectual property registration application to regulate the correct use of company design copyrights and trademarks and avoid situations such as damage to rights or infringements caused by failure in declaring intellectual property protection on time.

The Group also protects its intellectual property rights by prolonged use and registration of domain names and various trademarks. The Group's domain names are constantly monitored and renewed before their expiration. Moreover, the Group entrusts other legal service agencies and enters into an intellectual property legal service agreement to deal with potential issues and conflicts regarding intellectual property.

3.6 Information security

The Group highly regards the data privacy of every customer. It takes strict safety controls in collecting, handling, safekeeping, use and retention of customer personal data (including name, phone number, address, etc.). To ensure appropriate information technology ("**IT**") governance measures are in place to protect customer data against any unauthorized use or access, the Group develops two corporate governance codes, namely Company Information Security Management Policy and Customer Data Security Policy. These governance codes and policies specify the guidelines regarding information security management, including hardware, software, data storage and management, to better protect customer privacy data.

Governed by the Group's related governance codes and privacy policies, all sensitive data collected from customers are handled by designated personnel in strict confidentiality. Relevant staff are provided with adequate training in compliance with applicable governance codes on customer personal data protection, strengthening their awareness and protecting personal data against loss, unauthorized access, use, modification or unauthorized disclosure. The Group limits access to customer data according to different departments and job responsibilities, preventing illegal behaviors, including trading customer information to any unauthorized third party.

In addition, all customer data are backed up promptly and are securely stored in designated places. Any data transfer shall be jointly authorized by the supervisors of the related department and IT department. The IT department regularly inspects and reviews customer information regularly.

4   PROTECTION OF EMPLOYEE RIGHTS

4.1   Equal employment and employment status

4.1.1 Principles of Equal Employment

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

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

4.1.2 Employment Status

As of 31 December 2020, the employment status of the Group is shown as follows:

	%
By gender	%
Male	37.9%
Female	62.1%
By education background	%
Bachelor's degree and above	38.6%
Junior college degree	36.9%
Vocational school and high school degrees	15.0%
Middle school degree and below	9.5%
By age	%
30 and below	57.6%
31-50	41.4%
51 and above	1.0%
By city	%
Beijing	0.1%
Shanghai	3.1%
Hong Kong	0.1%
Ningbo	96.7%

As of 31 December 2020, the total number of employees of the Group was 842. The Group has a diverse workforce in terms of gender and age, providing various ideas and levels of competencies that contribute to the Group's success. Perceived by gender, the proportion of female employees is higher than that of male employees. The Group attaches great importance to the cultivation of the young employees. Perceived by age group, more than half of the employees are under 30 years old, reflecting the Group's overall staff vitality and ability to better adapt to the rapidly developing industry. The Group also offers various promotion channels to young staff to ensure the synchronized development between the Group and its staff. Perceived by education background, more than 75% of the Group's employees have obtained junior college degrees, bachelor's degree and above, demonstrating the high-quality academic background of the Group's employees.

4.1.3 Employee Turnover

In FY 2020, the total employee turnover of the Group was 299, which was mainly caused by normal business activities. The Group attaches great importance to the overall staff turnover rate since it affects the overall human resources allocation of the Group and its operational efficiency and staff morale.

The Group believes that employees are important assets and remains committed to attracting and retaining talent with diverse backgrounds to achieve sustainable growth and maintain a stable turnover rate. The employee turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction within the Group.

As of 31 December 2020, the percentage of employee turnover by gender and by age is shown as follows:

By gender	%
Male	39.8%
Female	60.2%
By age	**%**
30 and below	63.2%
31-50	36.5%
51 and above	0.3%

4.1.4 Employee Promotion

The Group provides various and transparent promotion channels to employees to ensure the synchronized development between the Group and its staff. To exploit potentialities and build career path of each employee, the Group also offers job adjustment within the company or even the Group. The employees with outstanding performance could realize future promotion, salary increase, training, overseas work and excellent employees' selection, etc.

4.1.5 Working Hours and Rest Periods

The Group has established the Employee Regulatory Management Handbook (the "**Employee Handbook**"), and specified working hours, labor protections and labor conditions in the Employee Handbook. Employees' official working time is eight hours per day from Monday to Friday. In addition, the Group adopts comprehensive timing and irregular working system following applicable laws and regulations for particular positions, such as cleaner and drivers. Furthermore, the Group also adopts a flexible working hour system for the management team.

4.2 Employee compensation and welfare

The Group has established employee compensation and welfare systems in accordance with the relevant laws and regulations, such as the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China*.

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

Employee welfare provided by the Group includes:

– **Transportation subsidy**

   The Group provides shuttle bus services to employees, and the employees could also choose to enjoy transportation subsidy instead of shuttle bus services. The subsidy is RMB100 per month.

– **Annual leave**

   The Group provides employees with annual leave. Employees with less than ten working years are granted five days of annual leave; employees with ten or more working years but less than twenty working years are granted ten days of annual leave.

– **Sick leave**

   According to the cumulative working years, the Group offers three months to 24 months sick leave period to employees. During their sick leaves, employees are eligible to receive salaries from the Group following applicable laws and regulations.

– **Other leave**

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

To ensure the employees clearly understand their rights and obligations, the Employee Handbook and other related regulations are in place covering the topics of recruitment, compensation structure, information security, administration management and additional benefits, etc. The Group updates the policies from time to time to ensure strict compliance with the latest laws and regulations. In addition, to provide staff with a channel to confidentially express complaints and concerns to the human resources department and the Group, the employee could directly scan the complaints QR code on the Employee Handbook to make suggestions or complaints.

4.3 Employee health and safety

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

All employees who have worked for more than one year are entitled to an annual health check. For employees working in the warehouses, the Group has set specific safety instructions on several aspects. The instructions include the employee notification of electric forklifts under the logistics department and notification of elevator operation. The speed of the electric forklifts should be controlled within 5 km/h, and carrying people and overloading are strictly prohibited. Thorough examination and maintenance of the elevator must be implemented, and elevator operators should hold related qualification certificates.

Furthermore, the Group has also cooperated with the professional fire control company to safeguard fire safety. The actions include the replacement of fire alarm equipment and pipeline maintenance, and the inspection must be carried out twice a month to ensure the operation of the entire fire-safety-related system. In addition, the Group regularly sends safety notification, including the guidance on returning to work during the novel coronavirus ("COVID-19") spreading period. The Group offers workplace flexibilities to employees to prevent the virus spread, such as remote work policy.

No work-related death has occurred in the past three years, and the number of lost working days due to work-related injuries was 82 days in FY 2020, which decrease by 36% compared to that of 2019.

4.4 Employee development and training

4.4.1 Overview of Employee Development and Training

Talent cultivation is an essential aspect of enterprise development. An excellent organization is bound to be a learning-oriented organization. The Group regards talent development as the core of its talent management strategy. It emphasizes promoting employee development by periodically providing various training activities for employees to help them achieve overall improvement. The Group develops various training programs each year, including on-boarding training for new employees, management trainee career communication, and training on leadership competence and management skills, fonts and pictures infringement training, product quality management, etc.

4.4.2 Trained Employee Status

In FY 2020, the Group provided 25 training activities for its employees, which involved a total of 304 trained employees.

The percentage of trained employee by gender, by position and by department is shown as follows:

	%
By gender	
Male	34.5%
Female	65.5%
By employee position	%
Middle-level management	12.2%
General employees	87.8%
By functional department	%
Senior executive administration	12.2%
Production	12.2%
Technology	23.0%
Administration	52.6%

4.4.3 The Average Training Hours Completed Per Employee

The training activities held in FY 2020 involved a total of 3,509 attendees and lasted for a total of 125 hours. The average training hours completed per employee is 10.3 hours.

The average training hours completed per employee by gender, by position and by department is shown as follows:

By gender		
Male	hour	10.1
Female	hour	10.4
By employee position		
Middle-level management	hour	16.0
General employees	hour	9.5
By functional department		
Senior executive administration	hour	16.0
Production	hour	17.0
Technology	hour	4.0
Administration	hour	10.3

4.5 Guidelines and measures to prevent child labour or forced labour

The Group strictly abides by relevant laws and regulations, including the *National Law on the Protection of Minors and the Prohibition of the Use of Child Labour,* to avoid any child labour or forced labour in its business operations, and insists on no tolerance to any form of child labour or forced labour. The Group collects and verifies candidates' personal information during the recruitment process to select suitable candidates. All employees must attain the legal age for work and hold identification documents when onboarding. The human resources department ensures the above-mentioned documents are carefully collected and examined. If any suspected violations are found, the Group also encourages reporting to the management of the Group.

4.6 Measures on anti-bribery and anti-fraud

In January 2017, the Group issued the Anti-Fraud and Anti-Corruption Management Rules, the primary purpose of which is to regulate the professional behaviors of the Group's middle and senior management teams and all other employees. The management teams and all other Group employees must strictly abide by the relevant laws and regulations and the Anti-Fraud and Anti-Corruption Management Rules. They must not engage in corrupt or fraudulent acts that may harm the interests of the Group and its shareholders. The Anti-Fraud and Anti-Corruption Management Rules clearly state the definition, verification, follow-up remediation and punishment measures of fraudulent practices, which effectively reduce the occurrence of corrupt and fraudulent practices Group. In addition, the Group has also launched a new anti-fraud and anti-corruption notification to upstream suppliers and downstream customers. Whistle-blowing is encouraged to jointly create and maintain a democratic, transparent, fair and just business environment.

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

In August 2020, the Group officially joined the Guangdong Corporate Anti-Fraud Working Committee. During the FY 2020, there were no legal cases regarding corruption practices brought against the Group and its employers. In addition, the Group held an anti-bribery and anti-fraud training for employees in August 2020 to communicate the Group's anti-fraud management system to employees.

4.7 Measures on anti-extortion and anti-money laundering

The internal control system of the Group has implemented the preventive management measures for anti-extortion and anti-money laundering within the Group. It requires all departments to properly keep customer identity information and transaction records and monitor and analyze all transactions. The Group clarifies the job responsibilities and management scope of each department in the internal control system. It effectively raises the awareness of anti-extortion and anti-money laundering of various departments within the Group.

5   ENVIRONMENTAL PERFORMANCE ANALYSIS

5.1   Corporate waste analysis

5.1.1 Overview of Relevant Environmental Protection Policies

The Group deeply understands that it has a pivotal role in seeking long-term sustainability of the environment as a leading menswear brand. Environmental consciousness has integrated into internal management policies that encourage employees to save energy and resources, in order to comply with related environmental laws and regulations. The Group has made great efforts in controlling emissions and usage of resources, and has strictly adhered to relevant environmental laws and regulations during daily operations, including but not limited to: the *Environmental Protection Law of the People's Republic of China* and the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China (2018 Amendment)*.

5.1.2 Relevant Indicator Analysis of Corporate Waste

–   *Total emissions and emission density of exhaust gas*

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

Total emissions and emission density of exhaust gas generated by the Group in FY 2020 are as follows:

Exhaust Gas Type	Total Emissions (kg)	Emission Density (kg/RMB100 million)
Nitrogen Oxides (NOx)	203.4	7.1
Sulfur Oxides (SOx)	0.2	0.01
Suspended Particulate Matter (PM)	9.4	0.3
Total	**213.0**	**7.4**

–   *Total emissions and emission density of greenhouse gas (GHG)*

Various business segments of the Group cause direct and indirect emissions of greenhouse gases due to the fossil fuel consumption of the vehicles and the electricity consumption of daily operations. In FY 2020, the greenhouse gases emitted by the Group reached a total of 1,438.2 tonnes of carbon dioxide ("**CO$_2$**") equivalent, and the emission density was 50.3 tonnes of CO$_2$ equivalent/RMB100 million. Among them, direct emissions of greenhouse gases caused by fossil fuel combustion totaled approximately 29.7 tonnes of CO$_2$ equivalent, and indirect emissions of greenhouse gases caused by electricity use totaled approximately 1,408.5 tonnes of CO$_2$ equivalent.

The total amount and density of the Group's emissions calculated in terms of various dimensions in FY 2020 is shown in the following table:

Greenhouses Gases Type	Direct Emission (tonnes of CO_2e) from the fossil fuel consumption of automobiles	Direct Emission Density (kg of CO_2e/RMB100 million)	Indirect Emission (tonnes of CO_2e) from the electricity consumption of daily operation	Indirect Emission Density (kg of CO_2e/RMB100 million)
Carbon Dioxide (CO_2)	27.1	947.9	1,401.5	48,978.9
Methane (CH_4)	0.05	1.6	0.3	11.2
Nitrous Oxide (N_2O)	2.6	89.7	6.6	232.0
Total	**29.7**	**1,039.2**	**1,408.5**	**49,222.1**

– *Total amount and density of hazardous and non-hazardous waste generated by the Group*

The total amount and density of waste disposed by the Group from retail stores, warehouses and offices in FY 2020 is shown in the following table:

Waste Type	Unit	Emissions
Liquid Waste		
Waste water	m³	0
Non-Hazardous Solid Waste		
Office wastes		
Paper consumption	pieces	80,000
Logistics wastes		
Paper boxes	tonnes	350
Bubble bags	tonnes	30
Retail store furnishing wastes	tonnes	380
Hazardous Solid Waste		
Waste lead acid batteries	kg	0
Others (e.g. waste organic solutions)	kg	0

All the non-hazardous solid wastes mentioned above have been properly disposed of in accordance with relevant environmental protection laws and regulations.

5.1.3 Measures to Reduce Emissions

– *Strict management of air conditioning temperature*

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

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

– *Strict waste classification*

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

5.1.4 Measures to Reduce Hazardous and Non-Hazardous Solid Waste

– *Strict management of office paper procurement*

In terms of office paper, the measures include the adoption of regular and quantitative purchases of paper. Paper purchases are carried out every three months, 40 boxes are purchased each time, and each box contains 500 sheets of paper. The Group encourages employees to use double-sided printing and recycle waste paper.

– *Using environmental-friendly recycling boxes*

In addition, the Group has canceled paper packing and has switched to RFID chip tags using environmental-friendly recycling boxes. Regarding the packaging in the logistics process, the Group will determine the amount of packaging materials used according to the market sales. Meanwhile, the Group will pilot the use of plastic recycling boxes in 2021 and will continue promoting environmentally friendly paper bags. By setting reasonable and feasible waste reduction targets, non-hazardous solid waste can be effectively reduced.

5.2   Use of resources

The Group follows the goal of resource recycling and will produce clothing that contains at least 20% recycled fiber, reducing the negative impact of production activities on the environment.

5.2.1 Major Energy Consumption Structure

The consumption volume of various resources by the Group in FY 2020 is shown in the following table:

Resource Type	Source of Consumption	Unit	Consumption Volume
Gasoline	Automobiles	L	25,062.4
Diesel oil	Automobiles	L	2,384.5
Electricity	Daily operations	kWh	1,787,053.2
Natural water	Daily operations	tonnes	29,916.5

The consumption density of various resources by the Group in FY 2020 is shown in the following table:

Resource Type	Source of Consumption	Unit	Consumption Density
Gasoline	Automobiles	L/RMB1 million	8.8
Diesel oil	Automobiles	L/RMB1 million	0.8
Electricity	Daily office works	kWh/RMB1 million	624.5
Natural water	Daily office works	tonnes/RMB1 million	10.5

In FY 2020, the overall energy consumption of the Group was 734.4 tonnes of standard coal equivalent in total of which approximately 1.6% of the energy consumption came in the form of gasoline and diesel oil, and the remaining 98.3% came from electricity.

5.2.2 Measures to Promote Effective Usage of Energy and Resources

In 2021, the Group aims at reducing petrol and diesel consumption by 0.2% and 16.1%, respectively. In terms of electricity consumption, the Group plans to reduce it by 4.9%.

– *Encourage employee participation in recycling waste paper*

   In order to reduce the waste paper in the office, the Group encourages the employees to use recycled paper and double-sided printing when possible.

– *Encourage employee to switch off the power source of office equipment*

   In order to reduce energy consumption, the Group carries out regular maintenance notifications on office equipment for optimal energy efficiency performance. The procedure includes arranging for the last-person-out to check and switch off the power source to all air conditioning, lighting and office equipment that are not in use.

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

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

In FY 2020, the Group consumed a total of 29,916.5 tonnes of water from the daily operations, with a consumption density of 10.5 tonnes/RMB1 million.

Regarding water consumption, the Group strives to reduce the water consumption density by 5% by 2023, which is based on the target set out for 2017.

5.2.4 The Total Amount of Packaging Materials Used in the Finished Products

The packaging waste the Group generated is mainly from the selling process, thus the packaging materials used by the Group include plastic bags, paper boxes, paper bags, etc. The packaging materials used by the Group in FY 2020 are shown in the following table:

Packaging materials	Unit	Consumption volume
Packaging materials used for products		
Plastic bags	tonnes	361
Packaging materials used in the offline retail process		
Paper bags	tonnes	215
Paper boxes	tonnes	166
Packaging materials used in the online retail process		
Paper boxes	tonnes	1,001
Plastic bags	tonnes	1,202

5.3 Environment and natural resources analysis

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

The Group conducts business operations in accordance with all relevant environmental protection and emission laws and regulations. The major sources of waste emissions and disposals of the Group include product packaging, retail processes, daily operation and automobiles, all of which meet the requirements set by relevant national environmental protection regulations and emission regulations, and caused no significant impact on the environment or natural resources in FY 2020.

5.3.2 Analysis of the Significant Impacts of Corporate Business Activities on the Environmental Change and Related Measures

Since the Group's primary operating business is in the clothing market segment, factors that may affect climate change or the greenhouse effect (including different exhaust and greenhouse gases, such as NOx, Sox, etc.) are not typical emissions produced by the Group.

6   GIVING BACK TO THE SOCIETY

The Group always attaches great importance to corporate social responsibility and has turned responsibility into action, making lasting contributions to social welfare undertakings. The Group's management team plays an essential role in mobilizing staff to join these activities.

–   Make a donation during the COVID-19 pandemic

During the pandemic, at the critical moment of fighting the epidemic together across the country, the Group made the decision to provide fund support immediately. The Group has donated funds to support pandemic work through Ningbo Government to the Hubei Province in the PRC, and the funds went towards supporting the Hubei Province locally to combat the pandemic.

Furthermore, the Group designed a simple black and white T-shirt with a smiley face. This T-shirt was designed to motivate people to overcome this tough time and bring people whose lives are severely affected by this pandemic with warmth.

In addition, as leading fashion menswear group, the Group is committed to providing new solutions for its products. The Group utilized a unique fabric that has an antimicrobial function. This antimicrobial fabric could provide continual protection against potentially harmful microbes.

–   Garbage classification

In line with the top-down environmental policies promoted by the PRC government, the Group actively engages in the promotion of garbage sorting systems throughout the Group. The Group adopted a rotation system to establish an environment and sustainability committee to monitor the everyday garbage sorting situations, ensuring garbage is correctly classified. All related information is transparent inside the Group to better promote the environmental awareness of all employees.

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Subjects Areas, Aspects, General Disclosures and KPIs		Index
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