



La Chapelle

Xinjiang La Chapelle Fashion Co., Ltd.



(a joint stock company incorporated in the People's Republic of China with limited liability)

ESG REPORT 2021

(Stock Code: 06116)



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1 About This Report

BASIS OF PREPARATION

This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Guidelines No. 1 for the Application of Self-Disciplinary Supervision Rules for Listed Companies of the Shanghai Stock Exchange – Standardised Operation. The reporting period is from 1 January 2021 to 31 December 2021. A portion of the content backdated to previous years or extended to the date of disclosure of the report. This report will be published on the website of The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange and the Group's official website.

THE GROUP'S BUSINESSES

Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**") was incorporated in the People's Republic of China on 23 May 2011, converting from its predecessor, Shanghai Xuhui La Chapelle Fashion Limited, which was founded in 2001. Shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9 October 2014, and on the Main Board of the Shanghai Stock Exchange since 25 September 2017. The Company and its subsidiaries

(the "**Group**") are a multi-brand and omni-channel operated fashion group with a focus on the mass market. Since our establishment, we have kept our focus on the apparel sector and adhered to the brand's initial resolution and development concept of "designing for a better life". We strive to offer consumers with stylish and high-quality fashion products.

The Group now owns multiple brands such as La Chapelle, Puella, 7 Modifier and La Babité which have different but complementary styles. They are mass-market women fashion brands that have interwoven and extensive customer positioning which satisfy the needs of a wide range of female consumers.

During the reporting period, the Group accelerated its business transformation, initiated a brand reform campaign, and made every effort in building a brand cluster with women's wear as its core and targeting at female consumers. Meanwhile, online business of the Group was adjusted from the traditional model of "planning and design – self procurement – platform operation – online sales" to a new model of "brand licencing + operation services", in order to facilitate asset-light, digital, and technological transformation of the Group.



I About This Report

During the reporting period, the Group's operating revenue was RMB430 million. Relying on the combination of offline retail network and the new model of "brand licencing + operation services", we have integrated offline retail outlets and online sales platform based on the new retail strategy to offer our consumers with a more convenient and affordable omni-channel shopping experience.

REPORTING SCOPE

The scope of this report comprises Xinjiang La Chapelle Fashion Co., Ltd. and its subsidiaries. The information on policies and society herein covers all businesses, while the information on the environment and use of electricity and water usage covers self-owned properties under the Group's control, including the new headquarters complex in Wujing Town, Minhang District, Shanghai; and three warehouses and logistics centres (located in Taicang, Jiangsu and Chengdu, Sichuan and Tianjin, respectively).

SOURCES OF DATA

The data in this report was derived from internal document and related statistics of the Xinjiang La Chapelle Fashion Co., Ltd. and its subsidiaries.

REPRESENTATIONS

For convenience of expression, "Xinjiang La Chapelle Fashion Co., Ltd." is also referred to as "La Chapelle", "LaCha", "the Group" or "we" in this report.



2 President's Statement

Dear friends of La Chapelle,

2021 has been a year of solidarity and perseverance. Faced with challenges such as Covid-19 and other obstacles, La Chapelle steadfastly rose to the occasion and put growth back on track by accelerating the Group's transformation and exploring different business models.

Since its founding, La Chapelle has stayed true to its initial aspiration and development concept of "designing for a better life" by always striving to provide consumers with high-quality fashion and lifestyle products. Despite the challenges in 2021, we were able to maintain normal business operations by making changes in an orderly manner, and following through our business transformation goals to relieve operational issues, among other measures. By focusing on people, inventories and venues, our offline operations continued to clear existing inventories, strengthened premium stores, significantly boosted efficiency per store and per area, and grew the profitability of our brick-and-mortar outlets. In respect of online operations, we upheld the concept of "rebranding and brand protection," continued to reorganize the structure and positioning of various brands, and refined our long-term brand development strategies and business strategies. Meanwhile, we enhanced our brand protection awareness and worked with the authorities to improve related control mechanisms, with the goal of developing a dynamic quality monitoring system. We also remodeled our brand matrix to raise operational quality and grow the profitability in a way that brings sustainable development.

During this critical period, we safeguarded the interests of all employees; and during festivals, we aimed to show our care for them, demonstrating our resolve as a responsible employer. During the year, our principal businesses and core teams effectively collaborated to steer the Group in the right direction. In terms of community engagement, to align with China's rural revitalization policy, we engaged in strategic cooperation with organizations in Susong, Anhui Province to help develop industries in rural areas.

We have long adhered to our core value that states, "La Chapelle supports global environmental protection while pursuing a greener earth." To this end, we have integrated environmental protection concepts into the design and production of our products, actively implemented green concepts and low-carbon mobility in our business operations, and raised the share of renewable materials in our product packaging. In this way, we are working to reduce the Group's consumption of resources, lower the impact of our carbon emissions on the climate, achieve our energy conservation and emissions reduction targets.

Looking forward to 2022, "change" will remain La Chapelle's key focus. In the coming year, we will work to recognize our deficiencies and strive to catch up with more prominent brands in the industry. With our long-term corporate development goals in mind, we will embrace new opportunities and challenges with a spirit of optimism, achieve breakthroughs in our business, and focus on delivering good results to all stakeholders.

2021 marked the 20th year since La Chapelle's establishment as a company and its 23rd as a brand. The Company's development over the past two decades would not have been possible without the dedication and contributions of each one of our people. By staying true to our original goals and striving for craftsmanship, we will continue to offer consumers quality, fashionable products, and move forward alongside our people, no matter the challenges ahead!

President

Ms. Zhang Ying



3 ESG Statement of the Board

The Board, as the highest decision-making body of the Group's environmental, social and governance (ESG) management system, is solely responsible for ESG matters to ensure that the Group's ESG policy is effective. In order to effectively promote the implementation and management of the Group's ESG-related affairs, the Group has established a comprehensive and rigorous governance structure of ESG matters. The Board is ultimately responsible for the overall direction, strategy, objectives, performance and reporting of the Group's sustainable development. It is also responsible for overseeing ESG matters, including the identification and prioritisation of ESG key issues and its commitment to the objectives and monitoring of actual performance, ensuring the integration of ESG's philosophy with the Group's strategy. In addition, an ESG Working Committee led by senior management with the participation of middle management, which reports to the Board, has been set up to help the Board assess and rationalise the Group's risk management and internal control system for ESG matters, oversee the achievement of corporate strategic objectives and enhance corporate ESG performance.

The Group has always regarded corporate social responsibility and sustainable development as an important strategic component of the Group. The Board attaches importance to the identification of key ESG issues and identifies and selects core ESG issues based on corporate management strategies and current operating conditions and through information exchanges and communication with stakeholders, disclosure indicators of industry peers and benchmarking of industry best practices in order to determine the direction of work for next year.

This report discloses the progress and effectiveness of the Group's ESG efforts in 2021 and was approved by the board on 30 March 2022.

The board of directors of the Company, together with the directors thereof, guarantee that the information contained in this report does not include any false statements, misleading representations or material omissions, and all members jointly and severally accept responsibility as to the truthfulness, accuracy and completeness of the report's content.



4 Summary of Environmental, Social and Governance Aspects

4.1 THE GROUP'S ESG STRATEGIES

The Group has always regarded corporate social responsibility as its core obligation as well as a sublimation and extension of its corporate value. We put people first as our business philosophy, maintain employment equality, care about the training and development of our employees, and attach importance to employee welfare. We also firmly oppose improper business conduct, and work with various stakeholders to maintain fair trade principles through making more continuous efforts in publicity and education for raising the legal awareness within the Group. At the same time, we also strengthen the punishment of non-compliance. These are among our most important contributions to the healthy and orderly development of a socialist market economy.

Ensuring the health and safety of customers and employees is the basic responsibility of a company and also one of the foundations of sustainable development. We have a stringent supply chain management system in place, which not only ensures that the Group's products comply with safety, quality, environmental protection and other standards, but also focuses on communication with suppliers, continuous optimisation of the supply chain management process, improvement in procurement efficiency, development of an online management system, as well as improvement of procurement efficiency, in order to strengthen sustainable development hand in hand and to foster healthy and rapid development of the industry.

Creating a harmonious and beautiful environment demonstrates the corporate social responsibility of a company. The Group has always been advocating the sustainable development concept of on-demand use of resources, such as water and electricity, to avoid excessive consumption. The Group also encourages reductions in the use of packaging, even though it is made of environmental-friendly materials, in order to ensure that effective environmental protection encompasses all aspects of design, construction and daily operation.

Actively taking on social responsibilities and making contribution to society is an intrinsic obligation of a company in the course of its development. The Group has been actively participating in social welfare activities. For example, the Group provided hotels in the park area of the Company as isolation sites during the pandemic, contributing warm strength to the pandemic prevention and control and seriously implemented the national rural revitalisation strategy by driving rural economic construction with industrial development, making positive contributions to promoting the development of the apparel industry.

The Group continuously deepens sustainable development from the inside and takes initiative to integrate environmental and social responsibilities into its internal management system. Externally, the Group aims at achieving environmental friendliness and social harmony by striking a balance between corporate development, environmental protection and social benefits. In addition, the Group hopes to cultivate its sustainable competitiveness in terms of corporate brands by voluntarily undertaking environmental and social responsibilities.



4 Summary of Environmental, Social and Governance Aspects

4.2 THE GROUP'S ESG STRUCTURE

The Group has established a three-level ESG structure, comprising:

- (1) The Board is responsible for formulating the Group's sustainable development strategy, determining the Group's sustainable development goals and overseeing ESG-related matters and plays a leading role in the Group's ESG work;
- (2) An ESG Working Committee led by senior management with the participation of middle management was established to report to the Board regularly to help it assess and rationalise the risk management and internal control system for ESG matters of the Group. The ESG Working Committee, led by the office of the Board of Directors, is comprised of representatives from departments in relation to the Group's daily administration, including the Finance Department, Human Resources Department, Administration Department, Supply Chain Department, Infrastructure Project Management Department, Audit Supervision Department, Logistics Department and Development Engineering Department. The ESG Working Committee is responsible for disseminating and communicating the Group's ESG strategies, specific initiatives and feedback. It is the key driving force of our sustainable development;
- (3) Store managers of directly-operated stores are responsible for the implementation of ESG matters on the front line of the business.



4 Summary of Environmental, Social and Governance Aspects

4.3 STAKEHOLDERS' PARTICIPATION AND MATERIALITY ASSESSMENT

The Group's ESG stakeholders mainly include the employees, suppliers, customers, shareholders, investors, local government, and the communities under the management of the Group. We proactively establish communication channels with stakeholders, improve platforms for internal and external communication, take corporate social responsibility from a more diversified perspective, and plan for relevant performance. The assessment of significance in this report was mainly conducted via interview and questionnaire. We will continue to focus on stakeholders, will review and update the assessment of materiality, and will introduce external stakeholders when conditions permit, in order to ensure that the report reflects the Group's latest progress in sustainable development.

Stakeholder Communication

By continuously improving communication channels and actively engaging with stakeholders, we can better obtain the opinions and understand the issues of concern of our stakeholders. We will review the effectiveness of our actions based on such opinions and issues.

Category of stakeholders	Issues of concern	Way of communication	Frequency
Employees	Remuneration package	Employee interview	Non-recurring
	Health and safety	Internal email	9 class sessions
	Training and development	WeChat	
Shareholders/investors	Business strategy	General meeting	5 general meetings
	Corporate governance	Online briefing of annual results	Non-recurring
	Investment returns	Investor hotline	Answered calls for enquiry positively
Governments/regulators		The Shanghai Stock Exchange E-Interaction (上證e互動) platform	Replied 45 comments on the E-Interaction platform
	Operational compliance	On-site investigation and interview	Non-recurring
	Paying taxes according to law	Paying taxes proactively	
Suppliers	Business development	On-site investigation	Non-recurring
	Transparency in procurement	Supplier conference	5 sales fairs
Consumers	Quality of products and services	Official website/offline stores	Non-recurring
	Product innovation	Member Public Account/Mini Program	142 WeChat articles
Media	Company operations	News interview	Replies to 8 interview letters
Community	Charity	Leasing venues for free	A number of occasions



4 Summary of Environmental, Social and Governance Aspects

Materiality Assessment

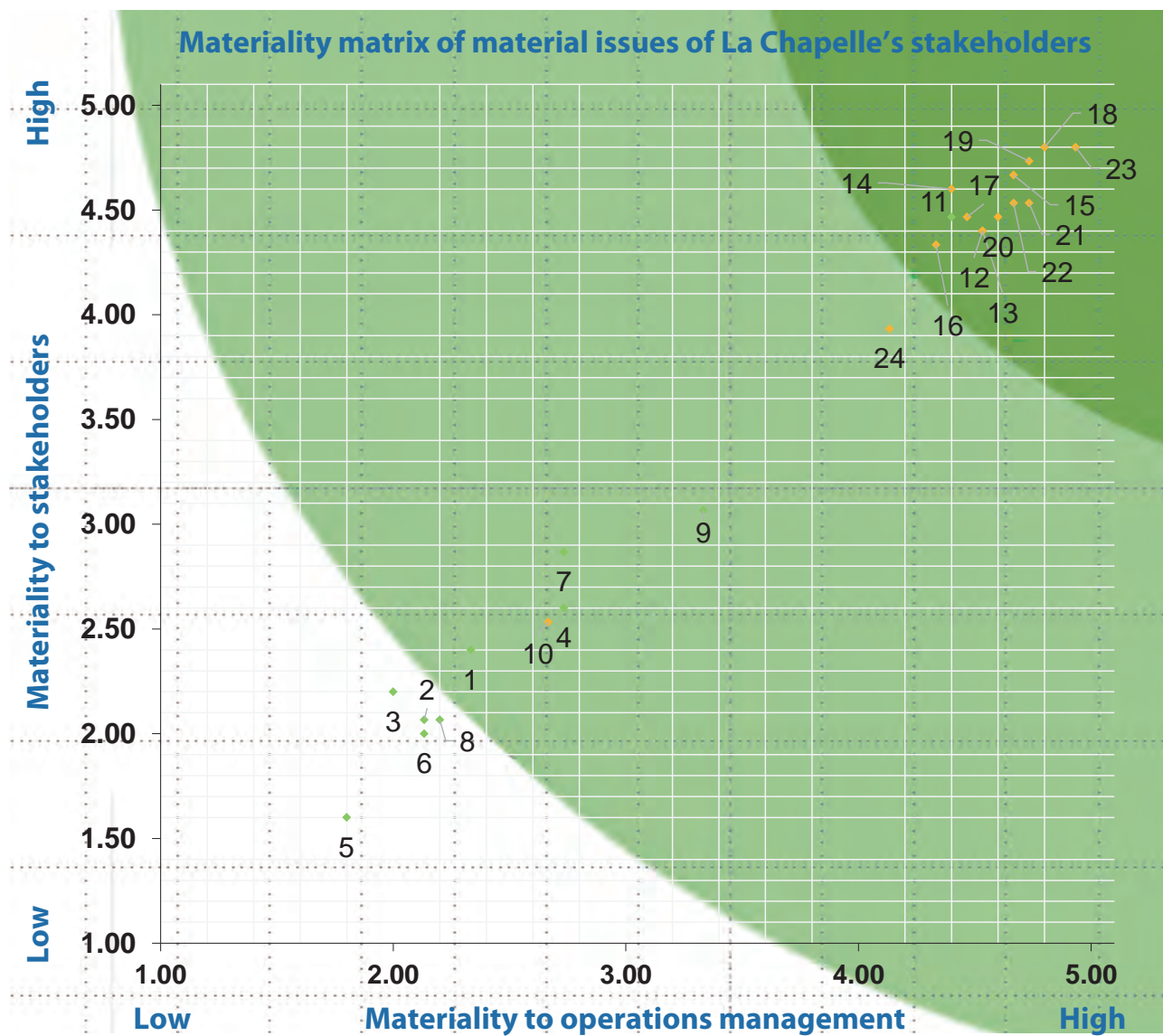
The Group values the expectations and needs of stakeholders. In 2021, the Group distributed ESG questionnaires to stakeholders and organised more than ten in depth interviews with internal stakeholders, collected and summarised issues of concern of internal and external stakeholders, in order to understand their key concerns and expectation on the Group's ESG performance. According to the Group's actual development and its ESG system, as well as the ESG

substantive topic analysis model of the Company, substantive topics that post relatively great impacts on the Company and its stakeholders were identified from two dimensions, namely "Materiality to operations management" and "Materiality to stakeholders". With communication between the Group and various stakeholders in the past year, and summarising of the extent of the impact on the strategy and operation of the Group as well as their impact on the creditors, we arrived at the materiality matrix of the year.

List of materiality issues in 2021 ESG Report of La Chapelle		
Utmost important		
11 Employment and Labour Management	12 Employees' Rights and Benefits	13 Occupational Health and Safety
14 Development and Training	15 Employee Rights and Code of Conduct	16 Supply Chain Management
17 Product Health and Safety	18 Product Quality	19 Customer Service
20 Customer Privacy Protection	21 Intellectual Property Protection and Technological Innovation	22 Promotion and Marketing
23 Anti-corruption		
Important		
01 Greenhouse Gas Emission	02 Non-Hazardous Waste Discharge	04 Indirect Energy
07 Use of Packaging Materials	08 Potential Impact of The Environment and Natural Resources on the Company	09 Climate Change
10 Diversity and Equal Opportunity	24 Community Investment	
Relevant		
03 Wastewater Discharge	05 Direct Energy	06 Water Resources



4 Summary of Environmental, Social and Governance Aspects



Materiality Issues Analysis Matrix of the Group for 2021



5 Employment and Labour Standards

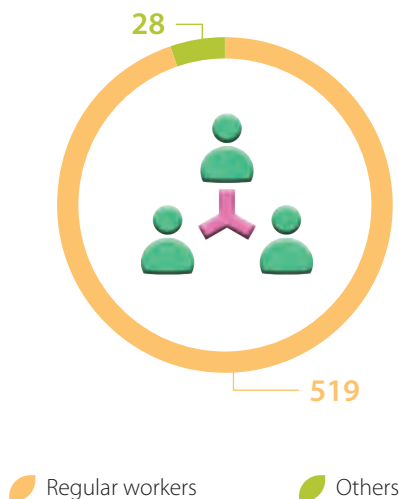
As employees are one of the greatest assets to the Group, we provide competitive remuneration package to our employees at different levels. We also value the physical and mental health of our employees, and care about with their growth and development. As such, we provide our employees with a healthy, safe and harmonious working environment and stable promotion channels to enable mutual improvement of employees and the Group.

5.1 EMPLOYMENT

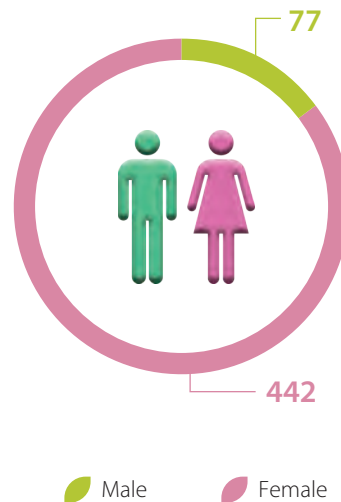
5.1.1 Standardised Employment and Protection of Rights and Interests

The Group strictly enforces the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China and other laws and regulations, formulates the Employee Handbook as well as other systems and measures to improve employee management and effectively protect the legitimate rights and interests of employees. In addition, the Group encourages equality between men and women and employment diversity, discourages all means of discrimination, and strives to create a fair, respectful and diverse working environment. We respect every employee, value ethnic unity, and will not discriminate against any employee by their gender, age, race, religion, disability, family, or pregnancy.

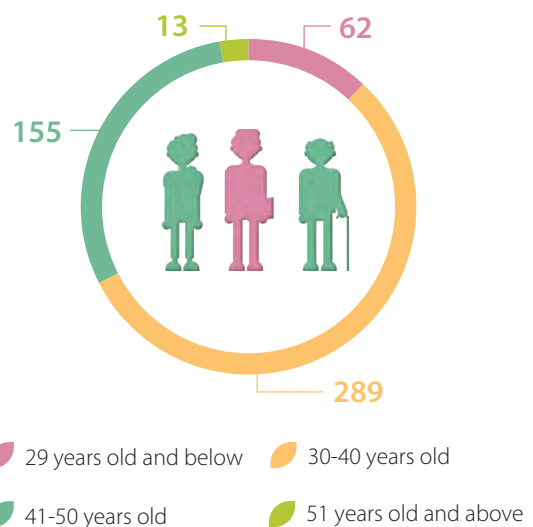
By type of employment



By gender (regular workers)



By age (regular workers)



5 Employment and Labour Standards

5.1.2 Promoting the Employee Well-being through Care

To maintain the social security and well-being of its employees, We pay for Five Social Insurances and One Housing Fund in accordance with the laws, assists employees in applying for residence permit points and those who meet the household registration conditions to apply for household registration, and grants food subsidies to them. In order to make further progress in team spirit cultivation of employees, as well as to create a healthy, safe, energetic and comfortable working environment for our employees, the Group will organise diversified and multi-dimensional activities for employees. Such activities for employees not only enhanced the employees' sense of belonging but also laid the foundation for a positive and harmonious working atmosphere.

5.1.3 Gym Facilities

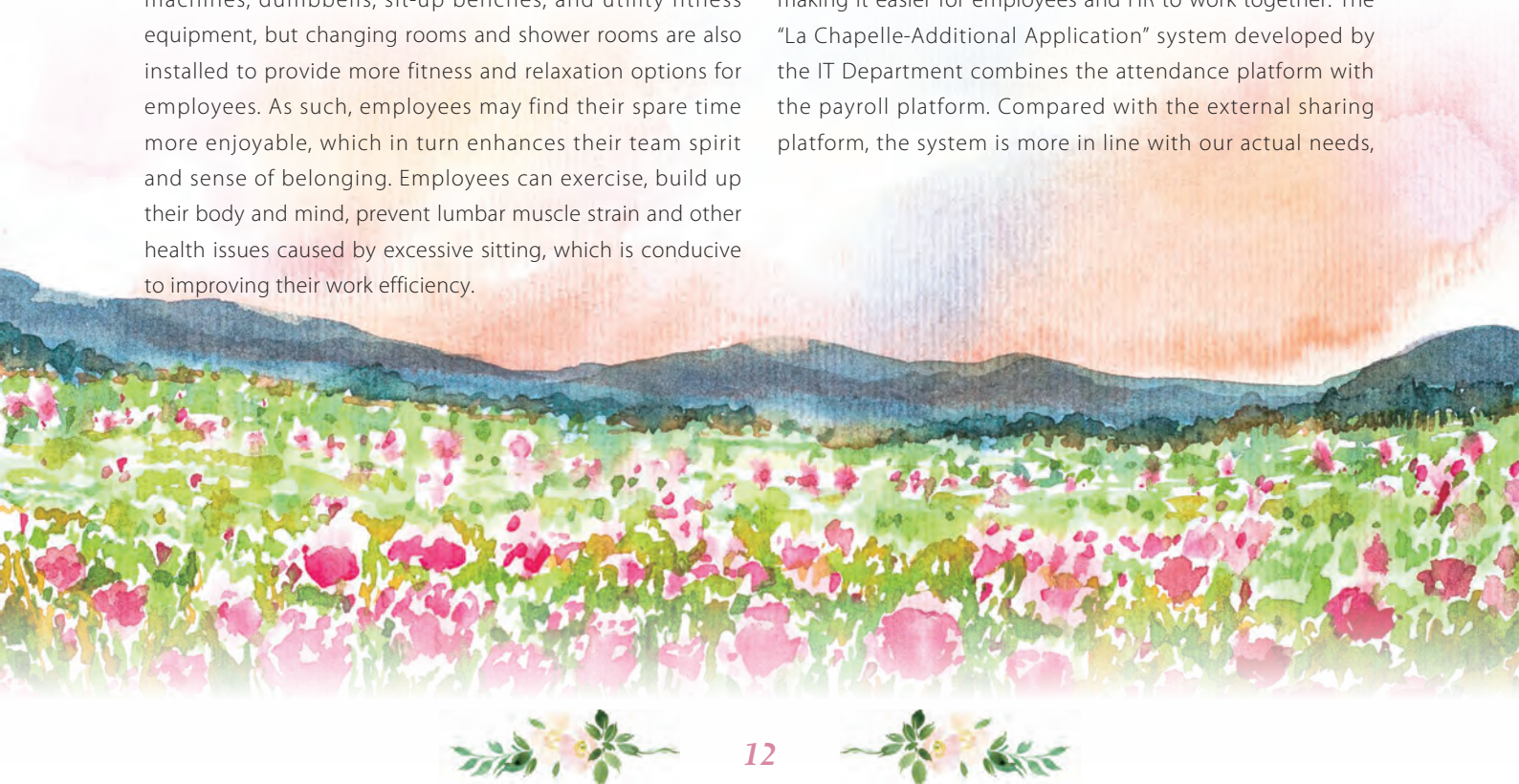
The Group cares about the work-life balance of employees. In order to enrich the leisure activities of employees and improve their physical fitness, the Company has provided free sports facilities such as gyms and table tennis tables in the headquarters building. The gym not only features a variety of fitness equipment such as professional treadmills, elliptical machines, dumbbells, sit-up benches, and utility fitness equipment, but changing rooms and shower rooms are also installed to provide more fitness and relaxation options for employees. As such, employees may find their spare time more enjoyable, which in turn enhances their team spirit and sense of belonging. Employees can exercise, build up their body and mind, prevent lumbar muscle strain and other health issues caused by excessive sitting, which is conducive to improving their work efficiency.

5.1.4 Lounge for Female Employees

Proactively cultivating a diverse and inclusive culture, the Group cares for female employees. We provide separate maternity rooms with refrigerators, a disinfection cabinet, water dispensers, heaters and other equipment in our headquarters building for breastfeeding female employees to take a break, pump and store breast milk, etc. We also provide one hour of prenatal leave per day for those who are 7 months pregnant and one hour of breastfeeding leave per day for those who are breastfeeding. In addition, female employees will be given a half-day off on Women's Day, on which they will receive gifts from the Group.

5.1.5 Diversity and Inclusion

The Group maintains a democratic system for its employees. Plans involving employee attendance, assessment and remuneration are announced to all employees of the Group through emails, internal OA system and other channels. In August 2021, the Group launched new HR systems – "HR Department No. 2" and "La Chapelle-Additional Application", which further improve the HR process by integrating the HR data maintenance, onboarding process, transfer process and resignation process into "HR Department No. 2", thereby improving the efficiency and accuracy of the process and making it easier for employees and HR to work together. The "La Chapelle-Additional Application" system developed by the IT Department combines the attendance platform with the payroll platform. Compared with the external sharing platform, the system is more in line with our actual needs,



5 Employment and Labour Standards

has the characteristics of more personalised office, and increases the speed of updating the daily requirements, thereby improving efficiency and reducing office costs at the same time. In addition, the Group has introduced an online management function for human resources in the WeChat app, which allows employees to view payroll slips, notices, announcements, systems and to-do project reminders online, solving the problem of inability to timely access to relevant information due to scattered employees.

We will conduct one-to-one interviews with employees from time to time to learn about their difficulties in work and business and listen to their feedbacks. The interviews include section heads of key positions, person in charge, department managers and employees of different ages. In 2021, we interviewed more than half of our employees to ensure that we had a timely and full understanding of their psychological needs and expectations.

The Group encourages and actively recruits employees of different ethnic groups, and provides corresponding welfare policies for ethnic minority employees. For example, the Group provides office staff in Guangxi region with holidays on the "Zhuang Ethnic Group March 3" every year and those who are unable to take holidays due to business needs with overtime pay or alternative leave to fully respect the living habits of ethnic minority areas and foster the sense of belonging of employees.

Case:

Making further progress through learning and working: Labour Union Knowledge Competition

On 30 July 2021, in order to promote the healthy development of the enterprise and safeguard the legitimate rights and interests of employees, the Labour Union of the Group invited employees at the headquarters to participate in the "Wujing Town Employees Democratic Management and Labour Protection Knowledge Competition", in which our colleagues performed well and successfully entered the final round, and awarded the "Collective First Prize". Encouraging employees to actively participate in extraordinary activities not only helps employees enhance their knowledge base through fun competitions, but also helps foster the sense of belonging and team spirit of all employees.



The "Collective First Prize" was awarded in Labour Union Knowledge Competition

5 Employment and Labour Standards

Case:

Spread of love: Festive activities for employees

In 2021, in order to express gratitude for their perseverance in performing their duties and overcoming difficulties together with the Group during the hard times, as well as their hard work and dedication to the development of the Group, the Group held a number of team building and festival celebration activities and offered benefits for the employees, including benefits of the 2021 New Year annual meeting, Dragon Boat Festival, Mid-Autumn Festival, Winter Solstice and Christmas Eve.

Shortly before the Chinese New Year in 2021, we organised a fun-filled annual event with a dinner party, at which we encouraged our employees to organise their own talent

shows, and a lucky draw such as balloon pricking was added to the event. On 8 June before the Dragon Boat Festival, the chairman of Labour Union of La Chapelle Group and the general manager of the Group's Human Resources Department sent heatstroke prevention products and Dragon Boat Festival gifts to the grassroots employees who are working on the logistics frontline, expressing gratitude for their efforts and dedication to safeguarding the logistics work of the Company. During the Mid-Autumn Festival and National Day, we prepared mooncake gift boxes for our employees; right before Christmas, we prepared surprise gifts for our employees. Through a series of festive activities, we hope that our employees can feel the humanistic care and collective warmth of the Company while working. At the same time, we have also enriched the spiritual and cultural activities of the Company, relieved the stressful working life of the employees and enhanced team cohesion.



Chinese New Year Dinner held shortly before Chinese New Year



Sending greetings to frontline logistics employees during Dragon Boat Festival



5 Employment and Labour Standards



Distributing exquisite gift boxes to employees during Mid-Autumn Festival and National Day



Preparing surprise gifts for employees right before Christmas



5 Employment and Labour Standards

Case:

Forging ahead without fear: Orientation Running Event

On 1 January 2022, in order to provide more group activities for employees, improve their physique and welcome the arrival of the New Year, the Group organised New Year Sports Games for employees to invigorate their body and mind, present themselves and enhance their tacit understanding.

The sports games had 4 sports events, including the team competition and individual competition of orientation running event, tug-of-war and Merge Snake, in which a total of 4 teams comprising nearly 200 employees participated. On the first day of 2022, the Group hope that everyone would devote themselves to the games with enthusiasm and positive faith in the new year, and strive to show friendship and present themselves in various competitions.



Sports games held to celebrate the new year



5 Employment and Labour Standards

5.2 HEALTH AND SAFETY

The Group manages health and safety of employees from three aspects: workplace safety, physical health and safety as well as mental health.

5.2.1 Workplace Safety

The Group is committed to providing employees with a safe working environment. During the reporting period, the Group's offline retail outlets in China were located at department stores or shopping malls built at different times. The Group has signed the "La Chapelle Fire Safety Responsibility Letter" with property owners of directly-operated offline stores and educated store employees with fire service knowledge, so as to ensure that the employees have proper safety awareness in the face of emergencies, and also help reduce the fire safety risks in the daily operation of the directly-operated offline stores. For offline agent stores, we will take the initiative to promote fire-related matters to agents, such as the reasonable placement of shelves in stores, and actively cooperate with the placement requirements of fire facilities of the property.

In the park area of the headquarters, we strictly comply with the Shanghai Fire Services Ordinance and have a number of fire prevention equipment such as fire extinguishers and fire hydrants in the building, which are regularly inspected by our property staff to eliminate abnormal situation in a timely manner to ensure that they are in good working order. We also provide information and instructions to our tenants in this regard. We hold fire drills to help employees understand the use of fire extinguishers, test the function of fire alarms and conduct emergency evacuation drills regularly. In the daily management of the park, we strictly comply with the Production Safety Law of the People's Republic of China, the Construction Law of the People's Republic of China and other relevant laws. There was no non-compliance incident in relation to safety in 2021.



Fire Drill held on 23 October 2021

5 Employment and Labour Standards

5.2.2 Physical Health and Safety

The Group cares about the health of its employees. The headquarters building of the Company has restaurants and gyms for an improvement in the physique of employees. Five independent buildings in the park area of headquarters with a total gross floor area reaching 160,000 m² are equipped with four catering areas in the basement. Furthermore, a famous domestic third-party catering brand is engaged as the operator to provide a cozy and comfortable dining environment as well as delicious meals for employees and guests in the park area. In addition, the office building has a gym and a yoga room, which are open to employees for free. In addition, to cope with the COVID-19 pandemic, we organised employees to get vaccinated together. Some employees are quarantined at home due to business trips taken during the pandemic. We take the initiative to promise that the salary of such employees will not be affected during the period of home quarantine, care about and follow up the health condition of such employees and the livelihood guarantee during their quarantine, and pay the salary to the employees during the quarantine in strict accordance with the relevant regulations of the national and local governments.

In addition, the Group also provides employees with sufficient work safety training, including regular fire drills and safety training, in order to enhance the safety awareness of employees. All employees of the Group are covered by in social insurance plans related to work-related injuries. In the past three years, the Group was not aware of any major non-compliance of occupational health and safety, work-related fatalities and lost days due to work injury of employees.

5.2.3 Mental Health

Apart from safeguarding employees' physical health, the Group is also devoted to taking care of their mental health. The Group arranges regular health checks for its employee. At the same time, in order to relieve the work pressure of employees, we hold a birthday party for employees whose birthdays fall in that month, organise employee banquets and birthday banquets for our employees, at which the Group's senior management will be present to celebrate the birthdays for employees together. We hope that through such activities, the working life of our employees can be enriched and their sense of belonging can be enhanced.



Employees' birthday party

5 Employment and Labour Standards

5.3 DEVELOPMENT AND TRAINING

The Group attaches great importance to the improvement and development of employees, and always upholds the concept of mutual development with employees. The Group encourages employees to undertake challenges at work, and in turn provides feedback and training classes for them. The Group closely links trainees with its development strategy, and formulates training plans that can both satisfy the development needs of the Company and employees. With abundant learning opportunities, various growth mechanisms are also in place for employees to improve their knowledge, work capability and motivation on an on-going basis. Through professional training, leadership cultivation, and talent echelon building, the Group has established a learning organisation to help employees quickly improve their capabilities, attain self-realisation, and enhance the Company's core competitiveness.

5.3.1 Staff Training

Upholding the concept of learning from work, we encourage employees to participate in offline training programmes as well as online video courses. Multi-dimensional learning activities (including departmental mentorship, proactive learning, and project-based training programmes) enable continuous work engagement of employees so that they can learn from work. At the same time, with the mission of maturing employee development, the Group provides a decent learning atmosphere and channels for talent development and training of its employees. Based on internal training and supplemented by external learning classes, learning activities are provided in multiple dimensions, including project-based system, tutorial system, and proactive learning, for talent reservation and cultivation of the Group.

In 2021, we laid more emphasis on the actual operation of the business in our training arrangements. The business training is mainly divided into the following two parts: product design training, mainly in the form of internal training combined with external training; store management and sales skills, including store display, clothes matching, sales skills, etc. The learning materials are shared on the platform and in the WeChat group through livestreaming and videos (recorded and segmented), while the system backend identifies the learning progress of the employees, obtains feedback from the employees after learning, and evaluates it again and makes adjustments accordingly, forming a closed loop.



5 Employment and Labour Standards

In order to promote the all-round development of our employees and to respond to the government's call for the simultaneous enhancement of the overall quality and professional skills of our workforce, we have organised a series of training courses for our employees on cultivation of basic quality and practical skills, which are listed below:

Date of training	Name of programme	Number of participants	Training hours/person	Form of training
March 2021	2020 ESG Report Training Session	14	1	Commissioned training
April 2021	2021 System Training	297	1	Internal organisation
May 2021	Training on Risk Prevention for and Response to Occupational Crimes Committed by Corporate Employees	404	1	Commissioned training
May 2021	Online Mobile Attendance Training	70	1	Internal organisation
August 2021	2021 Autumn New Product Training	145	1	Internal organisation
August 2021	Mobile Attendance Operation Training	114	1	Internal organisation
September 2021	2021 Winter New Product Training	72	2	Internal organisation
November 2021	2021 ESG Report Training Session	17	1	Commissioned training
December 2021	Information Disclosure Regulations and Material Practical Issues under the New Securities Law	21	1	Commissioned training
December 2021	Listing Rules (2020 Revision)-Matters Relating to Deductions of Operating Income, Training on Financial Topics	7	2.5	Commissioned training
December 2021	Interpretation of "Accounting Standards for Business Enterprises No. 14 – Revenue"	9	3	Commissioned training

5.3.2 Career Development

The Group has a well-established promotion system for its employees, while transparent and diversified career development channels are also in place to encourage employees to learn and improve themselves, thereby enhancing their job competencies. As a result, mutual growth and accomplishment of the Company and employees can be realised. In terms of the Group's recruitment procedures, based on internal analysis, if there is a possibility of internal transfer, priority will be given to internal transfer and redesignation; if not, recruitment will be carried out through the process of internal employee recommendation and external interview selection. As a result of changes in the Group's business strategy and the market environment,

more employees left the Group in 2021. We will take the initiative to provide re-employment channels for departing employees within its capacity and introduce employment platforms to employees to increase their re-employment opportunities. In terms of the dismissal of its employees, we will communicate with employees at least one month in advance about their termination of employment and provide them with compensation to a possible extent in accordance with the relevant laws and regulations, and aid employees who are in need and meet the eligibility criteria to receive unemployment compensation. The Group makes every effort to safeguard the rights and interests of its employees and to maintain a good employment relationship and contribute to social harmony.



5 Employment and Labour Standards

5.4 LABOUR AND HUMAN RIGHTS

In compliance with national laws and regulations such as the Law of the People's Republic of China on the Protection of Minors and Provisions on the Prohibition of Using Child Labour of the People's Republic of China, the Group explicitly prohibits the employment of child labour. The Group strictly prohibits the recruitment of employees aged below 18 (the job application registration form contains a statement indicating that the Company does not employ child labour), and the Human Resources Department is responsible for reviewing and verifying the identification documents of applicants to ensure no employment of child labour. If any case of child labour is found, the contract will be terminated immediately and the manager will be held accountable.

Meanwhile, in accordance with laws and regulations such as the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and the local Provisions on Payment of Wages of various jurisdictions, the Group handles entry procedures, prepares labour contracts, and contributes to social insurances for employees. The Group also provides its employees with overtime pay or shifting of leave for work on holidays and festivals in compliance with laws and regulations. During the reporting period, the Group has encountered no incidents of child labour and forced labour, nor any related incidents of discrimination or harassment.



6 Anti-corruption

The Group firmly opposes any act that damages the fair competition environment, and upholds the three basic principles of “honesty, integrity, and compliance” against corruption. Accordingly, pursuant to the state policy of the Law of the People’s Republic of China Against Unfair Competition, the Group has formulated written anti-corruption policies including the Anti-Corruption Regulations, Reward System for Complaints and Whistleblowing and a Gifts and Presenting Policy. Bribery, fraud or money laundering is strictly prohibited for the establishment of a good organisational structure for business operation.

The dishonest behaviours prohibited by the Group primarily include but are not limited to:

- Bribe-giving and bribe-taking;
- Illegal political contributions;
- Other acts deemed improper.

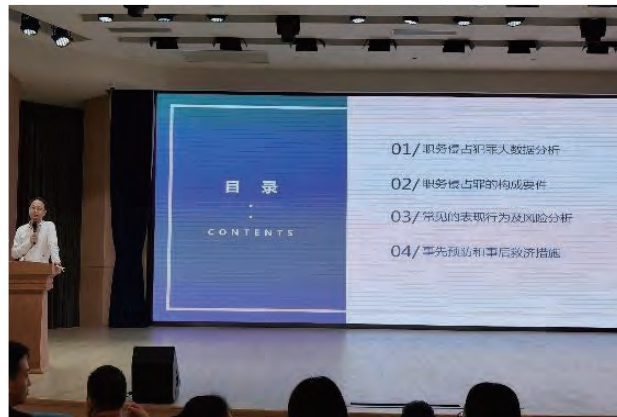
The Group has also formulated the Undertaking of Observing the Anti-Corruption Regulations, Supplier Anti-Commercial Bribery Agreement, and Anti-Commercial Bribery Agreement for the Development Department. Through the formulation of reasonable business workflow, we have continuously strengthened process control, capital control, investment control and corporate internal audit control, and are committed to preventing corrupt practices from the source.

6.1 ANTI-CORRUPTION TRAINING

In order to create an uncorrupted work environment, we provide training on preventing bribery, extortion, fraud, and money laundering for our new employees. We also require our employees to sign the Undertaking of Observing the Anti-Corruption Regulations, which prohibits them from accepting any form of bribes due to their positions and exploiting resources of the Company for their personal interest. If employees are found not complying with relevant laws and regulations, they will be penalised severely. If they violate the law, they will be handed over to the judicial authorities for handling in accordance with the law. We have compiled the Collection of Cases for Anti-corruption Training, and regularly organise anti-corruption training and assessments, in order to raise the anti-corruption awareness of employees. On 25 May 2021, we conducted an on-site legal training on “Risk Prevention for and Response to Occupational Crimes Committed by Corporate Employees” for all headquarters staff and the management of the Logistics Department, and organised online sessions for regional store managers (inclusive) and personnel at upper level and other staff of the Logistics Department. As a result, employees can continuously improve themselves and standardise their behaviours, thereby raising their anti-corruption awareness. A total of 404 employees of the Group attended the legal training, of whom 84 were male and 320 were female, and 19 were core management staff, with the average length of training per person being one hour. In December 2021, we sent a series of anti-corruption promotional documents to our directors, supervisors and senior management by mail, so as to continuously enhance the Group’s emphasis on anti-corruption work and awareness.



6 Anti-corruption



Training on "Risk Prevention for and Response to Occupational Crimes Committed by Corporate Employees"

6.2 COMBATING CORRUPTION IN AN OPEN AND TRANSPARENT MANNER

The Group insists on creating an uncorrupted business environment and has cooperated with various renowned domestic and foreign companies as well as research centres of renowned universities such as the Research Center for Criminal Justice of Renmin University of China to establish a database on workplace dishonesty. Due to its outstanding example in anti-fraud, the Group became a member of the Trust and Integrity Enterprise Alliance in September 2017, a member of the Enterprise Anti-Fraud Alliance in June 2018, and a council member of the Guangdong Enterprise Institute for Internal Controls in September 2018. In September 2019, the Group was awarded the honorary title of Advanced Unit for National Corporate Anti-fraud Work from 2015 to 2018. In 2021, as a member of the Anti-Corruption Enterprise Alliance, the Group participated in external anti-corruption related sharing events.

The Group has adopted a full range of anti-corruption measures. In 2015, the Supervision Department was established to require employees, suppliers and business partners to sign relevant anti-corruption commitments or agreements with the Group. At the same time, we will distribute anti-corruption related materials to directors, supervisors and senior management for studying. We have established various whistle-blowing channels to report any suspected violations of laws and regulations, corruption and

bribery, including telephone hotline: 021-6195 5215, email: jiancha@lachapelle.cn, and mail, an offline channel. We also set up the "Upright and Clean La Chapelle" WeChat account (which has gained more than 15,000 followers) for posting of articles related to anti-corruption on a regular basis. On 10 August 2021, in order to regulate the operation of our offline stores, we particularly issued the "Ten Prohibitions on the Operational Risk Control of La Chapelle Stores", thereby strengthening the operational risk control of our stores, safeguarding the interests of the Group and customers, and striving to carrying forward the Group's good tradition of keeping white-handed.

Meanwhile, the Group ensures that the identity of the whistleblower is strictly confidential to avoid the risks of retaliation and discrimination. As such, the Company can lead all employees to prevent and stop the occurrence of corruption with mutual efforts, thus facilitating the development of the Company's business, as well as maintaining a healthy market environment. The staff of the Supervision Department check the Company's supervision mailbox every day, and will reply in writing or by mail within three working days after receiving the report letter for timely feedback and communication; If a complaint is received with detailed information, the staff of the Supervision Department will conduct further interviews and enquiries. In the whole year of 2021, the Group was not aware of any major non-compliance related to anti-corruption.

7 Supply Chain Management

The Group intends to achieve mutual growth with partners in the brand value chain with reference to international standards and leading practices of the industry. In 2021, we followed a series of internal systems such as the Administrative Measures on the Appraisal and Rating of Garment Suppliers and the Administrative Measures for New Supplier Admission to impose requirements on the work process, evaluation standards and targets of supply chain management. As a result, the goal of a responsible supply chain can be attained for driving its sustainable development.

7.1 CENTRALISED PROCUREMENT TO REDUCE COSTS AND IMPROVE EFFICIENCY

In 2015, the Group set up a Centralised Purchase Centre (CPC). Initially its operation was focused on the area of fabric and accessories featuring huge demand, wide application and price competitiveness, and it gradually improved the Group's purchasing efficiency and helped reduce commodity and management costs. In 2018, the Group launched the system for product life cycle project, so as to establish a main business platform underpinning the development status and future of the La Chapelle brand. As at the end of 2021, the Group has cooperated with 76 domestic suppliers, 26 of these suppliers were in Zhejiang Province, 33 in Shanghai, 9 in Jiangsu Province and 8 in Guangzhou Province.

In November 2019, the Group established a supply chain management centre. In 2021, the supply chain management centre continued to facilitate the establishment of a coordinated and rapid response mechanism involving planning, product and supply chain. In line with the changes in business scale of the Company and its strategy of core resources centralisation, the number of suppliers was reduced, the management of supply resources was further centralised, and the scope of management was narrowed and management costs were reduced, thus enabling improvement in the efficiency of supply chain management of the Group.

We have been endeavouring to provide a good service platform for our partners and create a win-win business environment for all parties. In response to the changes in the post-pandemic physical market environment and to proactively cater to the shopping tendencies of young consumers, the Group has endeavoured to expand its profitable business advantages by adjusting its strategy for business layout, broadening its offline cooperation channels and authorising quality online partners since 2020. At the same time, in order to speed up the integration of supply chain management and strategic transformation, the Group's Information Department developed and implemented a one-click distribution system for the online Tmall based on business needs, and completed the system connection with more than 10 distribution suppliers. Through this system, suppliers can use the mini app to update and manage their inventories in real time, so as to achieve quick coordination and timely delivery to consumers, thereby improving supply efficiency. The one-click distribution system effectively relieves the pressure of insufficient inventory and passes the test during the Double 11 shopping festival.



7 Supply Chain Management

7.2 GREEN ONLINE PURCHASING

The Group has started to develop its BOM information system, a supply chain management system, for application since 2016, in order to promote green online procurement. The system enables the Group and its suppliers to place paperless orders for online procurement. The system also enables suppliers to grasp real-time demand at different points of time, which helps both parties adjust their inventories on a timely basis. In 2021, the Group's suppliers and procurement business were fully managed online and electronic signatures were used for procurement orders, exception agreements, return orders and reconciliations. In 2021, nearly 2,000 orders were completed in total, saving about 12,000 pieces of paper based on the estimation that an average of 6 pieces of paper was involved for each order.

Apart from online purchasing, the Group developed an information system for supplier settlement to realise automatic reconciliation and payment, and shorten the cycle of reconciliation and payment, thus further promoting environmental protection concept. Since then, offline paper reports were no longer in use and quality inspection reports were digitalised to save more paper.

7.3 RESPONSIBLE PURCHASING WITH ON-SITE EXAMINATION

The Group is committed to conducting meticulous assessments on its suppliers to ensure product quality. All products provided to customers are from suppliers. To realise sustainable development of the supply chain, the Group requires all suppliers to sign the Social Responsibility Commitment Letter and Anti-Commercial Bribery Agreement. In order to ensure product quality, we carried out product quality audits in strict accordance with national standards, and the products from suppliers are comprehensively inspected.

For suppliers which no longer meet the business needs and standard requirements of the Group, or which are found having false records, commercial bribery, child labour employment, illegal discharge of sewage and hazardous waste as well as items that fall within the "zero tolerance" criteria during our examination, the Group has the right to terminate cooperation. Meanwhile, we will consider whether there will be a gap in the supply chain and other relevant risks arising from the exit of suppliers, and formulate exit solutions and risk prevention and control measures that do not affect the overall supply chain, so as to ensure healthy and sustainable development of the supply chain.



7 Supply Chain Management

In 2021, the Group cooperated with its aforementioned leading professional third-party institutions in the quality inspection industry, in order to handle physical and chemical testing with joint efforts. Precaution measures were also actively adopted by the Group for product quality control. Starting with raw materials, on the basis of entrusting internationally recognised third-party testing institutions to conduct supervision on appearance and quality of products, the Group implemented an internal supervision and counter-spot check mechanism, controlled product quality in various aspects including setting up quality acceptance level in warehouse, and carried out spot checks on the appearance and quality of products for delivery to ensure the quality of products available to consumers. During the reporting period, the Group has conducted physical and chemical testing on all products to be released in accordance with the Specifications for Physical and Chemical Testing, to ensure that only qualified products are released in the market. In the future, we will continue to provide training on product quality to our suppliers, assist them to improve their performance capabilities, and conduct strict assessments on them. As a result, product quality and a sustainable supply chain is ensured.



8 Product Responsibility

The Group upholds its initial aspiration and development concept of “designing for a better life”, bears in mind its corporate mission of “creating a better life”, guards the bottom line for quality, and establishes the corporate image of La Chapelle through continuous innovation.

8.1 MASS BRAND WITH HIGH QUALITY

The Group is dedicated to providing customers with high-quality products. To ensure product quality, starting from procurement, we prohibit purchasing products that contain toxic and hazardous substances, and we ensure that all our products sold at retail points meet relevant national quality standards such as the National General Safety Technical Code for Textile Products (GB18401-2010). In 2021, product inspection was carried out in accordance with the category product standards stipulated by the country and the “Apparel Appearance Inspection Standards” formulated by the Group. Specific measures included: sending the products to professional third-party organisations for internal quality inspection in accordance with the national product standards; arranging QC personnel to conduct final inspection in the factory at the end of the production period of the products, and allowing the products to enter the warehouse after passing the random inspection.

To ensure product quality, all offline stores (including directly operated and agency stores) are required to inspect the goods before they enter warehouse. The inspection takes the national standard as the quality standard. The goods which passed the first inspection can enter the warehouse directly without the need for second inspection. However, if the goods do not pass the inspection, we will apply for a second inspection after the goods having been repaired. In 2021, the Group has no products to be withdrawn for safety and health reasons.

During the entire process of the actual product formation, the Group fully integrates environmental protection ideas, such as raising the stringency of environmental protection requirements in upstream fabric factories, using environmentally friendly dyestuffs (such as environmentally friendly disperse dyestuffs, environmentally friendly reactive dyestuffs and environmentally friendly vat dyestuffs), which are required to be harmless to humans, environmentally friendly, azo-free and lead-free, etc. In the selection of materials, we will also consider from the perspective of environmental protection. At the early stage of planning of product development, the use of fur and wool collars was reduced.

In the process of style development, we reduce the use of resources and energy by controlling proofing and avoiding multiple proofing. In recent years, proofing cycle has become shorter and demand for success rate of proofing has become higher. On the one hand, we have improved the accuracy of the developed styles and reduced the development and proofing of invalid styles; on the other hand, by developing suppliers with planning and design capabilities, the proportion of proofing had been reduced. In addition, positioning itself in mass market fashion, La Chapelle features products meeting basic functional requirements as well as aesthetic needs. The professional design team of the Group tracks fashion trends and analyses feedback from sales on a regular basis to design elegant apparels tailored for the target customers, thus satisfying the general demand of consumers.



8 Product Responsibility

8.2 RISING TO THE CHALLENGE OF ENHANCEMENT AND TRANSFORMATION

During the reporting period, the Group continued to explore new business models, continued to promote the transformation of online business from direct operation model to brand licencing model, and authorised major e-commerce platforms and more than 100 online stores to further enhance the brand effectiveness. Under the online licencing business model, the Group and its agent attained mutual benefits. While improving the efficiency of the use of working capital, the Group also made progress in the expansion of its online business channels. Online authorised platforms mainly included: channels such as Tmall, JD.com, Vipshop and TikTok, of which agency operation stores of TikTok accounting for a higher proportion of the stores. The livestreaming sales activities were mainly organised by the franchise stores on the major platforms.

The basic idea of our online brand business is based not only on the principle of “rebranding and brand protection”, but also on the protection of the brand image and product strength, at this stage, the online business is still focused on the women’s apparel which the Group has strong control, and we have not expanded into other categories for the time being. At the same time, the Group is continuing to strengthen communication and negotiation with platforms and partners to reach a consensus on joint efforts to strengthen brand protection, and will subsequently establish a joint anti-counterfeiting mechanism through systematic and dynamic joint cooperation to accelerate the creation of a dynamic quality monitoring system in pursuit of long-term sustainable development.

For the offline business channels, the Group further promoted the omni-channel mode and diversified its sales operation model. To cope with these new business models, the Group has carried out 4 major updates of its sales RMS system. The Group standardises the management of its online licensors’ livestreaming trademarks and the product display of its offline agents, and provides marketing training.

8.3 USE OF DATA TO MAKE EFFICIENT DECISIONS

Facing the challenge of prolonged cycle required for apparel product replenishment, the Group took some of its brands as the pilot, integrated the data of sales, inventory and other aspects and used a new smart forecast model to track and judge the real-time market demand. The model can quickly identify best-selling products and slow-moving products at the early stage of sales when the merchandise is put on-shelf, and precisely select those items that require replenishment. Compared with the previous analysis tools, the new model can shorten the time required to complete the same work by 1 to 2 weeks, which provides a data decision-making basis for rapid and accurate response to the market. We will also provide synchronous information sharing and guidance to our own employees, offline agents and online licensors through training and documents, so as to empower the operation and development of stakeholders.

To solve the problem of matching products with stores, the Group established classification and management systems for its stores. A series of factors, including store sales, sales cycles and product supply in the classification system, should be considered to make the best matching of products and stores. As a result, the Group can provide the most suitable product choice for target customers, maximise the sales rate of stores and avoid overstock of slow-moving products in store warehouse.



8 Product Responsibility

8.4 STRICTLY FIGHTING AGAINST COUNTERFEITS AND IMPLEMENTING COMPLIANCE MANAGEMENT

In strict compliance with the Intellectual Property Protection Law of the People's Republic of China, the Group is acutely aware of the importance of innovation in fashion. We therefore highly regard the protection of intellectual property, patents and other innovative achievements. We also respect innovations of other parties, and abide by industry standards and norms in this aspect. The Group encourages innovation and welcomes creative talents to join us. Every year, we make significant investments in design and textile innovation, and continuously enhance our capacity for independent design and development.

The Group pays close attention to La Chapelle products' market performance, especially on the e-commerce platform, and regularly inspects its sales channels and investigates into abnormalities. The labelling of the Group's products on the shelves is controlled by the Group, and the standardisation of online products is continuously improved through sampling, inspection and after-sales service. In 2021, the Group adopted a new anti-counterfeit technology system to facilitate consumers to verify the authenticity of products. Labels of products are coded by the Group, and the products come with an anti-counterfeiting QR code prepared by the Group on the labels to link to the background of our WeChat official account. After purchasing products, consumers can verify the authenticity of products through the official account, which is convenient and fast. We developed an anti-counterfeiting tracking system for online licencing business, which has received nearly 1,000 terminal enquires as at the end of December 2021, providing effective aid to internal anti-counterfeiting and external consumers' identification of authenticity.

8.5 PROTECTING CUSTOMER PRIVACY

We are committed to protecting the privacy of our clients and strictly comply with the Data Security Law of the People's Republic of China and other relevant regulations. For internal information control, the Group's transaction data is required to be kept in our unique facilities room protected by network firewall and other relevant data security mechanisms and that customers' data will not be provided to third parties without their consent. The Group has established a strict system of data usage hierarchy and permissions. Given that access of data is based on duty and authorisation, we guarantee that unauthorised employees have no access to private data. Meanwhile, we regularly educate and train our employees about customer privacy to help them understand the importance of privacy protection and raise their awareness to protect customer privacy. Moreover, employees are required to sign confidentiality agreements.

For our agents and licensors, we have clearly stipulated the terms of confidentiality agreements in the contracts we sign with merchants, and we have also strengthened the network security protection for online stores on online platforms such as Tmall and JD.com to ensure the security of customer information. In addition, in order to enhance the data security capabilities of the Group, in 2021, we formally published the Data Security and Customer Privacy Protection System to further implement the management requirements for the protection of consumers' personal information.



8 Product Responsibility

8.6 STANDARDISING SERVICES AND EMPOWERING PARTNERS

As at the end of December 2021, our offline stores (including agency and directly operated) received 156 complaints, all of which have been dealt with in a timely manner. We had received over 40 complaints from consumers about products purchased on our online platforms, which were mainly due to late deliveries by some merchants or delays in courier delivery during the campaign period. When we receive a complaint from a consumer, we immediately contact corresponding merchants to discuss after-sale solutions and maintain a positive shopping experience for consumers.

In order to strengthen the compliance management of the online platforms, we have developed a series of assessment systems in the process of introducing licensors, and conducted supervision and control over existing licensors by means of random checks, unannounced visits and whistleblowing. We require all products supplied by our agents and licensors to produce third-party quality inspection reports that comply with national quality inspection standards and the Group's quality inspection standards. Since 2022, we have required our licensors to provide the Group with information on all products on our platforms by the 15th of each month to ensure that we have timely control over the products they sell. For existing agents and licensors, once a merchant is identified by the Group as an undesirable merchant which commits counterfeiting, refuses to accept the Group's unified supervision, disrupts the online licencing system (e.g. malicious low price competition), acts in a way that tarnish the reputation of the Group or illegally resells labels, the cooperation will be terminated immediately and corresponding responsibilities will be pursued.

In order to further improve the quality of online sales, the Group launched a new round of review of online merchants at the end of 2021, shutting down the online franchise stores that had failed to deliver goods on time, provided poor quality products, provided poor after-sales services and tarnished the Group's reputation. After the 2021 summer collections sales fairs, the Group conducted a survey in the form of questionnaires to investigate the satisfaction of the agents with the sales fairs, with an aim to continuously improve the business model of agent sales and maintain a friendly and cooperative relationship with the agents. Based on the business interface with offline agents in 2021, the Group did not receive any complaints from agents as at the end of December 2021.



9 Community Investment

Actively taking up social responsibilities and making contribution to society is a core obligation of a company in the course of its development. In pursuit of business growth, the Group has also made efforts in building a beautiful and harmonious society through active participation in social welfares as a means to contribute to society.

9.1 EMPOWERING INDUSTRIES AND REVITALISING RURAL AREAS

In order to actively respond to the national rural revitalisation strategy and implement the rural revitalisation work in the industry, the Group entered into a Memorandum of Understanding for Strategic Cooperation with the People's Government of Susong County of Anhui Province in October 2021, and Jiatuo (Shanghai) Information Technology Co., Ltd., a wholly-owned subsidiary of the Group, entered into a Letter of Intent for Investment in a Joint Venture Project with Anhui Hongai Industrial Co., Ltd., a well-known local textile and garment enterprise in Susong, to build a strategic partnership for win-win and sustainable development to give new development momentum to the textile and garment industry in Susong County. The partnership leverages the Group's advantages in industry status, brand operation, channel expansion and industrial empowerment to promote the quality development of the local garment industry, to increase local employment opportunities and to expand the market influence of local enterprises in the industry. The Group will also contribute to the revitalisation of the local rural areas and the development of the industry by driving the development of the rural areas through the development of the industry and creating a new type of industry that is modern, environmentally friendly, circular and integrated, thereby undertaking its corporate social responsibility.

9.2 JOINING HANDS TO FIGHT AGAINST THE PANDEMIC

Since the outbreak of the pandemic, La Chapelle has paid close attention to the epidemic situation, and has been actively involved in the prevention and control of the pandemic, taking up its corporate social responsibility.

In 2021, due to the local government's need for a quarantine hotel to strengthen epidemic prevention and control, we actively communicated with the hotel operator in the park area at headquarters and gained the understanding and support of our partner to set up the hotel as a quarantine hotel for quarantined people and medical staff to relieve the government's pressure to prevent and control the pandemic, thereby fully assuming our corporate social responsibility and demonstrating the Group's community responsibility. Meanwhile, in order to minimise the impact of the quarantine hotel on the psychological well-being and working life of the staff in the park area, we firstly consulted the staff on setting up a quarantine hotel; secondly we required that the passage to the quarantine hotel to be completely blocked, the drainage system be independent, and the hotel's operation be kept distance from the surrounding area, so that no secondary pollution will be caused to the surrounding area. In addition, we have obtained supporting information from the relevant authorities and promoted the plan of the operation of other quarantine hotels to the staff and tenants in the park area and posted notices in the park area so as to allay their concerns and worries.



9 Community Investment

9.3 PROMOTING PUBLIC WELFARE AND SERVING THE SOCIETY

The Group supports the local government and is actively involved in community activities. In 2021, We actively respond to the public welfare call from the local government. With adequate venue advantages and hardware conditions of the Group's park area at headquarters, we have lent our site to the local authorities on a number of occasions for charity events for free. On 28 May 2021, we provided a meeting venue for the Wujing Comprehensive Party Committee to celebrate its founding; on 4 November 2021, we provided a banquet hall with a capacity of 200 people for the City Appearance Bureau of Wujing Town to support its bird protection publicity activities; on 16 November 2021, we provided the conference room on the 12th floor of the Company's headquarters for the use as a polling station for the 30th constituency of Wujing Town, to hold the National People's Congress General Election Conference. We are keenly aware that the development of enterprises invariably leverages on the help and support from the society and the community. Therefore, we have been contributing to the building of a harmonious society and a green community together with all staff by adhering to our principle of advocating the social responsibilities of enterprises and development idea of improving corporate social value.



Event Venue



Event Venue

10 Environmental Protection

The Group has long been adhering to its core value of “La Chapelle supports global environmental protection while pursuing a green earth”, while fully complying with laws and regulations including the Environmental Protection Law of the People’s Republic of China and Energy Conservation Law of the PRC. Through improvements in environmental management system, the Group has implemented green, low-carbon development and recycling in its business operations, in order to achieve the mission of “creating a better life”. In 2021, the Group did not violate any environmental laws and regulations.

Our major environmental protection concepts include:

- Using renewable packaging materials;
- Using energy-saving equipment in offices and other places of business;
- Encouraging employees to save resources in their daily work;
- Integrating environmental protection concepts into the design and production of clothing;
- Integrating the concept of energy conservation into site planning and construction.

10.1 USE OF RESOURCES AND EMISSIONS

The Group has more offline stores in mainland China, of which three logistics and storage centres and a headquarters office building consume energy all the time. We understand the importance of a good ecological environment for the long-term development of an enterprise. Therefore, we have always adhered to the development idea of Green business operation with energy conservation by striving to reduce environmental pollution and strengthening waste management and packaging material control to reduce our own environmental footprint and that of the entire value chain.

10.1.1 Energy Conservation and Green Business Operation

For the Company’s headquarters, we are committed to optimising office energy use and promoting and exploring sustainable office practices. Since 2020, we have taken the initiative to seek professional third parties to carry out energy-saving renovation of the headquarters’ electricity system in the park area. We have also taken into account the actual operating conditions and planned the progress of the project in a reasonable manner, so as to complete the energy-saving renovation work without affecting the normal work of our customers in the park area, and to ultimately achieve mutual benefits between us and our suppliers and users. At the same time, we optimised and renovated the facilities room of the data centre in 2021 by reducing the electricity consumption of the four racks to 2.2 kW/h through a series of energy-saving measures, realising good efficiency of reducing the annual energy consumption of the facilities room by 77,088 kW/h.



10 Environmental Protection

In our own offices at the Company's headquarters, we have also achieved our environmental protection goal of green office through proper control of the use of central air conditioning. We properly manage the use time of central air conditioning on working days (working hours on working days) and the use temperature (only when it is more than 30 degrees Celsius in summer and less than 10 degrees Celsius in winter). In addition, we have also installed independent VRV air-conditioning system in some of our offices to save energy and costs and to cater for the normal use of our employees under special circumstances. At the same time, we have always promoted efficient working by encouraging our employees to complete their tasks within working hours, through a series of cultural initiatives and rationalisation to reduce unnecessary energy consumption as far as practicable.

In terms of office paper, in order to facilitate centralised management, we arranged a common printer on each floor at the headquarters and promoted digitalisation of the office, requiring double-sided printing to make the most of paper resources and reduce the production of office waste. A total of 117,000 sheets of office paper were consumed at the Company's headquarters in 2021. The three warehousing and logistics centres consumed a total of 240,000 sheets of paper.

For our offline stores, although we have limited influence on equipment used and electricity consumed by our business outlets in department stores, we still make our best efforts in saving energy. In 2021, the Group replaced its lightings with LED lamps in new store design and renovation of old stores,

so all of our stores now use LED lighting. At the same time, calcium silicate boards, featuring low formaldehyde content, fireproof, environmental friendliness and longer useful life, are used in the store decoration. As such, losses of resources can be significantly reduced.

In addition, the Group recycled certain demolished materials from closure of stores such as hanging logos, LED lightings and shelves, which were protected during the demolition. The recycled items that are in good condition for secondary use are stored in the warehouse and sent to other new stores for reuse.

We have actively fulfilled Shanghai's requirements on garbage sorting by promoting and training our employees on environmental protection awareness and social responsibility. In accordance with the Regulations on Domestic Waste Management of Shanghai, and taking into account the actual garbage generation and disposal, the Group specifically formulated the Garbage Sorting Management System to ensure strict compliance of all departments with garbage sorting standards and raise the employees' awareness of garbage sorting. With joint efforts, standardised garbage sorting helps create a clean office environment and a beautiful living place. We set up a garbage room in the office building in the park, and inspect and supervise the practice of garbage sorting on a regular basis. For food waste, we actively promote the Eat up Action to our employees in order to reduce food waste at source.

Key performance results

Electricity consumption

Category	Unit	2021
Electricity consumption	kWh	3,680,166.74

Fuel energy consumption

Category	Unit	2021
Natural gas	m ³	58,969.74
Gasoline	Tonne	11.84



10 Environmental Protection

Non-hazardous waste

As our business does not involve direct production, all waste generated by the Group's operation is non-hazardous. The non-hazardous waste generated in the park area at headquarters is mainly office waste and food waste, which is collected and disposed of by the property. In 2021, the Company's headquarters sorted a total of 1,856 barrels of garbage, with a total input amount of RMB65,000. Among them, 1,461 barrels of dry garbage were sorted, with an input amount of RMB51,000; 395 barrels of wet garbage were sorted, with an input amount of RMB14,000.

10.1.2 PRESERVING WATER RESOURCES

Water is the source of life. As we are fully aware of the scarcity of freshwater resources, we post slogans next to the water facilities in our office buildings to enhance employees' awareness of water conservation. Water-saving taps are used in construction projects and the faucet taps in office

buildings have been changed to automatic faucets since 2020. In addition, we have reasonable control over the water consumption and the condition of the water pipe network, and special personnel are assigned to be responsible for maintenance of water pipe network. We also arranged the property personnel to record the water meter usage on a daily basis and observe whether there are any irregularities to detect any water leakage in a timely manner to prevent the phenomena of "spraying, dropping, dripping, and leaking".

Our water sources are mainly from municipal water and we have no problems in obtaining water. The park area of the Group's headquarters is equipped with a rainwater harvesting system, which can cover the greening maintenance and watering needs of the park every day except in summer when the temperature is high. In terms of sewage discharge, only daily domestic sewage is produced in the park area of headquarters and logistics park, and they are connected to the urban sewage pipe network for unified treatment.

Water consumption

In 2021, the Company's headquarters has set the energy saving target of water consumption per capita not exceeding 40L/day, and this target has been achieved by the end of 2021.

Category	Unit	2021
Water consumption	m ³	75,531.39

10.1.3 Packaging with Low Environmental Impact

Our products are all well-packed as we have to ensure that they, whether purchased online or from a retail outlet, are delivered to our customers in good condition. Therefore, the packaging materials are also a key area of concern for our sustainable development.

The Group's packaging materials are mainly used in logistics and retail. Recycling functions are set up in each part of the supply chain flow to recycle and reuse packaging materials, in order to reduce wastage of resources.

In the logistics segment, the Group advocates saving packaging materials as much as possible and avoiding excessive packaging under the premise of effective protection of goods. At the current stage, the Group will focus more on the use of the packaging materials that can be effectively managed. For example, the Group will recycle certain carton boxes and transfer unrecyclable carton boxes to qualified waste recycling agencies.



10 Environmental Protection

In the retail segment (which is further divided into online sales and store sales), major packaging materials used for online sales are plastic bags. Since October 2015, the Group has used a more eco-friendly PE (polyethylene) material for the packaging of its new products. For store sales, the major packaging material is paper shopping bags. Paper bags provided by the Group are made of eco-friendly recyclable raw materials (reusable paper), which can be reused or recycled after initial use. We purchase packaging bags in a centralised manner and distribute them to stores to ensure that we can control and trace each step of the process.

The Group has tightened the management of paper bags in retail stores, and the number of paper bags to be used is based on the number of customers' purchase vouchers. In addition, the Group has also encouraged the reuse of PE plastic bags in retail stores. After removing packing materials of the products, all reusable PE plastic bags will be collated, classified and reused for packaging in case customers return their goods. When packing the merchandise, we make good use of the space inside the packaging and use only when necessary.

Packaging material consumption

Category	Unit	2021
Paper bag	Piece	170,600
PE packaging bag	Piece	227,000
Plastic tape	Roll	13,372

10.2 ACTIVELY ADDRESSING CLIMATE CHANGE

We are keenly aware of the fact that the current hot topic of climate change is a global macro problem, and therefore, we identified the environmental, social and climate-related risks we face and assessed their actual and potential impacts on our operation, strategy and financial performance, with reference to the framework of Task Force on Climate-related Financial Disclosures (TCFD).

In terms of governance, we have initially established our governance of environmental, social and climate-related risks and opportunities, with a clear understanding of the supervisory responsibilities of the Board for ESG matters and the support that management should give.

We identify climate-related risks and opportunities based on business characteristics. In terms of physical risks, acute physical risks, namely extreme weather events, are the focus of our current attention. Our apparel procurement and distribution between logistics parks and stores may, on the one hand, be directly affected by commuting and transportation interruption caused by extreme weather events, and on the other hand, be indirectly affected by supply chain under extreme weather events. For example, if the supply of electricity and tap water in the location of the operation premise is insufficient or interrupted due to extreme weather, our operation and sales guarantee will be affected. In addition, when acute physical risks arise, consumers will be less willing to go out and shop traffic may be reduced.



10 Environmental Protection

In this regard, we have combined direct sales, agency and franchise business models in our offline sales channels, and have rationally planned the diversity of suppliers' regions to reduce the risk of vulnerability to extreme weather caused by centralised procurement. We have established contingency plans for extreme weather or major emergencies in urban settings through regular training, and our store staff were actively involved in various emergency drills in our shopping centres or department stores. We have also actively developed

our online sales channels with new areas of development such as livestreaming, which caters for youngsters' shopping habits nowadays and allows consumers to purchase our apparel without leaving their homes. In terms of chronic physical and transition risks, we have not yet identified any significant impact on our business, but we will continue to monitor changes in policies and regulations, technological innovations, consumer preferences and make preparations proactively so as to deal with climate change, an issue of global concern.

Greenhouse gas emission

Category	Unit	2021
Scope 1: direct emissions ¹	tCO ₂ e	164.75
Scope 2: indirect emissions ²		2,672.60

10.3 ENVIRONMENT AND NATURAL RESOURCES

To uphold environmental protection concepts (energy saving, aesthetics, environmental protection), the Group integrates those elements into its greening design with large areas of green plants and gardening, and fully utilise the space in the roof terrace to make it a roof garden. As a result, a comfortable work place is provided to employees.

- New headquarters complex in Wujing Town: There are up to 94 cultivation species with 9,151 trees and plants in total in an area exceeding 40,000m² that has been completed in the new headquarters complex in Wujing Town, representing a green coverage of 20%.
- Taicang Logistics Park: There are 44 landscape tree species with 2,054 trees in total in the 139,600m² area that has been completed in Taicang Logistics Park, which has created a garden-style logistics centre.
- Chengdu Logistics Park: There are 36 landscape tree species with 2,243 trees in total in the 59,800m² area that has been completed in Chengdu Logistics Park, which has created a good ecological environment for the park.
- Tianjin Logistics Park: There are 18 landscape tree species with 1,012 trees in total in the 66,700m² area that has been completed in Tianjin Logistics Park, which has provided green working scenes for users of the park.

¹ Greenhouse gas emissions (Scope 1) are calculated based on Appendix 4 of the China Energy Statistical Yearbook 2020, GHG Protocol, IPCC, 2014: Synthesis Report: Climate Change 2014, Reports of Working Groups I, II and III of the Fifth Assessment Report by Intergovernmental Panel on Climate Change, the Guidelines on Preparation of Provincial Greenhouse Gas Inventories (Trial, May 2011) and the Handbook for Energy Statistics (Department of Energy Statistics, National Bureau of Statistics of China, 2010).

² Greenhouse gas emissions (Scope 2) are calculated based on the average CO₂ emission factors of regional power grid in China in 2012 as set out in the 2011–2012 Average CO₂ Emission Factors of Regional Power Grid in China published by the National Development and Reform Commission of the People's Republic of China.



Appendix: ESG Reporting Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
A: Environmental				
A1 : Emissions	General Disclosure: Information on air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		10.1	33-37
	KPI A1.1	Types of emissions and respective emissions data.		37
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		37
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		Note 1
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		35
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.		33-37
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.		34-35



Appendix: ESG Reporting Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
A2 : Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		10.1	33-36
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).		34
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).		35
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.		33-36
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.		35
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		36
A3 : Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.		10.3	37
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.		37
A4 : Climate Change	General disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		10.2	36-37
	KPI A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		36-37



Appendix: ESG Reporting Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B: Social				
B1 : Employment	General Disclosure Information below in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5.1	11-16
	KPI B1.1	Total workforce by gender, employment type (e.g. full time or part-time), age group and geographical region.		11
	KPI B1.2	Turnover rate by gender, employment type, age group and geographical region.		Note 2
B2 : Health and Safety	General Disclosure Information below in relation to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issue.		5.2	17-18
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.		18
	KPI B2.2	Lost days due to work injury.		18
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.		17-18



Appendix: ESG Reporting Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B3 : Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		5.3	19-20
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		19-20
	KPI B3.2	The average training hours completed per employee by gender and employee category.		19-20
B4 : Labor Standards	General Disclosure Information below in relation to preventing child and forced labor: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5.4	21
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.		21
	KPI B4.2	Description of steps taken to eliminate child and forced labor practices when discover.		21
B5 : Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		7	24-26
	KPI B5.1	Number of suppliers by geographical region.		24
	KPI B5.2	Description of practices related to engaging suppliers, number of suppliers whom the practices are being implemented, as well as the way those practices are implemented and monitored.		24-26
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		24-26
	KPI B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored.		24-26



Appendix: ESG Reporting Index

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
B6 : Product Responsibility	General Disclosure Information below in relation to health and safety, advertising, labelling and privacy matters of products and services provided and remedial measures: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		8	27-30
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Note 2
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.		30
	KPI B6.3	Description of practices related to observing and protecting intellectual property rights.		29
	KPI B6.4	Description of quality assurance process and recall procedures.		27
	KPI B6.5	Description of consumer data protection and privacy policies, and the way they are implemented and monitored.		29
B7 : Anti-corruption	General Disclosure Information below in relation to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		6	22-23
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		23
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and the way they are implemented and monitored.		22-23
	KPI B7.3	Description of anti-corruption training provided to directors and staff.		22



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Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspects	Content		Sections	Pages
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.		9	31-32
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sports).		31-32
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		31-32

Note 1: Operations of the Group do not involve hazardous production.

Note2: The KPIs of these social aspects are temporarily not disclosed.

