



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 2022


(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. The reporting period is from 1 January 2022 to 31 December 2022. 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 and the Group's official website.

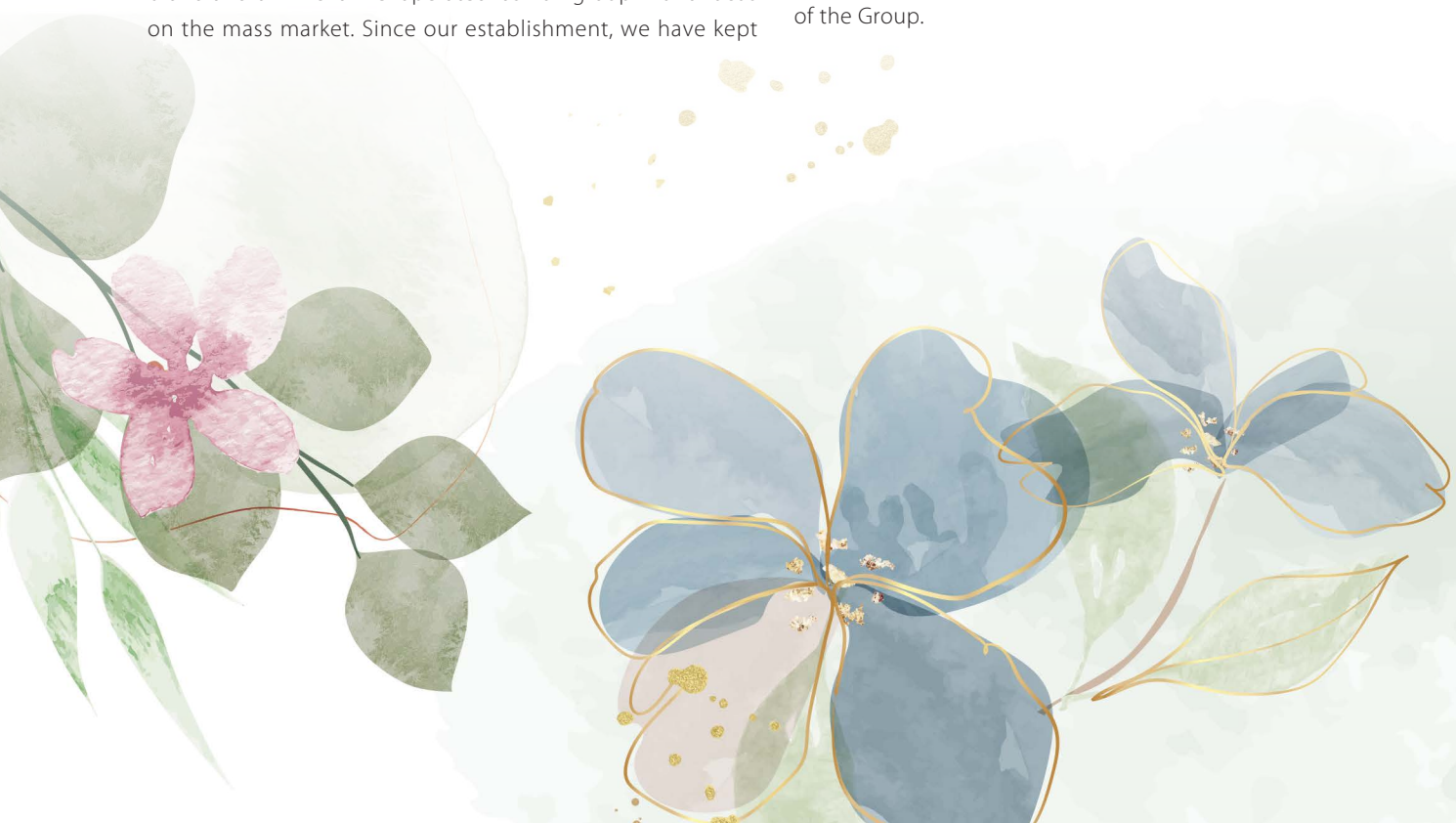
THE GROUP'S BUSINESSES

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. 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.



1 About This Report

During the reporting period, the Group's operating revenue was RMB198 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 electricity and water usage covers the Group's 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,

During 2022, the global economic environment remained complex and volatile. The apparel industry faced many challenges while the Company was at a critical stage of actively exploring new business models. Nevertheless, clothing, food, housing and transportation are unchanging human needs, and therefore, we believe that these unique experiences of the past three years will become as valuable as La Chapelle's history of over 20 years, and we are well prepared to start anew from the "heart".

With light shining in our hearts, we are not afraid of the long road ahead. Looking back, we would like to show our appreciation for the tireless efforts of our employees and the silent support of their families, which enabled La Chapelle to maintain stability in its core teams during the special period to keep up its ongoing operations. We would also like to thank our various stakeholders, including shareholders, debtors, the government and suppliers, whose patience and tolerance gave La Chapelle the time and space to explore a transformative path through business model change to meet their own requirements. We are grateful to our customers and consumers for their sincere cooperation and demand communication, which enabled us to follow the industry trend and market rhythm in accordance with the mindset of "rebranding and brand protection" to win back consumers.

In the past year, while focusing on brand empowerment and operational services, we strived to achieve both quantitative and qualitative transformation, driving the Company back to a path of positive growth. In the meanwhile, we never forgot our responsibilities and insisted on winning trust, sincerity and respect with our actions.

For our employees, we strengthened internal communication, enhanced team cohesiveness, and cultivated a spirit of positive and hardworking collaboration. We also cared our employees by providing benefits so that work felt like "home". Particularly, the distribution of living materials in special times effectively alleviated the worries, and employees could work with increased passion. For our products, we bore in mind the corporate mission of "creating a better life", actively adopting pre-emptive quality control measures, strictly adhering to the bottom line of quality and continuing to develop new high-quality products. During 2022, we

brought the artistic elements of Dunhuang to the public life, introduced the Dunhuang culture to every consumer, and became the spreader, promoter and successor of the Dunhuang culture. For our customers, we increased the proportion of self-operated business in online channels, adopted the form of our self-operated core online stores + livestreaming sales of offline stores as well as integrated offline retail outlets with social e-commerce, livestreaming sales, WeChat mini-programs and membership malls. We empowered retail stores by drawing more traffic, realized multi-level access to consumers, and at the same time "opened new stores, opened good stores" in the offline mode to provide consumers with a better shopping experience. For environmental protection, under the long-term promotion of the concept of "La Chapelle supports global environmental protection while pursuing a greener Earth.", all departments of the Company made efforts to coordinate and optimize the information system and server configuration from their respective professional fields, rationalize the arrangement of product label information, carefully select light-weight packaging materials to reduce the secondary packaging of express delivery, and open the new energy charging pile to the society to save energy and materials while improving quality and efficiency.

Looking ahead, we will continue to carry out the brand's initial aspiration and development concept of "designing for a better life", speed up the pace of transformation and adjustment, focus on product improvement, channel layout and model innovation, fully exploit the advantages of brand operation, channel expansion and digital system, and strengthen the construction of brand layers with, rejuvenation and quality. With a more rejuvenated brand image, more creative products, reasonable prices and a better shopping experience, we will provide every consumer with fashion products and associated lifestyle, so that La Chapelle will continue to be a reliable and responsible national brand close to the masses of consumers, with a leading performance ratio and attitude.

It is mid-spring, and the flowers are already in bloom at the time of writing. We are looking forward to better returns over the next year. There is a long road ahead, and we are willing to work together with all of you for our long-term sustainable development.

President
Ms. Zhang Ying



3 ESG Statement of the Board

In order to standardize the environmental, social and governance (ESG) management mechanism and improve the quality of ESG management, the Group has established an ESG governance structure with the Board of Directors (the "Board") as the highest level of responsibility and ultimate decision maker on ESG matters. The Board is fully responsible for the matters of overall ESG direction, strategy, objectives, performance and reporting of the Group. 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, benchmarking of industry best practices and making reference to disclosure indicators of industry peers 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 2022 and was approved by the board on 30 March 2023.

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 in our daily management. 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 donated supplies to the community on a number of occasions during 2022, contributing warm strength to the pandemic prevention and control and seriously implemented the national rural revitalisation strategy, 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 within the limits of our resources.

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, Legal Department, Human Resources Department, Administration Department, Merchandise Department, Supply Chain 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 materiality assessment.

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 also 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 Health and safety Training and development	Employee interview Internal email WeChat	At different intervals 7 class sessions
Shareholders/investors	Business strategy Corporate governance Investment returns	General meeting Online briefing of annual results Investor hotline	3 general meetings At different intervals Answering calls for enquiry positively
Governments/regulators	Operational compliance Paying taxes according to law	On-site investigation and interview Paying taxes proactively	At different intervals
Suppliers	Business development Transparency in procurement	On-site investigation Supplier conference	At different intervals 6 supplier ordering conferences
Consumers	Quality of products and services Product innovation	Official website/offline stores Member public account/Mini program New sales channels	At different intervals Broadcasting 180 WeChat articles via 3 official accounts
Media	Company operations	News interview	Replies to 5 interview letters
Community	Charity	Providing free venues for charity events	At different intervals

4 Summary of Environmental, Social and Governance Aspects

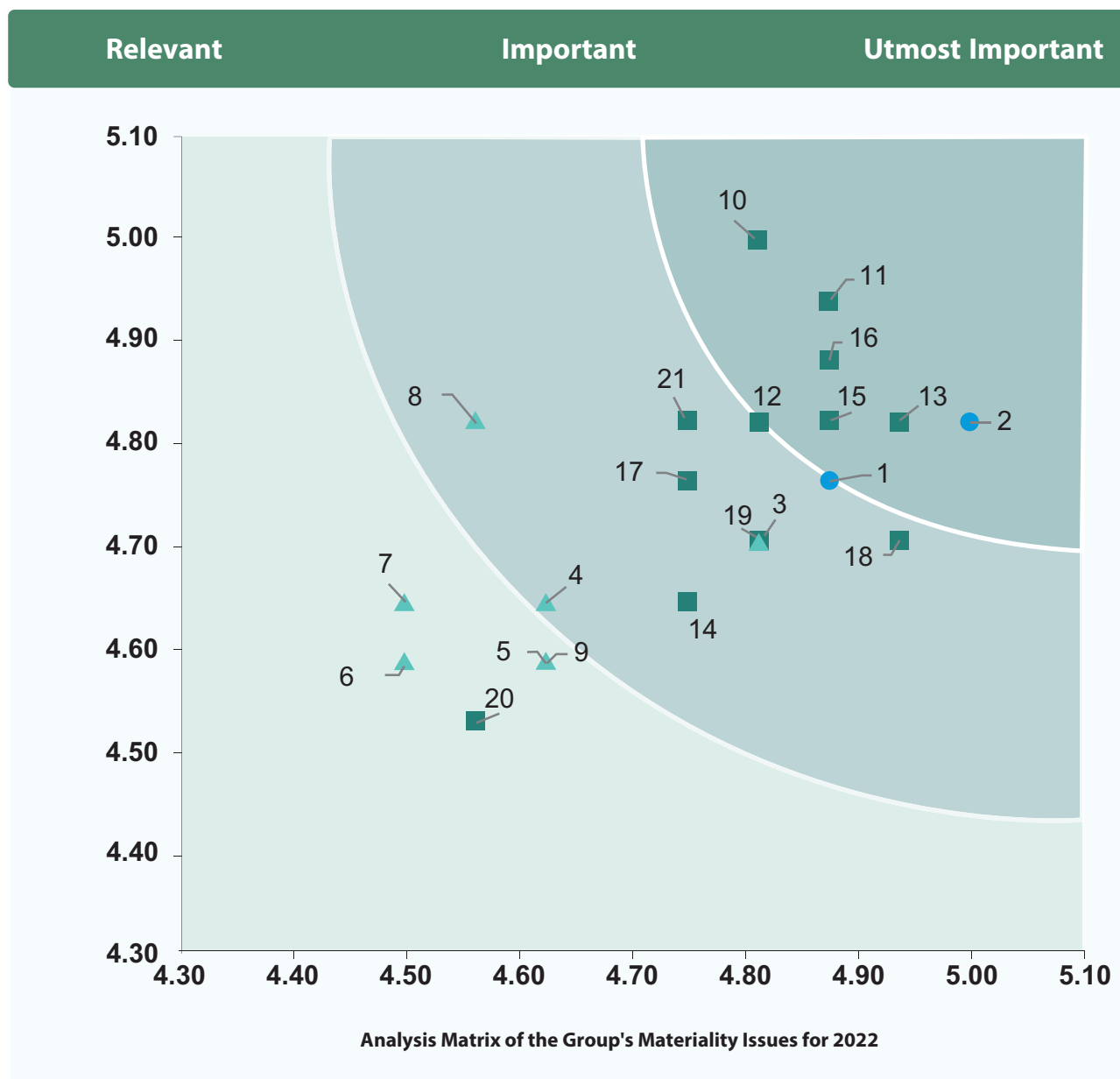
Materiality Assessment

The Group values the expectations and needs of stakeholders. In 2022, the Group distributed ESG questionnaires to stakeholders and organised a number of 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 Group, substantive topics that post relatively great impacts on the operations management 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 2022 ESG Report of La Chapelle		
Utmost important		
01 Corporate Governance and Operational Compliance	02 Anti-corruption	10 Product Quality and Safety
11 Employment and Employees' Rights	12 Diversity and Equal Opportunity	13 Code of Conduct
15 Occupational Health and Safety	16 Protection of Customers' Rights	18 Security of Information and Privacy Protection
21 Responsible Marketing		
Important		
03 Environmental Management and Compliance	04 Energy Management	08 Climate Change
14 Development and Training	17 Intellectual Property Protection and Technological Innovation	19 Supply Chain Management
Relevant		
05 Emission Management	06 Use of Water Resources	09 Greenhouse Gas Emission
07 Use of Packaging Materials	20 Community Investment and Community Activities	

4 Summary of Environmental, Social and Governance Aspects



5 Employment and Labour Standards

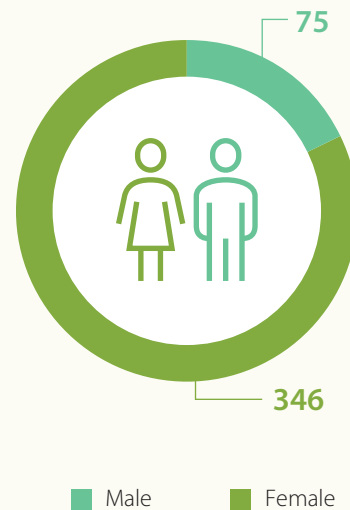
Talent is the core competitiveness of corporate development. We have gathered a group of employees who recognize our corporate culture to stick to their posts in adversity and move forward hand in hand. We insist on retaining people with equal emphasis on remuneration package, emotional connections and career path so that employees fight for growth together with the Group.

5.1 EMPLOYMENT

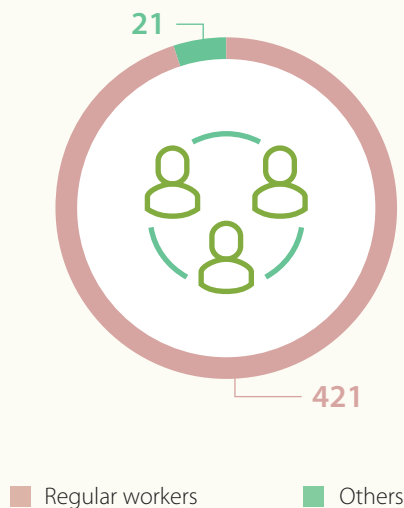
5.1.1 Standardised Employment and Protection of Rights and Interests

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. During the reporting period, the Group did not identify any discrimination in the workplace.

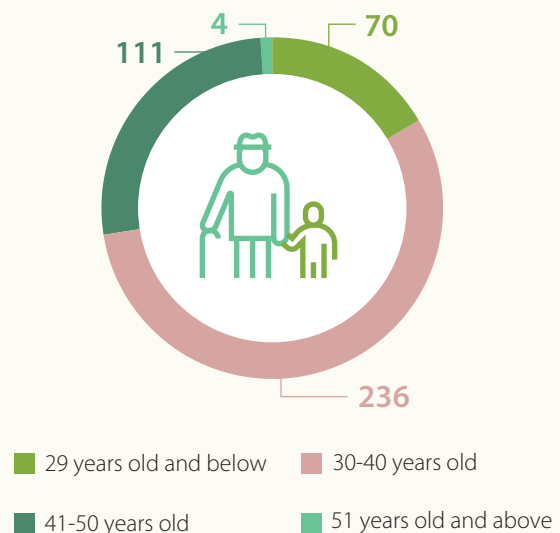
By gender (regular workers)



By type of employment



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 mandatory social insurances and housing fund in accordance with the laws, and assist employees in applying for residence permit points and those who meet the household registration conditions to apply for household registration. We provide free annual medical check-ups for our employees every year and upgraded the medical check-up plan in 2022. We grant food subsidies and festive gifts 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 significantly enhanced the employees' sense of belonging but also laid the foundation for a positive and harmonious working atmosphere.

5.1.3 Gym Facilities for Better Health

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 Group 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 Care for Female Employees in Practice

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 Democratic Management, 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, HR system and other channels. In 2022, the Group further improved the HR process by integrating the HR data maintenance, onboarding process, transfer process and resignation process into one single system, thereby improving the efficiency and accuracy of the process, solving the interface problems of systems, making it easier for employees and HR Department to work together, significantly enhancing data informatization and reducing the use of paper. 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, 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

5 Employment and Labour Standards

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, and providing employees with access to learn the related personnel information anytime and anywhere.

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 2022, 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.



5 Employment and Labour Standards

Case:

Spread of love: Festive activities for employees

In 2022, 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 2022 New Year Sports Games, Dragon Boat Festival, Mid-Autumn Festival and Christmas Eve.

On 1 January 2022, we organised a fun-filled New Year Sports Games, on which 4 sports events, including the team competition and individual competition of orientation running event, tug-of-war and Merge Snake, were held to enhance cooperation among teammates. During the Mid-Autumn Festival, we prepared mooncake gift boxes for our employees; right before Christmas, we prepared Christmas gift boxes 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.



New Year Sports Games



Distributing exquisite gift boxes to employees during Mid-Autumn Festival



5 Employment and Labour Standards



Preparing Christmas gift boxes for employees right before Christmas



5 Employment and Labour Standards

Case:

United and Strong: Distributing Supplies to Employees

In April 2022, we provided an allowance of RMB1,000 to employees who met the requirements at La Chapelle's headquarters and the Shanghai area. The Group put itself in

the staff's shoes and organized the logistics arrangements, delivering vegetables, meat, fruits and other urgent supplies to the staff to tide them over, and we worked together to overcome the difficulties in such a special period. After returning to work, the Group provided free alcohol, masks, antigens and other medical and health supplies.



A letter from the Labour Union



Spread the love by supplies donation



Supplies distributed to our employees

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 where our headquarters located at, 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 and tenants 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 Work 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 2022.



Fire Drill held on 12 December 2022

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, some employees required home health monitoring due to business trips. 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 recent 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, especially for employees who work directly with consumers on the front line or those who work under high intensity or high pressure for long periods of time. Leaders at all levels and labour unions communicate with employees from time to time to proactively care for their mental status and relieve their stress at work.



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 enterprise 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 Group'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. 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 2022, we laid more emphasis on the actual operation of the business in our training arrangements. The business training aims to achieve two objectives: to strengthen the foundation of corporate governance and to improve the professional skills of employees by provision of learning materials. 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.

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
13 January 2022	Special Training on Annual Reports for Listed Companies and NEEQ Listed Companies	9	2.5	Third party training
12-13 January 2022	2022 Adjustment Update on PRC Accounting Standards and Practical Application	12	12	Third party training
13 January 2022	Special Online Training on 2021 Annual Report of Listed Companies	8	2	Third party training
25 February 2022	Special Training on Corporate Governance	18	8	Third party training
7 November 2022	Anti-corruption Training	446	0.5	Internal organization
25 November 2022	Compliance Training for Directors and Employees	15	1	Third party training
13 December 2022	2022 ESG Report Training Session	13	1	Third party training

5 Employment and Labour Standards

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 enterprise and employees can be realised. In line with business restructuring of the Group, the employee structure of regional offices and the headquarters was reorganized, with positions integrated and newcomers introduced. 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. If internal recommendation is successful, employees will also receive a reward. We embrace the changes of the time by adopting online recruitment and relaunching the management trainee program in 2022.

As a result of changes in the Group's business strategy and the market environment, quite a few employees left the Group in 2022. 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.



Online recruitment photos



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 Group does not employ child labour), and the Human Resources Department is responsible for reviewing and verifying the identification documents of applicants by means of informatization 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.

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 Group 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. During the reporting period, we conducted the “Anti-Corruption Training” for all headquarters staff to raise employees’ awareness of common corruption pitfalls and fraudulent practices in procurement, and to assist them in reducing the risks associated with procurement. A total of 446 employees of the Group attended the anti-corruption training, of whom 70 were male and 376 were female, and 13 were core management staff, with the average length of training per person being 0.5 hour. In addition, we sent a series of anti-corruption training documents to our directors, supervisors, senior management and all staff by mail, so as to continuously enhance the Group’s emphasis on anti-corruption work and awareness.

6 Anti-corruption

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 Centre 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 2022, 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. 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 mailbox of the president's office.

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 27 September 2022 just before the National Day, in order to regulate the operation of our offline stores and send holiday risk warnings, we particularly issued the "Friendly Reminder for the National Day (Ten Prohibitions on Risk Control)", 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 whistle-blower is strictly confidential and maintains the principle of minimization for knowledge sharing 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 benign development of the Group's business, as well as maintaining a healthy market environment. The staff of the Supervision Department check the Group'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 2022, 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 2022, 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 the Centralised Purchase System. 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 the reporting period, the Group has cooperated with 111 domestic suppliers, 62 of these suppliers were in Zhejiang Province, 33 in Shanghai, 6 in Jiangsu Province, 8 in Guangdong Province, 1 in Anhui Province and 1 in Hubei Province.

The supply chain management centre continued to facilitate the establishment of a coordinated and rapid response mechanism involving planning, product and supply chain. Based on the previous foundation, we identified stronger suppliers, enriched product categories, diversified procurement and improved quality, 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 physical market environment during recent years 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 cooperation channels offline and authorising quality online partners since 2020. 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 2022, 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 2022, we reduced the use of office paper by 47% compared to the previous year, saving approximately 54,500 pieces of paper.

Apart from online purchasing, the Group developed an information system for supplier settlement in 2018 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.

In selecting suppliers, the Group has established basic criteria for supplier development, giving equal importance to quality, cost, delivery and service. Among these four factors, quality is the most important. Firstly, we have to ascertain whether the supplier has established a stable and effective quality assurance system, and then to ascertain whether the supplier has the equipment and process capability necessary for the production of specific products. The second important factor is the cost and price. We have to use the value engineering approach to conduct the cost analysis of the products involved, and to achieve cost savings through win-win price negotiations. In terms of delivery, we have to determine whether the supplier has sufficient production capacity, whether there are adequate human resources and whether there is potential to expand the production capacity. Last but not least, the supplier's record of pre-sales and after-sales service is also very important..

7.3 RESPONSIBLE PURCHASING WITH ON-SITE EXAMINATION

The Group focuses on design and marketing. All goods provided to customers are sourced from suppliers, so we are prudent in new supplier admission and appraisal in our daily work to ensure the merchandise quality. To realise sustainable development of the supply chain, the Group signs the Social Responsibility Commitment Letter and Anti-Commercial Bribery Agreement with suppliers. 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 also 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 2022, 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 jointly promote product quality. As a result, 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 RISING TO THE CHALLENGE OF EXPLORATION AND TRANSFORMATION

During the reporting period, the Group focused on improving the refined management level of its offline channels, while continuously exploring new business models and accelerating the establishment of online channel brands to empower the new landscape of the industry. As of 31 December 2022, the Group had 218 brick-and-mortar outlets, of which 114 were directly operated and 104 were franchised/jointly operated outlets. We 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. In order to better manage our licensors and clarify the licensing process, we have established the “Licensing Business Management System”, and our on-site visits to our licensors accounted for over 80% of the total. During the reporting period, the Group strengthened 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.

Since 2020, the Group has commenced an asset-light operating model, which has resulted in a significant reduction in the daily operating expenses of the Company. 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 several major updates of its sales RMS system. In 2022, against the backdrop of the popularity of Chinese elements, the Group cooperated with the Dunhuang Museum to bring the artistic elements of Dunhuang to the public life through trendy fashion, to introduce the Dunhuang culture

to every consumer, to become the spreader, promoter and successor of the Dunhuang culture together and to re-empower our stores.

8.2 EXPANDING BUSINESS BY INNOVATIVE LIVESTREAMING SALES

During the reporting period, the Group improved the efficiency of the use of working capital, and it also made progress in the expansion of its online business channels. Online authorised platforms mainly included: channels such as Tmall, Taobao, TikTok, JD.com, Pinduoduo, Kuaishou, Aikucun and Vipshop, 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. In addition, the Group has launched a number of large-scale discount activities, such as “2022/10/1-2022/10/16 La Chapelle Internal Shopping Fair (Store Relocation)” offering sale up to a 90% discount and “2022/12/8-2023/1/16 Annual Shopping Festival” offering sale of a 90% discount for all items. 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.

As the livestreaming sales business places higher requirements on network stability, IT Department has taken a number of response measures: opening multiple high-bandwidth lines with fixed IP to protect the livestreaming service; deploying all core network equipment in the HA mode to ensure high availability of livestreaming; monitoring and controlling the livestreaming lines and network equipment to protect the livestreaming service from being affected. The Group standardises the management of its



8 Product Responsibility

online licensors' livestreaming trademarks and the product display of its offline agents, and provides training on regulated marketing.

8.3 INTEGRATING GREEN ELEMENTS INTO QUALITY FASHION

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 meet relevant national quality standards such as the National General Safety Technical Code for Textile Products (GB 18401-2010). In 2022, 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 each of the products to professional third-party organisations for internal quality inspection, and mass production is allowed only after passing the inspection and suppliers are required to provide inspection reports; arranging QC personnel to conduct final inspection in the factory at the end of the production period of each of the products, and allowing the products to enter the warehouse after passing the random inspection. In every month, physical, chemical and appearance inspection is carried out on 3-5 items on a random basis.

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 2022, the Group had no products to be withdrawn for safety and health reasons and the pass rate of both the first and second inspection improved compared to 2021.

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 terms of product labels, we have reduced the number of labels by rational planning on the basis of ensuring adequate information identification, thereby saving paper. For e-commerce logistics, we carefully select packaging materials to reduce secondary packaging for express delivery, which has contributed to the sustainability of the supply chain and promoted the ESG concept to consumers.

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. For example, the new brand Aixi (艾希) focuses on environmental protection in terms of philosophy and creates a style of living with nature, so it gives priority to natural and renewable fibres in its product materials, and promotes conservation to reduce the impact on the environment.



8 Product Responsibility

8.4 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.

8.5 WHOLE-HEARTED SERVICES AND EMPOWERING PARTNERS

As at the end of the reporting period, our offline stores (including agency and directly operated) basically did not receive any complaints. If there was any customer feedback, it could be solved on the spot. We had received approximately 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 licensors to produce third-party quality inspection reports that comply with national quality inspection standards and the Group's quality inspection standards. Since 2021, 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 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 has launched a new round of review of online merchants since 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. The Group's daily maintenance of services of offline agents is mainly conducted through emails, and the Group will handle the return of products from offline agents and provide data and information to assist offline agents in selling products, etc., with an aim to continuously improve the business model of offline agent sales and maintain a friendly and cooperative relationship with the agents. Based on the business interface with offline agents in 2022, the Group did not receive any complaints from offline agents as at the end of 2022.



8 Product Responsibility

8.6 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, and employees are required to sign confidentiality agreements. 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. 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.

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, we continued to adopt the Data Security and Customer Privacy Protection System published in 2021 to further implement the management requirements for the protection of consumers' personal information.

8.7 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 2022, the Group continued to adopt 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. The system has received nearly 1,000 terminal enquires as at the end of the reporting period, providing effective aid to internal anti-counterfeiting and external consumers' identification of authenticity. In addition, based on big data analytics and occasional inspections, we reported any clues identified to the public security system in a timely manner and cooperated with the authority in anti-counterfeiting enforcement to safeguard the reputation of the La Chapelle brand and protect consumers from being misled or deceived.



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, contributing to the building of a better and harmonious society.

9.1 EMPOWERING INDUSTRIES AND PROMOTING INVESTMENT

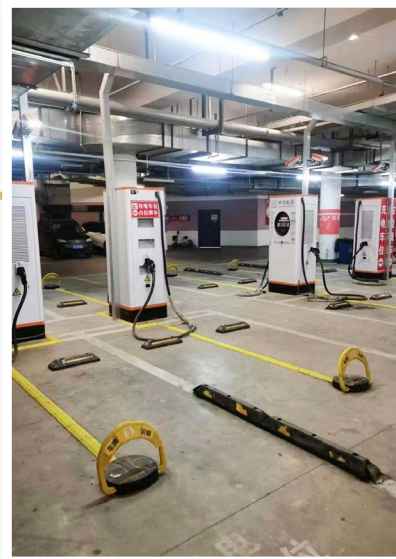
In order to actively respond to the national strategy and promote industrial development, on 16 February 2022, the Group held an investment promotion conference of Wujing Town at the Group Conference Centre, where Mr. Wang Xuezheng, Deputy Secretary of Party Committee and Mayor of Wujing Town, presented “Technology of Wujing”, “Trend of Wujing”, “Scientific Innovation of Wujing”, “Supporting Facilities of Wujing” and “Ecology of Wujing” to the attending enterprise representatives and guests via online connection of windows of 6 experience officers. At the same time, the

upcoming “Guidelines for the Industrial Development and the Implementation of Supporting Policies of Wujing Town” were previewed, inviting more “Partners of Pujiang First Bay” to join. With high quality services, the quality of urban functions will be upgraded, and the protection of people’s livelihood will be greatly improved, so as to make city life more technologically enhanced and community life more humanistic.

In recent years, a number of policies and measures have been introduced nationwide to promote the research and development and use of new energy vehicles. With the increasing popularity of new energy electric vehicles, the number of electric vehicles is also increasing. Therefore, the Group has rationalized the layout planning by adding new energy parking spaces for the convenience of employees who use new energy vehicles and also for the community, establishing charging facilities for new energy vehicle owners.



New energy parking spaces



9 Community Investment

9.2 JOINING HANDS FOR SOCIAL WELFARE

La Chapelle has paid close attention to the community needs, taking up its corporate social responsibility.

On 7 April 2022, La Chapelle donated supplies to Wujing Township Economic Development Office, including 20 cartons of instant noodles, 100 bottles of milk, 6 cartons of coke and 247 pieces of clothes, with a total amount of RMB66,403. In June 2022, the Group also purchased 1,000 pieces of clothes for donation to Dapuqiao Street to fully support the frontline medical personnel, with a total amount of approximately RMB269,000.



Photo of supplies donation and donation certificate

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 2022, 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. In 2022, the Company reduced its annual electricity consumption by 16,644 kW/h by optimizing business processes, updating information systems and reducing server usage.

In our own offices at the Group’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 28 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 62,000 sheets (2021: 117,000 sheets) of office paper were consumed at the Company’s headquarters in 2022. The three warehousing and logistics centres consumed a total of 135,000 sheets (2021: 240,000 sheets) of paper.



10 Environmental Protection

For our offline stores, although we have limited influence on equipment used and electricity consumed by our business outlets in shopping malls or department stores, we still make our best efforts in saving energy. In 2022, 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 according to the requirements of shopping malls. As such, losses of resources can be significantly reduced.

In addition, the Group mostly used light-weight materials in the festive decorations of offline stores and increased reusable scenarios through forward-looking visual design considerations to achieve the purpose of material recycling.

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. In addition, in order to increase the occupancy rate of vacant offices, the Group reduced the rent and property management fees in early 2022 to bring in tenants to the park.



Slogan at the canteen

Key performance results

Electricity consumption

Category	Unit	2022
Electricity	kWh	3,763,051.47

Fuel energy consumption

Category	Unit	2022
Natural gas	m ³	100,131.00
Gasoline	Tonne	7.95

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 2022, the Company's headquarters campus complex sorted a total of 3,196 barrels (2021: 1,856 barrels) of garbage. Among them, 2,860 barrels (2021: 1,461 barrels) of dry garbage were sorted and 336 barrels (2021: 395 barrels) of wet garbage were sorted. All of our domestic waste is sorted in strict accordance with garbage sorting standards. Through the daily promotion to our employees, posting of publicity brochures, posting of garbage sorting labels and participation of property personnel in garbage sorting, garbage sorting was carried out satisfactorily and effectively in 2022, and no environmental safety incident occurred due to failure in sorting or random disposal.

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 2022, the Company's headquarters has set the target of water consumption per capita not exceeding 40L/day, and this target has been achieved by the end of December 2022.

Category	Unit	2022
Water consumption (Note 1)	m ³	57,442.43

Note 1: Some floors of the headquarters building are used for rental purposes, so the water consumption includes the water consumption of some tenants.

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 store, 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 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. In 2022, we optimized the label settings for garments, reducing from 3-4 labels per garment to 1-2 labels per garment while adequately conveying the fabric wash and care information.

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	2022	2021
Paper bag	Piece	131,300	170,600
PE packaging bag	Piece	450,000	227,000

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. In this regard, our flourishing online business can well mitigate the impact of acute physical risks on our offline store business.



10 Environmental Protection

Climate factor is a complex factor in the production of apparel products. If climate can be used as a prediction tool to guide adjustments on the apparel product categories and thickness of our online production, this will make our clothing more adapted to climate change and reduce the production of out-of-season products, thereby improving the sales of products. We will also establish the objective of the sell-through rate in the sales results assessment indicator for the relevant positions. In other words, products should correspond to certain quarterly requirements. Only those which highly correspond to quarterly requirements can be quickly sold soon after putting on the shelves, thereby reducing the inventory backlog and avoiding the waste of excessive input resources. 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	2022
Scope 1: direct emissions	tCO ₂ e	243.22
Scope 2: indirect emissions		2,689.25
Total		2,932.47

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 workplace 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 40,200m² 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.

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	32-34
	KPI A1.1	Types of emissions and respective emissions data.		34
	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).		36
	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).		34
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.		33
	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.		33-34

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	32-34
	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).		33
	KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).		34
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.		34
	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.		34
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		35
A3: Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.		10.3	36
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.		36
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	35-36
	KPI A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		35-36

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	11-13
	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
	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

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).		20
	KPI B3.2	The average training hours completed per employee by gender and employee category.		20
B4: Labour Standards	General Disclosure Information below in relation to preventing child and forced labour: (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 labour.		21
	KPI B4.2	Description of steps taken to eliminate child and forced labour practices upon discovery of breach.		22
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.		25
	KPI B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored.		25

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	27-29
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		28
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.		29
	KPI B6.3	Description of practices related to observing and protecting intellectual property rights.		30
	KPI B6.4	Description of quality assurance process and recall procedures.		29
	KPI B6.5	Description of consumer data protection and privacy policies, and the way they are implemented and monitored.		30
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.		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
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sports).		31
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		31

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

Note 2: This KPI is temporarily not disclosed, as the Group has been facing certain business adjustment in recent years.

