



KEEP GAP \ GRANT DIFFERENCE

# 2022 ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1817

*Better Me ...*

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## 1 OVERVIEW OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 1.1 About the ESG Report

This ESG Report covers the environmental, social and governance (ESG) performance of Mulsanne Group Holding Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”). This ESG Report illustrates the principal requirements of the Group in fulfilling its corporate social responsibility (“CSR”) and its CSR vision and commitments.

This report is prepared in accordance with the ESG Reporting Guide (the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This ESG Report complies with the “Comply or Explain” requirements and follows Materiality, Quantitative, Balance, and Consistency reporting principles during the preparation of the ESG Report.

It is recommended that this ESG Report is read in conjunction with the Company’s Annual Report 2022. The calculation methods implemented in this ESG Report are consistent with the last year’s report. Any choice, omissions, or presentation format that may influence readers’ decision-making or judgment has been avoided.

This ESG Report covers the period between 1 January 2022 and 31 December 2022 (hereinafter referred to as “FY 2022” or the “Reporting Period”). Unless specified, the monetary amounts shown in this report are all presented in RMB. Through this report, the Group hopes to enhance communication and build consensus with its stakeholders on the strategies and performance of the Group’s social responsibility and sustainability performance.

### 1.2 Reporting Scope

This ESG Report covers the entire group, including the general disclosure of the policies, measures, and compliance of environmental and social issues. The disclosure scope of the environmental key performance indicators (“KPIs”) in this ESG Report covers the Group’s operations and production bases in the People’s Republic of China (the “PRC”).

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

## 2 MAIN BUSINESSES AND MISSION OF THE GROUP

### 2.1 Main Businesses

The Group is a leading fashion menswear company based in China, which also covers unisex apparel segments. With its experience and execution capabilities in the fashion industry, the Group has optimized its brands to capture future market opportunities. The Group launched its flagship brand GXG in 2007 and catered to different menswear styles by introducing gxg jeans in 2010. In 2020, the Group launched MODE COMMUTER, a high-quality commuting apparel brand, which helped strengthen the brand portfolio of the Group. Each of the Group’s brands has a uniquely defined design identity and encompasses a range of products, offered in a variety of fits, fabrics, finishes, styles, and price points intended to appeal to a broad spectrum of customers.

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

### 2.2 ESG Mission

The Group is a proponent of sustainable development and pays much attention to the impact of its operations on ESG issues. ESG factors represent one of the fundamental components in determining the long-term prospects and financial performance of a firm. In the operation process, the group runs the business in an ethically and environmentally responsible manner, supporting and enhancing green development. The Group actively fulfils its environmental protection responsibilities and completely takes into account the environmental protection requirements across the entire product life cycle, so that the green development strategy can be implemented. In addition, the Group devotes plenty of resources to social and governance issues, taking employee development seriously, taking care of vulnerable groups in society, and actively undertaking social responsibilities.

The board of directors of the Company (the "Board") has well recognized the significance of ESG measures at the operational level. In seeking to achieve the business objectives, the Board attaches importance to and supervises the Group in balancing business development needs and fulfilling its ESG responsibilities.

The Board acknowledges its responsibility in the Group's ESG strategy and publication of the ESG report. The Board oversees the management of the Group's ESG performance by establishing an ESG management and supervision framework, regularly evaluating and identifying the Group's ESG risks, and ensuring that all departments take prompt and efficient action to significantly improve the Group's ESG performance.

The Board is responsible for formulating the Group's ESG development strategy, setting the strategic direction for the Company's sustainable development, and supervising the implementation of ESG measures by various departments in accordance with the strategic direction set by the Board. The Board identifies ESG-related issues through procedures such as analyzing the impact of business activities on the environment and society, evaluating stakeholder concerns, identifying important issues from the industry, developing reporting policies that adhere to the ESG Guide, and formulating corresponding plans. The Group conducts ESG risk assessment and performance analysis yearly and proposes more effective measures based on the results to promote the sustainable development of the Group.

### 2.3 Stakeholder Participation

The Group attaches great importance to communication with stakeholders to enhance the sustainable development of the Group. To fully understand the stakeholders' expectations and concerns, the Group continues to ensure effective and close communications with our stakeholders, including but not limited to employees, customers, suppliers and business partners, investors, governments, and community groups. The Group is committed to enhancing its sustainable value, maintaining and protecting the interests of stakeholders to the greatest extent while achieving growth in performance and scale.

### 3 QUALITY CONTROL AND RIGHTS AND INTERESTS OF CLIENTS

#### 3.1 Corporate Social Responsibility

As a leading enterprise in the menswear industry, the Group focuses on principal business, practices social responsibility, and incorporates the concept of sustainable development into the entire process of business operation. In the light of sustainable growth, the Group strives to encourage product innovation, highlight product quality, promote efficient supply chain management, resolve complaints promptly, and protect intellectual property as well as data security. Social responsibility is viewed as the Group's fundamental obligation and the sublimation and expansion of corporate value. The Group created clear and comprehensive instructions for quality assurance, supplier management, after-sale service, intellectual property, and data security to prevent any potential commercial or legal conflicts. The Group is committed to embracing its social responsibility to promote the welfare of society.

#### 3.2 Quality Assurance

In strict compliance with the relevant industry standards, such as the National mandatory standard GB 18401-2010 *National General Safety Code for Textile Products* 《國家紡織產品基本安全技術規範》, GB/T5296.4-2012 *Instructions for the use of products of consumer interest – Part 4: Textiles and apparel* 《消費者使用說明－第4部分：紡織品和服裝使用說明》, apparel industry standard GB/T2660-2017 *Shirts and blouses* 《襯衫》, FZ/T81007-2012 *Casual wear* 《單、夾服裝》, the Group arranges for training focusing on promoting knowledge of the standards to ensure that the quality control staff understand their responsibilities and execute them in practice. In 2017, the Group revised its corporate quality standard, thereby strengthening its internal standards and enhancing its product quality assurance. The Group has established a quality control system co-managed by product managers and their quality control department to increase market satisfaction and user experience, thereby safeguarding the Group's and its brands' reputations. From raw material procurement and OEM production to packaging and inventory storage, the Group puts stringent quality control standards in place during business operations.

The relevant measures and policies to ensure product quality are as follows:

- Before the formal production process, the risk assessment meeting of product quality is held to minimize quality safety issues.
- In the early stages of production, the management team is dedicated to preventing and early modification of any defects.
- Before the products are delivered to the warehouse, the quality check process and random inspections must be conducted, strictly following the AQL1.5 standard. Furthermore, the physical and chemical testing of goods should also be operated under the national standard.
- After the goods are delivered to the warehouse, the final appearance and functional inspections of the goods are conducted.
- Lastly, the Group continuously optimizes the after-sales service.

The relevant departments of the Group will recall and remove the same batch of products from the stores if it turns out that the product has quality issues. In FY 2022, the Group has no products that require to be recalled due to safety and health concerns.

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### 3.3 Supply Chain Management

To improve the efficiency of supply chain governance, the Group has formulated supply chain management policies, such as the “Supplier Management Regulations”, the “Supply Chain Efficiency Improvement Plan”, the “Supplier Quality Control Risk Assessment Guide” and the “Supplier Management System Process”, which includes supplier review, performance evaluation and correction, to monitor the procurement and management of suppliers to ensure qualified raw materials, finished products and efficient logistic service.

The Group implements appropriate rules on all suppliers and will immediately terminate relationships with those who have a significant detrimental effect on the environment or society. In FY 2022, the Group introduces 18 new suppliers and terminates engagement with 2 unqualified suppliers. As of 31 December 2022, the Group engaged a total of 250 suppliers, which are well-equipped to ensure the on-time and high-quality delivery of raw materials, final products, and effective logistic service.

The Group has established a collaborative working relationship with its suppliers that is widely distributed. 196 suppliers are in East China, accounting for 78.4% of the total number of suppliers engaged by the Group as of 31 December 2022. There are 41 suppliers located in South China, accounting for 16.4% of the total number of suppliers. Perceived by function, the Group cooperated with 179 OEM suppliers, 61 raw material suppliers, and 10 logistic suppliers, accounting for 71.6%, 24.4%, and 4.0% of total suppliers, respectively.

As of 31 December 2022, the percentage of suppliers of the Group is shown as follows:

Percentage of suppliers	%
<b>By region</b>	
East China	78.4%
South China	16.4%
Northeast China	3.2%
Central China	1.2%
North China	0.8%
<b>By function</b>	
OEM suppliers	71.6%
Raw material suppliers	24.4%
Logistic suppliers	4.0%
<b>Total</b>	<b>100.0%</b>

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The Group has established a Supply Chain Management Department with professionals responsible for factory audit and inspection of suppliers. To ensure that suppliers can deliver superior goods on time, the Group has set up the Supply Chain Management (SCM) online system to assess supplier performance. The Group conducts supplier evaluation on a quarterly basis, including suppliers' design, delivery time, product quality, service, production safety and environmental standards. Factors including costume design, delivery time and product quality account for 90% of the evaluation and other elements such as cooperation and interaction account for 10%. Based on the results of the quarterly evaluations, the Group divides its suppliers into two categories: primary suppliers and backup suppliers. To assist suppliers to improve professional skills, the group regularly organised the "Mulsanne Supply Chain Academy" programme for suppliers and engaged professional lecturers and experienced garment industry professionals.

The Group has a strict hiring and selection process for new suppliers and undertakes evaluations on its environmental and social performance, as well as the strength of the suppliers. Firstly, all the new suppliers need to fulfil the "Supplier Information Collection Form" including the corporate scale, previous partners, operating output, environmental certificate, and other pertinent business data. Then, the Supply Chain Management Department conducts an on-site assessment of new suppliers. Based on the evaluation of factors such as supplier qualifications, scope, product pricing, quality, customer service, social responsibility, and so forth, the "Supplier Site Evaluation Report" is prepared for each supplier candidate. For suppliers that have passed the preliminary assessment, the Group management team makes a joint decision and informs the assessed companies of approval or exclusion. For new suppliers, the Group prefers to choose manufacturing factories and suppliers with high-quality supply chains, which is a layer of guarantee for product quality and stable delivery time.

To promote our partners involved in green and sustainable development, the Group considers suppliers' environmental effects as part of the selection process. Based on quarterly assessments, the company will terminate the cooperation with suppliers who cause significant negative impacts on the environment and society. Suppliers are required to obtain the relevant environment permit and comply with the respective national requirements for water vapour treatments and wastewater discharges caused by dyeing and finishing fabrics and denim wash. To induce the preferred use of environmentally friendly products and services by suppliers, the Group encourages all suppliers to use recycled products and improve their craftsmanship. The Group's Supply Chain Management Department will check the certification of the supplier's use of recycled products and appoint professional staff to inspect the fabrics used and the garments made by the supplier.

The Group also sets detailed selection criteria for downstream distributors and opening a new offline store. The criteria for distributors are as follows (1) have strong economic strength; (2) have clothing operation experience including mainstream brands in the market such as fashion men's clothing, business men's clothing, and fashion women's clothing; (3) are young people with entrepreneurial enthusiasm, who are interested in the clothing industry, have insights into the clothing industry; and (4) are agree with the company's brand positioning, product style, support policies, post-company connection, and maintenance.

The requirements for opening a new offline store include but are not limited to the following things: (1) develop new markets in county-level cities and grant authorization; (2) store locations need to be located in major local business districts, such as street shops, shopping malls, and shopping centers; (3) the usable area of the store is more than 120 square meters, and the door head should be no less than 8 meters wide; (4) the annual sales performance of the store should be more than RMB1.8 million; (5) the deposit is approximately RMB150,000; and (6) the purchase price is 45% off the tag price and the return rate should not be higher than 20%.

As of 31 December 2022, the Group cooperated with a total of 174 downstream companies, including 27 partners and 147 distributors respectively.

### 3.4 Handling Complaints from Clients and Solutions to Complaints

#### 3.4.1 Complaints from Clients

The Group attaches great importance to its customers' rights and opinions. To better address customer opinions, complaints, and other concerns, the Group has built multiple channels for expressing complaints, including customer service at Tmall and JD e-commerce platforms, hotlines, and email systems. The Group has consistently upheld a high standard of customer service, attentively considering suggestions from customers and promptly resolving complaints and disagreements. During the Reporting Period, the Group received 167 complaints about after-sales services or products from all channels and none of the consumer complaints was due to safety or health issues.

#### 3.4.2 Solutions to Complaints

The Group always places a high priority on its product quality and safety. To reduce the risk of harming consumers or damaging the brand image, the Group has established several policies to reduce the possibility of defective products being marketed. The Group requires that all goods must meet the requirements of national physical and chemical standards such as GB 18401-2010 and GB 31701-2015 before entering the warehouse.

In response to complaints about after-sales service, the Group has set up several standard guidelines for handling different types of complaints such as quality-related complaints, and complaints due to issues with the official website, the coronavirus pandemic impacts, and delays in shipment. Upon receipt of a complaint, details of the complaint will be registered, and the After-sales Department will be assigned to deal with customer complaints carefully.

For quality-related complaints, the After-sales Department should first conduct a self-examination and negotiate with the customer for a refund or compensation if the product is not qualified. For complaints due to issues with incomplete information on the official website, the After-sales Department should negotiate with the customer for a refund, compensation, or reimbursement of a price difference, and improve the page processing in a timely manner. For complaints caused by inconvenient logistics or lost items during the epidemic, the After-sales Department should arrange re-delivery or refund processing. For complaints about untimely delivery, the After-sales Department should negotiate with the customer for a refund or compensation.

### 3.5 Intellectual Property Security

To protect intangible brand assets such as trademarks, patents and copyrights and avoid potential infringement risks, the Group formulates the "Specifications Regarding Intellectual Property Registration Application".

During the process of applying for registration, the head of the Group's Procurement Department examines and verifies the pertinent documentation before submitting it to the Legal Department. The staff of the Legal Department conducts preliminary checks of the applied logos and graphics, analyzes the probability of successful registration of intellectual property rights, put forward relevant opinions, and then submits a registration application to the Administration Department for final confirmation of registration.

The Group regularly monitors domain names and trademarks and renews them before expiry. The Group properly uses its registered domain names and various trademarks for a long period to protect intellectual property interests. In addition, the Group employs an independent legal service provider to enter into an intellectual property legal service agreement to resolve intellectual property issues and conflicts and protect the Group's rights.



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## 3.6 Information Security

The Group highly values the information security of customers, partners, and the Company and strictly complies with relevant laws and regulations. Furthermore, the Group developed two corporate governance guidelines, namely "Information Security Management Policy" and "Customer Data Security Policy" to ensure information security and protect consumer privacy. The "Information Security Management Policy" is an institutional guideline for ensuring information security, implementing security management, proactively preventing risks, and improving control measures, including computer equipment security, operation authority security of various application systems, password management security, personal computer file security, and server data security. Considering the actual situation of the Company, the "Customer Data Security Policy" is formulated to further strengthen the company's information security management, clarify the responsibility for customer information security management, and effectively prevent and dispose of potential customer information security risks. The regulations outline the guidelines for information security management, including hardware, software, data storage, and management to safeguard consumer privacy data more effectively.

The Group adopts stringent security procedures for the collection, processing, custody, use, and retention of consumer data, such as names, phone numbers, and addresses. All sensitive consumer information is handled in strict confidence by authorized personnel. In accordance with the applicable governance guidelines, the Group provides adequate consumer data protection training to relevant employees to prevent consumer privacy from loss, unauthorized access, abuse, modification, or disclosure. The Group restricts access to customer data based on departments and job responsibilities in order to prevent unlawful acts, such as the disclosure of customer information to unauthorized third parties.

In addition, customer data are backed up promptly and kept in a designated place for safekeeping. Meanwhile, the Information Technology Department regularly checks and reviews customer information, and any data transfer is subject to the joint authorization of the relevant departments and the head of the Information Technology Department in order to strengthen the security management of customer data.

## 4 PROTECTION OF EMPLOYEE RIGHTS

### 4.1 Equal Employment and Employment Status

#### 4.1.1 Principles of Equal Employment

The Group strictly abides by the labor laws and regulations in China, such as the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and other relevant applicable regulations and has established comprehensive employment rules and regulations that clearly define the rights and obligations of employees.

The Group promotes equality and respect in the hiring process and prohibits any discrimination against any person in any form. The Group aims to provide a fair and inclusive work environment and growth opportunities for our employees regardless of nationality, race, ethnicity, age, gender, religious belief, or cultural background. The Group advocates equitable competition and provides equal opportunities for all employees. Employment and promotion decisions are made solely based on job-related factors such as employees' skills and achievements, qualifications and working experience.

## 4.1.2 Employment Status

As of 31 December 2022, the employment status of the Group is shown as follows:

<b>By gender</b>	<b>%</b>
Male	36.7%
Female	63.3%
<b>By education background</b>	<b>%</b>
Bachelor's degree and above	38.5%
College degree	41.3%
Vocational school and high school degrees	14.9%
Junior high school degree and below	5.3%
<b>By age</b>	<b>%</b>
30 and below	50.1%
31-50	49.2%
51 and above	0.7%
<b>By region</b>	<b>%</b>
Ningbo	98.5%
Shanghai	1.1%
Beijing	0.2%
Hong Kong	0.2%

As of 31 December 2022, the group employed a total of 603 employees in China, all of whom were full-time employees. The Group has a diverse workforce in terms of gender and age, providing various ideas and levels of competencies that contribute to the Group's success.

Perceived by gender, the Group has 221 male and 382 female employees, accounting for 36.7% and 63.3%, respectively. We are proud to see women's important role in the management and business operations of the Group.

Perceived by education background, 232 employees of the Group obtained bachelor's degrees and above, and 249 employees received college degrees, accounting for 38.5% and 41.3% respectively, demonstrating the high-quality academic and professional background of the Group's employees. The number of employees with vocational school and high school degrees is 90, accounting for 14.9%, while others obtained junior high school degrees and below.

Perceived by age group, 302 employees are aged 30 and below, representing 50.1% of the workforce. The number of employees between 31 and 50 years old is 297, and only 4 employees are 51 years old and above, reflecting that the group's younger workforce brings new insights and perspectives to lead a new fashion trend. The Group attaches great importance to the training of young employees and provides various opportunities to ensure the development of the Group and its employees in tandem.

Perceived by region, most employees worked in Ningbo, accounting for 98.5%. Seven employees are in Shanghai, one in Beijing and one in Hong Kong.

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### 4.1.3 Employee Turnover

The Group endeavors to create an equitable, welcoming, and inclusive working environment for our employees and promotes employees' learning and growth.

As of 31 December 2022, the total employee turnover of the Group was 391, which was mainly caused by normal business activities. The Group attaches considerable importance to the overall employee turnover rate as it affects the Group's overall human resource allocation, operational efficiency, and employee morale.

Perceived by gender, 148 male employees and 243 female employees left, accounting for 37.9% and 62.1% of all resigned employees, respectively.

Perceived by age group, the number of employees transferring at the age of 30 and below is 209, representing 53.4% of resigned employees. Of all resigned employees, 44.8% are aged between 31 and 50, and 1.8% of them are at the age of 51 and above.

Perceived by region, there are 358 employees in Ningbo left, accounting for 91.6% of all separations. Among all resigned employees, 7.9% of them worked in Shanghai and 0.5% of them worked in Guangzhou, all due to changes in job requirements, which are normal business activities.

As of 31 December 2022, the breakdown of employee turnover is listed in the table below:

<b>By gender</b>	<b>%</b>
Male	37.9%
Female	62.1%
<b>By age</b>	<b>%</b>
30 and below	53.4%
31-50	44.8%
51 and above	1.8%
<b>By region</b>	<b>%</b>
Ningbo	91.6%
Shanghai	7.9%
Guangzhou	0.5%

### 4.1.4 Employee Promotion

Our employees are a crucial component for the success and growth of the Group. The Group provides diversified training to promote employees learning and development and various transparent promotion channels for employees to ensure the simultaneous development of the Group and its staff. The Group has set up attractive and motivating remuneration packages including promotion, salary increase, training, overseas work, and selection of outstanding employees to value their effort and offered equal opportunities for each employee.

## 4.1.5 Working Hours and Rest Periods

The Group aims to provide a balance between working hours and rest periods as an important part of employee management. The Group has established the "Employee Regulatory Management Handbook" (the "Employee Handbook") and specified working hours, labor protections, and labor conditions in the Employee Handbook. The Group applies the standard work system in general positions, which includes an official working time is eight hours per day from Monday to Friday. In addition, for special positions such as warehouse workers, security guards, cleaners, drivers, and so forth, the Group applies to the Human Resources and Social Security Department, which is processed in accordance with the relevant legislation, if extensive or irregular working hours are required. In addition, the Group also introduced a flexible working hours system for the management team.

## 4.2 Employee Compensation and Welfare

The Group established employee compensation and welfare systems in accordance with the relevant laws and regulations, such as the "Labor Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China". Reckon the importance of a competitive remuneration package, the Group regularly review the employee compensation and welfare policy to ensure its market competitiveness.

As part of the remuneration and benefits plan for employees, the Group pays social insurance and provident fund for employees promptly consistent with applicable laws and regulations to protect the legitimate rights and interests of employees. Social insurance includes endowment insurance, medical insurance, unemployed insurance, employment injury insurance, and maternity insurance. Furthermore, employees are also legally entitled to remuneration, benefits, and holidays as stipulated by applicable laws and regulations.

The remuneration package provided by the Group is competitive, including but not limited to year-end bonus, transportation subsidy, annual leave, sick leave and other leave.

### – Bonus

The Group offers year-end bonuses to employees who meet annual appraisals and project bonuses to employees who bring economic benefits to the Group or reduce production and operating costs.

### – Transportation subsidy

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

### – Annual leave

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

### – Sick leave

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

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### – Other leave

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

To ensure that employees are aware of their rights and obligations, the Group has established an Employee Handbook and other relevant regulations on topics such as recruitment, remuneration structure, information security, administration, and fringe benefits. The Group periodically modifies the Employee Handbook to ensure strict compliance with the latest laws and regulations. In addition, to provide employees with a channel to confidentially express their complaints and concerns to the Human Resources Department or the Group, employees can directly scan the QR code in the Employee Handbook to make suggestions or complaints.

### 4.3 Employee Health and Safety

The Group adheres to creating a safe and healthy working environment for employees, and strictly complies with relevant laws and regulations such as the *“Prevention and Control of Occupational Diseases Law of the People’s Republic of China”*, the *“Supervision and Administration Regulations on Occupational Health in the Workplace”* and *“Regulations on Industrial and Commercial Insurance”*.

The Group strives to create a safe working environment for employees. No work-related death has occurred in the past three years, and the number of lost working days due to work-related injuries was 64 days in FY 2022, which decrease by 12.3% compared to the last fiscal year.

Information related to work-related injuries from FY 2020 to FY 2022 is shown as follows:

	2020	2021	2022
Deaths due to work-related injuries	0	0	0
Number of working days lost due to work-related injuries	81.5	73	64
Total number of employees at the end of the year	842	832	603

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

The Group conducts regular fire drills to raise employees’ awareness of fire safety and improve their ability to self-rescue in the event of a fire. To ensure the safety of employees working at the plant, the Group has developed an appropriate emergency plan.

## 4.4 Employee Development and Training

The Group considers talents as an important cornerstone of corporate development and conducted various training programs for employees to improve their professional skills and comprehensive quality during the Reporting Period. In addition to the provision of orientation training to new employees, the Group also actively held pieces of training with a focus on business management, internal training, micro video competition, and security awareness.

In FY 2022, a total of 745 employees\* of the Group participated in various types of training lasting 13,330 hours, including 254 male employees and 491 female employees with an average training hour of 17.9, respectively. Perceived by employee type, 9 senior managers, 97 middle-level managers and 639 general employees participated in the training programs with an average training time of approximately 3.5 hours, 19.1 hours, and 17.9 hours, respectively.

As of 31 December 2022, the training data of the employees by gender and employee type is shown as follows:

	Percentage of trained employees	Average training hours
<b>By gender</b>	<b>%</b>	<b>Hours</b>
Male	34.1%	17.9
Female	65.9%	17.9
<b>By employee type</b>	<b>%</b>	<b>Hours</b>
Senior management	1.2%	3.5
Middle-level management	13.0%	19.1
General employees	85.8%	17.9

**Note\*:**

745 trained employees contain current staff and some former employees.

## 4.5 Guidelines and Measures to Prevent Child Labour or Forced Labour

The Group strictly abides by relevant laws and regulations, including the “National Law on the Protection of Minors” and the “Prohibition of the Use of Child Labour”, and adopts a zero-tolerance attitude towards any form of child labor or forced labor. A series of policies and procedures against the use of child and forced labour as stipulated in the Labour Policy of the Group has been implemented.

- Firstly, the Group collects and verifies the personal information of candidates during the recruitment process to ensure that the information is valid to select suitable candidates.
- All employees must be of legal working age and in possession of identification documents upon joining the Group.
- The Human Resources Department will strictly and carefully collect and check the above documents.
- The Group also encourages reporting to the Group’s management if any suspected irregularities are found.

Within the Group, child and forced labour have been prevented due to the effective recruitment and employment system. If it occurs, the Group will deal with it in accordance with the relevant laws and regulations and considers implementing the relevant measures into the Employee Handbook in the future.

### 4.6 Measures on Anti-Bribery and Anti-Fraud

The Group always adheres to the principles of integrity and fairness to create a proper and pleasant business environment. The Group always places great emphasis on avoiding corruption situations and has put in place preventive measures to monitor employees. The Group strictly abides by all laws and regulations related to business ethics such as preventing bribery, extortion, fraud, and money laundering, including but not limited to the *"Regulations on the Implementation of the Oversight Law of the People's Republic of China"*, the *"Anti-Unfair Competition Law of the People's Republic of China"* and the *"Interim Provisions on Banning Commercial Bribery"*. The Group has implemented the Integrity Agreements to ensure that our employees or management adhere to the highest ethical standards in all forms of business activities.

#### – Anti-Fraud and Anti-Corruption Management Rule

The Group established the "Anti-Fraud and Anti-Corruption Management Rule" to build a sound business ethics management and supervision framework. The "Anti-Fraud and Anti-Corruption Management Rule" clearly clarifies the definition, verification, follow-up remediation, and punishment measures of fraudulent practices, which effectively reduce the occurrence of corrupt and fraudulent practices.

#### – Amending the Integrity and Self-discipline Agreement

In 2022, the Group updated the Integrity and Self-discipline Agreement, and all of our employees signed the agreement, which means they must refrain from corrupt or dishonest behavior that could be detrimental to the Group's and its shareholders' interests. In addition, whistle-blowing is encouraged to jointly create and maintain a democratic, transparent, and fair business environment. All our employees can scan the QR code attached to the Integrity and Self-discipline Agreement to express bribery and fraud incidents with a verified real name or anonymously. The relevant departments will review the contents of the report and impose appropriate sanctions on the staff concerned.

The Group conducted regular online training on the topic of anti-corruption and business ethics during the Reporting Period. The Group provided recorded videos on relevant topics and encouraged all employees to learn these videos.

In FY 2022, the Group was involved in two in-process legal cases against the Group and its employees for corrupt conduct.

### 4.7 Measures on Anti-extortion and Anti-Money Laundering

The Group is committed to providing an effective and systematic Group-wide anti-extortion and anti-money laundering framework with an absolute zero-tolerance attitude for all employees and associated parties. And the Group has implemented preventive management measures against extortion and money laundering with employees and partners. To prevent the occurrence of extortion incidents, the Group requires all departments to retain customer identity information and transaction records and monitor all transaction data to prevent data leakage from being used by others. To prevent money laundering incidents, the Group requires all departments to clearly define their own work responsibilities and management scope and not involve related activities beyond their powers. The Group consistently maintained strict monitoring of the actions of various departments to prevent managers from abusing their powers to conduct fraudulent financial transactions.

## 5 ENVIRONMENTAL PERFORMANCE ANALYSIS

### 5.1 Corporate Waste Analysis

#### 5.1.1 Overview of Relevant Environmental Protection Policies

The Group deeply understands that it has a pivotal role in seeking long-term sustainability of the environment. As a leading menswear brand, the Group adheres to its green commitment and strictly abides by relevant environmental laws and regulations, including but not limited to the “*Environmental Protection Law of the People’s Republic of China*”, the “*Energy Conservation Law of the People’s Republic of China*”, the “*Atmospheric Pollution Prevention and Control Law of the People’s Republic of China (2018 Amendment)*”. Dedicated to promoting green development, the Group insists on resource conservation and environmental protection during its daily operation and strives to provide more green and sustainable fashion choices for our customers.

#### 5.1.2 Analysis of Corporate Emission

– *Air Emissions*

The waste gas generated by the Group is mainly caused by fossil fuel combustion of vehicles, and the primary pollutants include nitrogen oxides (NO<sub>x</sub>), sulfur oxides (SO<sub>x</sub>), and suspended particulate matter (PM). Due to the introduction of the electric vehicle, the abandonment of the diesel vehicle, and the reduction of the total traffic mileage, the total amount of waste gas generated by the Group decreased by approximately 68.9% year-on-year, successfully achieving the 5.0% reduction target.

As of 31 December 2022, the total emissions and emission density of waste gas generated by the Group are shown as follows:

Waste Gas Type	Total Emissions (kg)	Emission Density (kg/RMB100 million)
Nitrogen Oxides (NO <sub>x</sub> )	28.320	1.217
Sulfur Oxides (SO <sub>x</sub> )	0.074	0.003
Suspended Particulate Matter (PM)	2.714	0.117
<b>Total</b>	<b>31.108</b>	<b>1.337</b>

– *Greenhouse Gas (GHG) Emissions*

Based on its operation, the Group’s greenhouse gas emissions mainly consist of the direct GHG emissions from fossil fuel consumption of the vehicles (Scope 1) and the indirect GHG emissions from electricity, water, and paper consumption of daily operations (Scope 2 and Scope 3). In FY 2022, the greenhouse gases emitted by the Group reached a total of 1,476.0 tonnes of carbon dioxide equivalent (“CO<sub>2</sub>e”), and the emission intensity was approximately 63.4 tonnes of CO<sub>2</sub>e/RMB100 million. Direct emissions of GHG caused by fossil fuel combustion totalled approximately 13.5 tonnes of CO<sub>2</sub>e, and indirect emissions totalled approximately 1,462.5 tonnes of CO<sub>2</sub>e. As a result of the decrease in electricity usage, total GHG emissions decreased by approximately 38.7% in FY 2022, compared with the last fiscal year, successfully achieving the 5.0% reduction target.



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As of 31 December 2022, the total amount and density of the Group's GHG emissions are shown as follows:

### Greenhouse gas direct emission:

Greenhouses Gases Type	Direct Emission (tonnes of CO <sub>2</sub> e)	Direct Emission Density (tonnes of CO <sub>2</sub> e/ RMB100 million)
Carbon Dioxide (CO <sub>2</sub> )	11.800	0.507
Methane (CH <sub>4</sub> )	0.021	0.001
Nitrous Oxide (N <sub>2</sub> O)	1.713	0.074
<b>Total</b>	<b>13.534</b>	<b>0.582</b>

### Greenhouse gas indirect emission:

Greenhouses Gases Type	Indirect Emission (tonnes of CO <sub>2</sub> e)	Indirect Emission Density (tonnes of CO <sub>2</sub> e/ RMB100 million)
Electricity consumption	1,416.147	60.876
Other indirect emissions	46.319	1.991
<b>Total</b>	<b>1,462.466</b>	<b>62.867</b>

#### Note:

The direct emissions of greenhouse gases mainly include the greenhouse gases generated by the Group's vehicles. Indirect emissions include indirect greenhouse gas emissions from electricity, water, and paper consumption.

#### – *Hazardous and Non-hazardous waste Emissions*

The Group seeks to ensure green development during business operations, making every effort to reduce solid waste from every aspect of business activities. In FY 2022, the Group generated approximately 3,113.7 tonnes of waste, including 3,107.4 tonnes of non-hazardous waste and 6.3 tonnes of hazardous waste. All wastes have been properly disposed of by relevant environmental protection legislation and regulations. Compared to FY 2021, the Group's waste emissions were reduced by approximately 4.4% in FY 2022, with construction waste emissions reduced to 3,100.0 tonnes, achieving the target of 3,200.0 tonnes of construction waste set at the beginning of the year.

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As of 31 December 2022, the total amount and density of the Group's hazardous and non-hazardous waste emissions are shown as follows:

Waste type	Emission (tonnes)	Emission density (tonnes/RMB100 million)
<b>Non-Hazardous Waste</b>	<b>3,107.4</b>	<b>133.6</b>
Office paper consumption	7.4	
Retail refurbishing waste	3,100.0	
<b>Hazardous Waste</b>	<b>6.3</b>	<b>0.3</b>
Waste batteries	0.1	
Electronic Waste	6.2	
<b>Total</b>	<b>3,113.7</b>	<b>133.9</b>

### 5.1.3 Emission Targets and Steps Taken to Achieve Them

The Group aims to reduce exhaust gas emissions and greenhouse gas emissions by 5% in 2023, comparing to the emission in 2022, respectively. The Group continues to innovate product delivery models and advocates energy conservation and emission reduction in daily operations.

– *The success of the Supplier to Boutique (S2B) business model*

The Group successfully and effectively applied the S2B business model in Fujian Province, Liaoning Province, Jiangxi Province, Anhui Province, and Guangdong Province. Based on the product details assigned by the boutique store, the supplier directly sorts the product, packs it with Radio-Frequency Identification (RFID) technology and transmits the system data to the boutique store from which the order is placed. The logistics service provider checks the product information at the supplier's factory according to the commodity distribution list and accurately delivers it to the store. The success of the S2B model will contribute to emission reduction due to transportation conservation.

– *Emission reduction during the daily operation*

The Group constantly communicates the concept of low-carbon and green environmental protection to our employees, promotes eco-friendly travel, advocates the timely switching off the lights, and conducts a "Clean Your Plate" campaign on Earth Day to enhance our employees' awareness and capacity of environmental protection and to create sustainable fashion with our employees.

## 5.1.4 Waste Targets and Steps to Achieve Them

The Group strives to reduce waste generation and sets a paper consumption target of 7 tonnes for 2023. To reduce waste emission, the Group replace paper boxes with reusable canvas bags for holiday gifts, encourages employees to make full use of paper, conducts carton recycling and employs recycled zippers and buttons to products.

– *Replace cartons with reusable canvas bags for the Dragon Boat Festival gifts*

The Group adheres to green development and integrates green environmental protection into daily operations. For the Dragon Boat Festival's limited gifts for employees, the Group decided to use reusable canvas bags to replace cartons and bubble bags. The canvas bag is stylish and cute, reusable, durable, washable, and environmentally friendly. In addition, the Group encourages its employees to use canvas bags repeatedly to reduce disposables consumption, such as used as baskets when shopping, bento bags during camping, and as a part of fashion.

In light of the green development, the use of canvas bags for this Dragon Boat Festival gift is a successful try for the reusable package to reduce the paper box consumption for the Group. The Group will continuously explore the road of sustainable development and reduce waste emissions to lead the green development of the menswear industry.



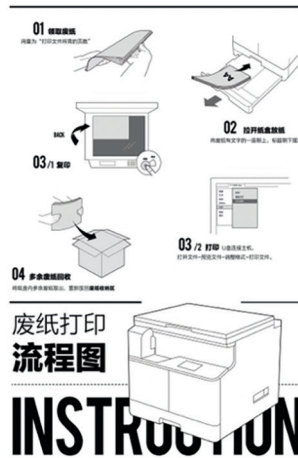
**Dragon Boat Festival Environmental Gift**

– *Encourage employees to make full use of paper during daily work and life*

The Group encourages employees to make full use of paper in their daily work and life to reduce paper consumption. The Group advocates digital communications and operations instead of traditional paper-based procedures, such as using the digital system for internal approval flows and advocating a paperless office.

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Furthermore, it is urged to print on both sides of the paper and repeatedly print on wastepaper to take full advantage of each piece of paper when printing documents. When using paper towels, it is recommended to use only one sheet at a time to avoid waste. The Group posts reminders for staff to save paper in the print rooms and washing rooms.



Instruction for printing on wastepaper



Hint for using one piece of paper towel a time

### – Carton recycling

The Group actively encourages its employees to recycle waste cartons and places recycling signs in appropriate areas. The X-Man Post Office provides a place where employees can drop off discarded boxes after unpacking, and employees who need to send mail can collect and reuse the boxes.

### – Employ recycled zippers and buttons

The Group employs recycled zippers and buttons in the production of shirts, jackets, trousers, and other articles of apparel to adhere to the principle of environmental protection. Recycle button is a bio-resin derived from plants and fermented, which degrades into water and carbon dioxide without polluting the environment. Recycle zippers are manufactured from purified and crushed PET plastic bottles that have been recycled, and 30% of the raw materials used are recycled.

## 5.2 Use of Resources

### 5.2.1 Major Resource Consumption Structure

The Group is committed to becoming a resource-saving and environmentally friendly corporate to promote environmental protection. Resource consumption of the Group mainly includes gasoline, electricity, and water in FY 2022. The overall energy consumption of the Group was 990.1 tonnes of standard coal equivalent in total, of which approximately 0.5% of the energy consumption came from direct energy in the form of gasoline, and the remaining 99.5% came from electricity, which is indirect energy. As a result of the decrease in electricity, diesel oil and natural gas usage, the total energy consumption decreased by about 39.5% in FY 2022, compared with the energy consumption in FY 2021.

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As of 31 December 2022, the Group's resource consumption performance is shown in the following table:

Resource	Resource type	Unit	Consumption Volume
Gasoline	Direct energy	L	5,000.0
Electricity	Indirect energy	kWh	2,437,430.0
Natural water	Water resource	tonnes	30,100.0

As of 31 December 2022, the consumption density of various resources by the Group is shown as follows:

Resource	Resource type	Unit	Consumption Density
Gasoline	Direct energy	L/RMB1 million	2.2
Electricity	Indirect energy	kWh/RMB1 million	1,047.8
Natural water	Water resource	tonnes/RMB1 million	12.9

### 5.2.2 Energy Use Efficiency Targets and Steps Taken to Achieve Them

In 2022, the Group sold a commercial vehicle and introduced an electric vehicle for daily use. The Group also encourages employees to use public transportation for travel to reduce gasoline consumption. The Group aims at reducing gasoline consumption by 10% and cutting back to electricity consumption by 5% in 2023.

The Group strictly adheres to regulations regarding energy conservation and emission reduction, regulates the use of electricity in the office corridor, and installs voice-activated lighting in the stairwell. The Group also specifies the summer and winter operating hours for air conditioners and prohibits the use of high-powered electrical appliances in the winter. The Group advocates turning off electrical equipment in time after using the conference room and turning off the power before leaving the workstation. All employees will be punished if they leave the workplace without turning off all electrical equipment. The Group advocates a green office and actively encourages employees to conserve energy in their daily lives and at work.

### 5.2.3 Water Efficiency Targets and Steps Taken to Achieve Them

The Group obtained a suitable water source in accordance with the relevant national environmental protection policies and regulations and did not encounter any significant issues in sourcing water. In FY 2022, the Group consumed a total of 30,100.0 tonnes of water mainly for daily operations, with a consumption density of 12.9 tonnes/RMB1 million. Compared with FY 2021, the water consumption of the Group decreased by approximately 71.0%. The Group strives to reduce water consumption by 10.0% by 2023.

The Group continues to improve water efficiency and takes a series of steps to reduce water consumption. Water-saving slogans are posted in office places and induction faucets are widely installed to improve water utilization. Water resource management is also an important part of our environmental management. The Group regularly monitors water consumption, mandates self-evaluation for all departments and continuously improves our water performance.

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### 5.2.4 Use of Packaging Materials

The Group use packing materials to protect products from damage during shipping. The Group's packaging material consumption was mainly attributable to product selling, thus the packaging materials used by the Group include plastic bags, paper boxes, and paper bags. The Group consumed a total of 2,012.4 tonnes of packaging materials in FY 2022, approximately 16.9% less than in FY 2021, successfully achieving the 10.0% reduction target set at the beginning of the year.

As of 31 December 2022, the Group's performance in packaging materials is summarized below:

Packaging Materials	Unit	Consumption Volume	Unit	Consumption Density
<b>Packaging materials used for products</b>				
Plastic bags	tonnes	185.00	tonnes/RMB1 million	0.08
<b>Packaging materials used in the offline retail process</b>				
Paper bags	tonnes	153.40	tonnes/RMB1 million	0.07
Paper boxes	tonnes	119.00	tonnes/RMB1 million	0.05
<b>Packaging materials used in the online retail process</b>				
Paper bags	tonnes	806.00	tonnes/RMB1 million	0.35
Paper boxes	tonnes	749.00	tonnes/RMB1 million	0.32
<b>Total</b>	<b>tonnes</b>	<b>2,012.40</b>	<b>tonnes/RMB1 million</b>	<b>0.87</b>

The Group aims at reducing the total consumption of packaging materials used in the finished products by 5% in the next five years.

## 5.3 Environment and Natural Resources

### 5.3.1 Analysis of the Significant Impacts on the Environment and Natural Resources and Related Measures

The Group conducts its business operations in accordance with all relevant environmental protection and emission laws and regulations. The Group places great emphasis on protecting the environment and natural resources and strives to minimise the negative impact on the environment through transferring to clean energy consumption, application of green dyeing technology, and using recycled materials. Therefore, the Group's business activities have not shown a significant impact on the environment or natural resources in 2022.

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The Group is concerned with the environmental risk factors in production, such as emissions and waste discharge. Clean energy such as photovoltaic power generation is widely used in our garment factories to replace the usage of fossil energy. In addition, the Group continuously applies zero-emission dyeing technology and low liquor ratio dyeing vats to fabric and men's collections to reduce carbon emissions and water consumption.

Furthermore, the Group introduces green elements to our products. In FY 2022, the Group debuted its new urban outdoor collection of down jackets paired with eco-friendly lining technology. The eco-friendly lining made of recycled PET plastic and yarns is a low-carbon and environmentally friendly material which can reduce white pollutants effectively to achieve sustainable development.



Urban Outdoor collection 2022

### 5.4 Climate Change

#### 5.4.1 Analysis of Measures to Deal with the Significant Climate-related Issues

As a leading menswear fashion brand in China, the Group proactively confronts risks and opportunities from climate change and is committed to promoting climate change response and transforming into a low-carbon economy. To achieve a green transition, the Group actively adapts to climate change and manages the risks it poses to our business operations.

The Group incorporates climate change management into the focus of its daily work, and the severe weather faced by the Group's business mostly occurs during the rainy season in summer. The Administrative Department pays attention to climate change on a daily basis and organizes a special Severe Weather Defence Team to set up emergency plans and strengthen daily inspections. Before snakes and insects appear, the Team organizes specific personnel to regularly spread powder to repel snakes and insects. Before the high temperature in summer, the Team is responsible for informing employees of the early warning from the meteorological station and the precautions for thunderstorms.

## 6 GIVING BACK TO SOCIETY

The Group always adheres to the rule of giving back to society and dedicates to promoting harmonious community development. The Group actively organized and participated in various volunteer activities to promote the common development of the Group and society. In 2022, the Group donates approximately 4,000 pieces of clothing to people in need.

### – Donating clothes to the community

The Group actively participated in charitable and public welfare activities. In June 2022, the Group donated 46 pieces of clothing to people in need including low-income groups, the elderly and single-mother families in the Najin Road North community in Lhasa and received sincere gratitude from the local community and residents. The activity promoted cultural exchanges and deepened the friendship with residents.



Banner of appreciation



Donating clothes to the community

### – Delivering down jackets to assist quarantined college students and teachers

With the recurrence of the epidemic coinciding with plummeting temperatures in December 2022, the Group sent 2,445 down jackets to students and teachers during the quarantine period at the University of Nottingham Ningbo China. After receiving the requirements of the Ningbo Municipal Government, the Group took positive actions and made efficient distributions to bring warmth to students and teachers. The Group assigned 89 staff to fulfil this special order and delivered thousands of down jackets to 31 quarantine sites quickly, ensuring that all students and professors in quarantine would be protected from the cold.

Thanks to the tireless efforts of all the volunteers, the entire process of preparing and delivering down jackets took only six hours. Students and teachers praised the timely delivery and superior quality of the down jackets on multiple occasions.



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Delivering down jackets to students and teacher during the quarantine period

## – Participated in the “Clothes for the Old” project

The Group always attaches great importance to social responsibility. In order to help elderly people, improve their quality of life through winter, the Group actively joined the “Clothes for the Old” initiated by Tmall and donated 1,400 winter clothing to elderly people living in the mountain area, such as Li County in Gansu and Qitaihe city in Heilongjiang Province.



Certificate of donations

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