



2020/2021

Environmental,
Social and
Governance
Report



China Dongxiang (Group) Co., Ltd. 中國動向(集團)有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 3818



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THIS REPORT

The purpose of this report is to disclose to stakeholders the work and achievements on environmental, social and governance (“ESG”) matters of China Dongxiang and its subsidiaries (together, the “Group” or “we”).

This report is prepared in accordance with Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 of the Main Board Listing Rules on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This report should be read in conjunction with the “Corporate Governance Report” set out in our annual report as well as “Corporate Governance” and “Social Responsibility” sections on the official website of the Group.

Save as otherwise indicated, this report covers the period from 1 April 2020 to 31 March 2021.

This report has been reviewed and approved by the Board of Directors on 23 June 2021.

ESG MANAGEMENT

ESG IDEALS

We endeavour to incorporate our ESG ideals into the Group’s daily operations and business development. Our efforts are focused on four aspects: “Quality Products, Care for Staff, Win-win cooperation and Environmental protection.”

The Sustainable Development Goals (“SDGs”) announced by the United Nations (“UN”) are aimed at providing a blueprint for solving the world’s social, economic and environmental issues by turning to the path of sustainable development, and to encourage all sectors to actively contribute their efforts to achieve such goals. We have identified certain UN SDGs as our priorities based on the Group’s business characteristics and integrated them into the Group’s ESG ideals to provide guidance for the Group’s ESG efforts.

Quality products



We have developed a sound regime for product quality and service management to facilitate the provision of quality products to consumers and thereby foster a positive brand image. Meanwhile, we are highly concerned with consumers’ demands and the protection of their privacy as well as the protection of intellectual property rights, as we ensure that advertising and label management is conducted in a responsible manner.

Care for staff



We cherish, value and respect talents. We have established a comprehensive system for remuneration, benefits and training and provided a sound pathway for staff promotion. We safeguard staff health and safety and encourage staff individuality and creativity with a view to building a passionate and dynamic team underpinned by equality and diversity.

Win-win cooperation



Win-win cooperation with our business partners is always a matter of top priority for us. We have developed a sound regime for the management of suppliers to work with and enable suppliers in the management and control of environmental and social risks. We also endeavour to foster a corporate culture and context for cooperation characterised by integrity, honesty and impartiality. In places where we operate, we actively connect with the local communities and embark on a wide variety of charity programmes.

Environmental protection






We place a strong emphasis on environmental protection and actively promote low-carbon operation and reduction in energy consumption and emission to reduce the generation of waste from our operations. We make consistent efforts to improve our environmental management policies and measures and promote the implementation of environmental protection among our staff.



SUMMARY OF OUR SUSTAINABILITY ACTIONS

In vigorous support of the SDGs and China’s National Plan on Implementation of the 2030 Agenda for Sustainable Development, we have taken the following actions in relation to the SDG priorities that we have identified.

SDGs	China’s National SDG Plan ¹	Our sustainability actions
	<ul style="list-style-type: none"> To promote fair and accessible basic medical and health care. 	<ul style="list-style-type: none"> Caring for staff health and safety by providing medical insurance and other assurances for staff health and safety. Active response to the government’s call for fighting the epidemic.
	<ul style="list-style-type: none"> To enhance awareness of gender equality across all sectors in the community and to eliminate all forms of discrimination and prejudices against women and girls. 	<ul style="list-style-type: none"> Fostering a fair and impartial workplace with resolute opposition against gender discrimination and providing equal opportunities for female employees.

¹ China’s National Plan on Implementation of the 2030 Agenda for Sustainable Development.

SDGs	China's National SDG Plan ¹	Our sustainability actions
	<ul style="list-style-type: none"> • To ensure economic growth at medium- to high-speed and to procure medium to high-end industrial development. • To curb illegal acts and crimes such as child labour and forced labour in accordance with the law and to afford special protection to minor workers aged between 16 and 18. • To safeguard the proper rights of workers, such as reward for labour, rest and leaves and social insurance. • To improve the employment and business venture service regime and implement the lifelong vocational skills training system. 	<ul style="list-style-type: none"> • Active business expansion and development and co-growth with partners, contributing to economic growth and providing more quality jobs for the community. • Ongoing improvement of the employee candidate information identification system and stringent vetting of the age of employee candidates in resolute prohibition of the employment of child workers. • Protecting the lawful rights of staff by developing sound systems for recruitment, remuneration and holiday leaves and providing reasonable benefits. • Developing a staff training regime for the support of staff development and growth.
	<ul style="list-style-type: none"> • To establish a fairer and more sustainable social insurance system with ongoing improvements to strengthen protection of the rights of social groups such as women, minors and the disabled. 	<ul style="list-style-type: none"> • Launching charity programmes with a special concern for the development of sports and healthy growth of teenagers in remote areas.
	<ul style="list-style-type: none"> • To adjust the economic structure and transform the approach of development with a major effort to drive sustainable production. • To control the total volume of energy consumption and drive the optimisation of the mix of energy utilisation for a substantially higher level of reuse of energy resources. 	<ul style="list-style-type: none"> • Taking into full consideration the utilisation rate for raw materials in the course of product design, and maximising the use of raw materials and minimising the generation of fabric leftovers in the production process. • Prioritising the use of reusable packaging materials and avoid the use of one-off packaging materials. • Establishing a supplier management regime to monitor ESG risks associated with supply chains.

SDGs	China's National SDG Plan ¹	Our sustainability actions
	<ul style="list-style-type: none"> To procure promotion and education relating to climate change and environmental protection, disseminate knowledge in climate change and the concept of low carbon development, and guide active participation by the public in actions addressing climate change. 	<ul style="list-style-type: none"> Encouraging green office and actively promoting the conservation of resources and environmental protection to enhance staff awareness of environmental protection.
	<ul style="list-style-type: none"> To rectify and investigate in a resolute manner misconduct and corruption practices that infringe upon public interests, ensuring stringent execution at each level of management to enhance accountability. 	<ul style="list-style-type: none"> Formulating systems for the management of anti-corruption measures, such as the "System for the Countering of Improper Competition and Business Bribery and fostering a corporate culture characterised by integrity, honesty and impartiality to procure compliance and integrity in management and operations.

OUR ESG STRUCTURE

We have established an ESG structure covering the Board of Directors and the management team, the subsidiaries and ESG-related departments to supervise and manage our ESG endeavours. The Board is responsible for reviewing and approving the Group's ESG policies, performance and reporting.

During the year, a new ESG Committee under the Board of Directors of the Group was established to assist the Board of Directors in the supervision of the Group's ESG policies and practices, review the Company's ESG policies and performance, and furnish recommendations to the Board of Directors.

The ESG-related departments under the Group's headquarters are responsible for the launch of specific ESG initiatives, including the implementation of ESG-related measures, assurance of the efficient and orderly conduct of ESG initiatives and maintenance of ESG-related data, among others.

ENGAGEMENT WITH STAKEHOLDERS

We attach great importance to communication with stakeholders and see the views and demands of stakeholders as an important driving force for our ongoing improvements in ESG management. We actively engage with stakeholders through multiple channels to understand and respond to their needs in a timely manner. Meanwhile, we also take into account the views of stakeholders as an important factor for consideration in the Group's business management and strategic planning.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Based on the characteristics of its business, the Group has identified the government and regulatory authorities, shareholders and other investors, employees, suppliers and distributors, consumers, as well as the community and the public as its major stakeholders. The ESG concerns of our major stakeholders and our channels for communication with and response to them are set out as follows:

Major stakeholders	Primary expectations and concerns	Major means of communication	Our response
Government and regulatory authorities	Compliance with laws and regulations Operational Compliance Anti-corruption	Execution of policies and laws and regulations Correspondence with government authorities Information disclosure On-site inspection	Compliance with laws and regulations Placing ourselves under supervision and management Establishing a sound corporate governance regime
Shareholders and other investors	Corporate governance Return on investment	General meetings Regular reports Official website Results announcement	Establishing a sound corporate governance regime Enhancing risk management standards on an ongoing basis Regular information disclosure Striving to improve operating results
Employees	Remuneration and benefits Career development Health and safety Work-life balance	Corporate events Staff opinion poll Staff meetings Internal corporate announcements Mechanism and channel for staff feedback Trade union	Establishing a staff management system Bringing into play the role of the trade union Ensuring a smooth channel for communication Safeguarding staff rights Organising staff activities
Suppliers	Management of suppliers Sunshine procurement	Interviews Evaluation of suppliers Relevant meetings Negotiations for strategic cooperation	Fairness and impartiality in procurement Establishing a sound supplier management mechanism Fostering long-term win-win partnerships

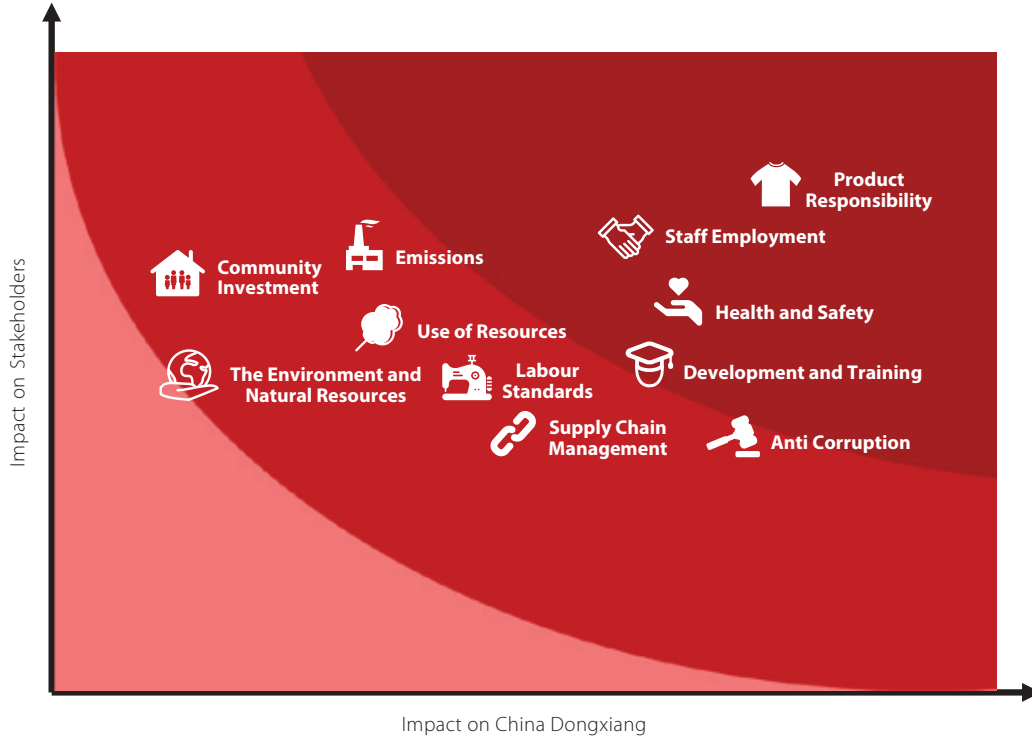
Major stakeholders	Primary expectations and concerns	Major means of communication	Our response
Consumers	Product responsibility Protection of customer privacy	Customer service hotlines Interviews Consumer satisfaction poll Reward for consumers Daily operation/engagement Mechanism and channel for complaints and response	Conducting product quality management Enhancing service quality Protecting consumer rights Establishing mechanisms for customers' complaints and response
Community and the public	Operational compliance Community welfare Environmental Protection	Community activities Support for community projects Daily operation Questionnaire	Conducting volunteer programmes Conducting community donations

MATERIALITY ANALYSIS

We have conducted a materiality analysis on the 11 aspects covered by the ESG Reporting Guide of the Stock Exchange based on the Group's characteristics, benchmarking research on domestic and overseas peers, recommendations of the management and opinions of experts, and have adopted the outcomes of such analysis as references to provide a guide for the direction of subsequent actions and efforts, in order to ensure that the expectations of stakeholders are accurately reflected in our actions and reports. The steps and details of our major efforts are set out as follows:



The outcomes of the analysis are set out in the materiality matrix below. Based on the outcomes of the analysis and identification of material ESG issues, at the current stage, the most material issues for the Group, in comparative terms, include: product responsibility, staff employment, health and safety and development and training; material issues next in order include: labour standards, anti-corruption, emissions, use of resources, supply chain management and community investment; the impact of the Group’s business on the environment and natural resources is a relatively immaterial issue.



China Dongxiang ESG Materiality Matrix

SUPPLYING QUALITY PRODUCTS THROUGH RESPONSIBLE OPERATIONS

In line with its mission of “creating a most sought-after sports and lifestyle brand”, our Group is committed to providing a variety of quality products to young consumers. We exercise stringent control over our product quality to protect consumer rights and safeguard the security and privacy of consumer information. Moreover, we govern our advertising practices with rigorous rules while protecting our intellectual property rights with resolute efforts, such that consumers can rest assured that they will get quality products and services when they buy from us. In the meantime, we seek to develop a culture of integrity in the course of business development, in a bid to create sound conditions for the development of our Group.

OPTIMISING OUR PRODUCT QUALITY

The Group sees product quality as the cornerstone of its development and stringently comply with national and industry standards such as the Product Quality Law of the People’s Republic of China, National Standards of the People’s Republic of China (GB/T-22853-2009), National General Safety Technical Code for Textile Products (GB 18401-2010), Textile Industry Standards of the People’s Republic of China (FZ/T 81007-2012), National Standards of the People’s Republic of China (GB/T- GB/T 15107-2013), Light Industry Standards of the People’s Republic of China (QB/T 2673-2013), Limits for Hazardous Substance in Leather and Fur (GB 20400-2006) and Technical Standards for Safety of Children’s Footwear (GB 30585-2014). We have also formulated the “Kappa Materials Internal Control Standards”, “Product Manufacturing and Inspection Standards”, “Dongxiang Group Operational Manual for (Footwear) Sample Development”, “Dongxiang Group Operational Manual for (Footwear) Technology and Production” and “Quality Inspection Standards for Finished Footwear Products”, as well as updated our “Raw Materials Testing Standards”.

We exercise stringent control over product quality at all stages:



Stage of Product Development

- Focus on safety and environmentally-friendly materials: inspection of physical properties of materials and evaluation of the safety performance of products to be developed
- Increasing employment of environmentally-friendly materials, such as: the addition of recyclable environmentally-friendly gauze free of hazardous substances in the shoe upper and recycled materials in the sole



Stage of Random Sampling Tests

- Evaluation of safety risks associated with products in use is conducted by the product development department, production department and sales department
- Trial use of sample products by internal staff members is arranged to prevent the supply of defective products to the market.



Stage of Manufacturing

- Quality inspection staff are deployed to exercise strict supervision of the manufacturing process and ensure stringent compliance with production safety standards
- For children’s footwear products, inspection and testing by qualified third parties is further required. Only products that have passed all tests will be supplied to the market.



During Sales

- Rigorous procedures for the handling of defective/substandard products
- Random inspection of purchase orders
- Recall and scrapping of defective/substandard products

SAFEGUARDING CUSTOMERS' RIGHTS

The Group safeguards customers' rights in strict accordance with the Law of the People's Republic of China on Protecting Consumers' Rights and Interests, E-commerce Law of the People's Republic of China, Cyber Security Law of the People's Republic of China, Product Quality Law of the People's Republic of China, Law of the People's Republic of China on Protection of Consumer Rights and Interests and other pertinent laws and regulations.

The Group has formulated the Operating Procedures for Customer Services and Procedures for Handling Customer Complaints to enhance and regulate the management of consumer complaints. The study of these procedures forms a compulsory component of the pre-job training for customer service personnel, who are required to pass relevant examinations before being officially appointed to the position. During the year, we improved our mechanism for proactive services by optimising the order processing system to facilitate proactive tracking of customer orders and timely understanding of consumers' demands. Moreover, we have established a complaint handling team and recruited a professional customer service team to manage customers' complaints and track orders in question in a proactive manner to enhance consumers' satisfaction. In accordance with pertinent national laws and regulations and the internal regulations of the Group, we provide premium after-sales services to consumers and recall defective or substandard products to protect the lawful rights of consumers. In addition, we exercise strict management over authorisation of access to and operation on sensitive consumer information and enhance security of consumers' accounts to prevent divulgence of sensitive consumer information.

REGULATING MANAGEMENT OF INTELLECTUAL RIGHTS

In persistent strict compliance with the Trademark Law of the People's Republic of China, Patent Law of the People's Republic of China, Regulations for Product Logo and Marks and other pertinent laws and regulations, the Group has formulated the Measures for the Management of Trademark Registration, Measures for the Management of Design Vetting and Measures for the Management of Product Logos and Marks and established a complete file for its trademarks to exercise stringent control over the use of trademarks, printing of logos and production of anti-counterfeit codes.

To protect the trademark rights of the Group, we have actively conducted the registration and renewal of our trademarks and patents. To avoid infringement of third-party intellectual property rights, trademark design requirements submitted by various departments are subject to endorsement and vetting by the Group's legal department in accordance with pertinent laws and regulations as to the source and creativity of the designs. In FY2020, we successfully completed 15 trademark registrations and 3 patent renewals.

While avoiding infringement of third-party intellectual property rights, we are also actively engaged in the protection of our own trademark rights to safeguard our Group's interests. We encourage our staff members or agents to report and furnish evidence of any counterfeit of our Group's trademarks to our legal officers. Upon receipt of such information, our legal officer will contact the production department or sales department in a timely manner for verification and confirmation. Once it is confirmed that such trademarks have not been duly authorised by the Group, the legal officer will request the production department to verify the authenticity of the products. If such products are proved to be counterfeit after verification, we will appoint an agent to file a complaint with the authorities for industrial and commercial administration.

REGULATING LABELLING INFORMATION

In strict compliance with the Textiles Care Labelling Code Symbols (GBT8685-2008), Instructions for Use of Consumer Goods Part 4: Textiles and Apparel (GB5296.4-2012) and other pertinent national and industry standards, we attach great importance to the transparency and level of regulation of labelling information. Through simple and easily comprehensible product labels, we help to guide consumers towards reasonable spending and enhance their confidence in our brand.

ENHANCING COMPLIANCE IN ADVERTISING

The Group exercises stringent management over its advertising practices in strict accordance with the Advertising Law of the People's Republic of China and other pertinent laws and regulations. We have formulated systems and processes for the vetting of the contents of our product advertising and promotion, under which untruthful statements or exaggerated advertising are strictly prohibited. Actions will be taken in a timely manner to rectify any violations reported. Meanwhile, any individual or enterprise that publishes advertisements or other promotional materials in the name of the Group without approval or authorisation will instantly be held legally liable. In connection with advertising and promotion, we have consistently adopted an approach of decentralised management under a centralised leadership based on the principles of truthfulness and lawfulness, whereby only authorised materials may be used and the use of any typefaces or graphic materials prior to the purchase of their copyrights is strictly prohibited. In connection with the placement of commercials, we have adopted a project accountability system, under which designated personnel responsible for the truthfulness and lawfulness of the advertising contents and for the prevention of any illegal and false advertising are appointed to manage the placement of commercials.

FOSTERING THE CULTURE OF INTEGRITY

We have formulated the China Dongxiang (Group) Co., Ltd. System for the Management of Non-productive Procurement, China Dongxiang (Group) Co., Ltd. System Against Improper Competition and Business Bribery and Resignation Audit System to safeguard the systematic development of our Group's business and establish a business image of integrity and fairness in strict accordance with pertinent laws and regulations such as the Company Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China and Anti-Money Laundering Law of the People's Republic of China. The Group was not aware of any material cases of corruption and violations during the reporting period.

All employees are required to follow the principles of integrity and honesty and act in line with business ethics in our daily operations. Audits on subsidiaries are conducted on a regular basis and training sessions on anti-corruption, anti-bribery and anti-money laundering are held for principal officers and relevant financial personnel. We encourage and support all employees to report any incidents of unfair competition or business bribery. An employee may choose to report such incident to his/her immediate supervisor in the unit where he/she works, or directly report to the Group's internal audit department. The interests of any employee who voluntarily exposes or reports any improper conduct will be rigorously protected by the Group. The Group's internal audit department will carry out rigorous screening of the reported incidents. The Group reserves the right to press for criminal or civil liabilities in accordance with the law against any acts in violation of national laws and regulations.

Equally concerned with integrity in procurement, we have established an open, fair and impartial tender process in a resolute effort to prevent any instances of fraud or pursuit of personal gains with the tender department. We have formulated the Cash Expenditure Regulation and the Gift Management Regulation which sets out our Group's standards and approval process for gifts. Employees are required to avoid the development of any relationships involving personal interests with third parties which are engaged in business with the Group. In the event that such relationships are formed, the employee concerned is required to inform his/her immediate supervisor and avoid any direct or indirect involvement in any business activities with the said entities.

A PEOPLE-ORIENTED APPROACH TO STAFF CARE

We always treasure, value and respect talents. The Group has formulated a range of human resources management systems for stringent implementation and established a comprehensive staff remuneration regime as part of its effort to regulate and enhance human resources management, develop a sound regime for staff rights and protection, and care for the health, safety and comprehensive development of staff.

EMPLOYMENT AND LABOUR STANDARDS

We strictly comply 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, Social Insurance Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Minors, Law of the People's Republic of China on the Protection of Women's Rights and Interests, Regulation on Work-Related Injury Insurances, Special Rules on the Labor Protection of Female Employees and Provisions on Minimum Wages of various local regions.

To establish and improve the Group's system for staff employment and protection of labour interests, we have formulated rules and regulations such as the Recruitment Management System and Employee Turnover Management System. Improvements are made to our new employee information identification system on an ongoing basis and stringent vetting of the age information of hired personnel is carried out to prohibit child labour. In addition, we exercise management over staff recruitment and turnover. We have established internal rules and regulations such as the Benefit Management Regulation, Remuneration Management Regulation, Attendance Management Regulation and Promotion Management Regulation to set out specific provisions on staff benefit, remuneration, working hours and promotion, among others. In adherence to the principles of mutual respect, fairness and impartiality, all staff members and job applicants are offered equal opportunity in employment and promotion. Direct or disguised forced labour is avoided and all religious faiths are treated with respect, and any acts of discrimination based on gender, race, religion or otherwise are resolutely opposed. As at the end of financial year 2020, the Group had 627 employees.

Employment indicators for FY2020

	Indicator	FY2020
Number of employees by gender	Male (person)	197
	Female (person)	430
Number of employees by age group	Above age 50 (person)	17
	Age 30 to 50 (person)	513
	Under age 30 (person)	97
Number of employees by management level	Management (person)	146
	Non-management (person)	481
Number of employees by geographical region	China (person)	623
	Other countries and regions (person)	4

HEALTH AND SAFETY

The Group is committed to the provision of a safe and healthy workplace for staff in strict accordance with pertinent laws and regulations, such as the Labour Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Regulation on Work-Related Injury Insurances and Fire Control Law of the People's Republic of China. During the Reporting Period, there was no material breach of laws and regulations pertaining to staff health and safety by the Group.

In connection with production safety, the Group has established an occupational health and safety management system which requires the workshop production staff of all plants to be equipped with protective gear in a uniform manner. Production safety supervisors are appointed to conduct periodic inspection and rectify in a timely manner any irregularities in safe production operation and incorrect use of labour safety gear. All plants are subject to fire safety inspection and organise fire drills in accordance with regulations to enhance staff awareness in safety and protection as well as their ability in self-rescue, with a view to minimising risks relating to production safety and fire safety risks.

In connection with the physical and psychological health of staff, the Group has purchased supplementary medical insurance and life insurance for staff, as well as employee's liability insurance for staff of retail stores. Based on the gender and age of our staff, different categories of health check insurance are purchased to meet the needs of employees at different stages and help them to discover and manage their health conditions in a timely manner. Moreover, experts are invited to deliver talks on health topic to provide staff with general health knowledge as well as timely answers to their concerns regarding physical and psychological health. The Group has also set up a fitness centre, an aerobics club and a fight club for the exclusive use by staff to encourage fitness exercises during off hours, so that staff may strengthen their physical health while letting off pressure and brightening up moods.

While COVID-19 became normalised in FY2020, the Group did not relax in its protection of staff health, as it actively supported national and local government initiatives in the combat against the epidemic. While safeguarding the health and safety of staff, the normal operation of the Group was also assured. A range of measures were adopted, such as the provision of sufficient quantities of protective masks and hand-rub sanitisers, arrangements for different groups of staff to have meals at dining halls at different time slots and tips on psychological well-being tweeted via online platforms to alleviate anxiety that employees might feel during such trying times. In addition, we carried out disinfection of office and public areas at an interval of 2 hours, in order to provide clean and hygienic workplaces where staff feel safe and assured.

DEVELOPMENT AND TRAINING

The Group has been consistently strengthening its team of talents in firm adherence to an employee-centric philosophy of development. We have formulated a range of training systems, including the Training Management System, System for the Management of Training of New Employees and System for the Management of External Training, among others. We provide a diverse range of training courses tailored to the requirements of staff of different job positions and grades, such as senior management training, staff skills training and induction training for new employees. The job-specific skills and personal qualities of staff are comprehensively and rapidly enhanced through these training programmes to meet the requirements of the Group's future development.



Senior management workshop on brand strategy communication and tactics organised by the Group



New staff training organised by subsidiary



Skill training session organised by the Group

CARING FOR STAFF

We organise a rich variety of staff events and encourage active staff participation in cultural and sporting activities to alleviate their pressure from work, strengthen team spirit, and enhance their happiness and sense of involvement.

Festive and birthday celebrations

We organise themed activities for our staff during festivals such as the Lantern Festival, International Women’s Day, Children’s Day and Thanksgiving, and we also host birthday parties on a regular basis to convey warm wishes to our staff. These exuberant festive and birthday celebrations have provided staff with a homelike, heartwarming experience and enhanced their sense of belonging.



Birthday party at Nanjing subsidiary



Children’s Day celebrations at Hangzhou subsidiary

Team building activities

We organise a variety of interesting team building activities to promote work-life balance. During the financial year, our staff actively participated in team building activities and our team cooperation and solidarity has been enhanced as a result.



Fun outing at Harbin subsidiary



Team outward bound activities at Tianjin subsidiary

Cultural and sporting activities

In line with our emphasis on comprehensive staff development, a variety of cultural and sporting activities are organised with the aim of showcasing the flairs and talents of our colleagues. In FY2020, various cultural and sporting events were organised. They included the newly instituted Fight Club, runs, integrated military and outward-bound training, the Dongxiang Badminton Tournament and floral arrangement classes, to name but a few. Such cultural and sporting activities in all their variety have been highly appreciated by our staff, who have enjoyed great times of relaxation and fostered closer friendship with fellow colleagues through vigorous involvement.



The Fight Club



Badminton tournament at Tianjin subsidiary



Staff Sports Day at Hunan subsidiary



Floral arrangement class at Henan subsidiary

WIN-WIN COOPERATION AND FULFILLMENT OF SOCIAL RESPONSIBILITY

As a leading international sportswear company in China, we place a strong emphasis on the management of suppliers and are committed to driving mutual growth with our partners along the value chain. We are also mindful of rewarding the society in a manner unique to our enterprise, as we strive to attain win-win development with the communities in which we operate.

SUPPLY-CHAIN MANAGEMENT

We have established an effective supplier management regime underpinned by rigorous implementation of rules and regulations for the management of suppliers to ensure consistency in product quality, so as to facilitate ongoing supply of premium products to consumers. In addition to developing long-term, stable partnerships with suppliers, we are also enhancing our management of the environmental and social risks associated with suppliers.

Managing the admission of suppliers: In connection with the admission of suppliers, we only consider enterprises that are experienced in manufacturing for first-tier domestic or international brands, and such suppliers will only be qualified for inclusion in our supplier list after on-site inspection and overall evaluation by our Group. A supplier's performance in environmental and social risk management represents a key area of concern in our evaluation for admission:



Environmental risk management

We examine and select suppliers who are in compliance with the requirements of pertinent environmental laws, regulations and standards. For example, we conduct investigations to see whether processes generating heavy pollution, such as printing, dyeing and spraying, are carried out at the suppliers' factories in a manner compliant with national and local environmental standards and whether they have undermined the environment. If there are any violations on the part of the supplier, we will demand rectification within a designated timeframe, failing which we will terminate cooperation with such supplier. We are in control of the environment-friendliness of our materials.



Social risk management

We are highly concerned with the capacity management, labour compliance and health and safety management of suppliers. We make judgments on the existing workforce, production lines and equipment of a supplier to assess whether such supplier can assure stable supply of products. The supplier's performance benchmarks in workhour management, remuneration and benefits and staff training are also included in our assessment. In the meantime, we assess the current ability and standard of the supplier in health and safety management through on-site production safety inspection at its factories.

Evaluation of Suppliers

We have formulated an evaluation process for the admission of suppliers to perform comprehensive assessment of suppliers' performance in various aspects, such as environmental protection, implementation of relevant standards, production operations and qualifications, among others. Priority is given to suppliers with extensive experience in the industry who hold certifications under international and domestic industry standards, such as ISO14001 (ISO14001 Environmental Management Systems), ISO45001 (ISO 45001 Occupational Health and Safety Management Systems) and Business Social Compliance Initiative (BSCI).

In connection with the assessment of production operations, we conduct audit on a number of areas, including the suppliers' infrastructure and hardware facilities, production process management, operational capabilities and implementation of relevant standards, in order to assist suppliers to generally enhance the development of their ability to deliver quality. In connection with environmental assessment, we conduct on-site audit and assessment of the environmental facilities and raw materials of suppliers and supervise their implementation of environmental measures, so as to fulfill the environmental standards required for exports to other countries such as European nations and the United States. Moreover, we conduct stringent assessment to determine the safety level of raw materials used and production and processing procedures adopted by suppliers, in order to ensure the health and safety of the employees of suppliers.



Factory audit

Empowering Our Suppliers

With a strong emphasis on communications with suppliers, we have organised numerous training sessions for suppliers covering various stages of production, hosted a conference for supply-chain partners, and encouraged suppliers to participate in industry seminars, so that they could update themselves on the latest laws and regulations, industry standards on quality and other industry knowledge.

During the year, we convened a suppliers' conference to brief suppliers on production processes along the supply chain with the provision of condensed information. Awards were also presented to suppliers with outstanding performance during the year in recognition of their effort. This event has enhanced suppliers' understanding of the production processes and enabled them to increase their own production capacity, such that win-win cooperation along the supply chain could be realised.



Suppliers training on execution and management



Supply-chain partners' conference



Suppliers' conference

COMMUNITY INVESTMENT

In active fulfilment of corporate social responsibility, the Group takes into full consideration the impact of business activities might have on the neighbourhood, takes heed of the expectations of the community and assists in community development. Based on our business characteristics, we were engaged in cooperation with schools in 2020 to advocate the sporting spirit to youngsters and drive the development of youth sports.

School-Business Cooperation

The Group is committed to the grooming of talents needed by the society, with a special emphasis on social exposure for students at school, as evidenced by a variety of school-business cooperation initiatives. During the year, the Group worked actively with secondary schools in the neighbouring areas of operations and arranged site visits for secondary-school students so that they could learn about the production process of apparel products.



Students visiting our Taicang Factory

PROTECTING THE ENVIRONMENT THROUGH GREEN OPERATION

While our business activities do not have any material impact on the environment and natural resources, we are nevertheless deeply aware of our own environmental responsibilities, as we actively contribute our efforts towards energy conservation and emission reduction. In strict accordance with the Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other pertinent laws and regulations, we persist in the operation of green offices with the adoption of a range of measures in energy conservation and emission reduction.

CONSERVATION OF RESOURCES

In line with the "low-carbon" environmental principle, the Group practices the conservation of resources and promotes the green office with the implementation of an extensive range of environmental measures.

External purchase of electricity and petroleum consumption of corporate vehicles represent the major sources of energy consumption in the Group's operations. We are engaged in ongoing initiatives to conserve energy and reduce emissions, as we reduce energy consumption by saving electric power and managing the use of corporate vehicles. During the year, we continued to enhance our management of power saving by encouraging the practice of "turning off lights when not in use" and maximum use of natural daylight in place of interior lightings whenever good natural light is available. In connection with air-conditioning, we advocate the reasonable use of air-conditioners with our office room temperature set at no lower than 25°C in summer, while in spring and autumn we keep air-conditioning off. Doors and windows should be closed whenever air-conditioning is turned on, while it should be turned off 5 minutes before the end of office hours. Idle electronic equipment, such as computers, copiers and printers, should be switched off wherever possible. We encourage our staff to travel by public transportation wherever practicable in stringent management over the use of corporate vehicles, in order to reduce carbon emissions.

Water conservation is actively promoted by the Group, underpinned by ideas such as "turning off water supply during off hours" and "recycled use of water". In office areas, motion sensor faucets are installed to control water consumption, while water conservation marks are being posted. In connection with drinking water for staff, we limit the quantity of bottled-water per order to avoid excessive consumption and waste.

The Group encourages the practice of the paperless office by promoting the use of online office software. Staff are requested to replace paper-based documents with electronic documents or emails wherever practicable. Lightweight paper is purchased, while the "Printhead" software is also promoted, whereby the scanning of the staff pass is required for access to printers. Our printers are set to double-sided printing by default, while all invoices are printed on a half-size paper. We advocate the use of smaller font sizes to minimise the quantity of paper consumption. Moreover, a paper recycling area has been set up to provide recycled paper for use by staff. Since FY2013, we have been using FSC (Forest Stewardship Council)-certified paper for the printing of our annual and interim reports.

WASTE REDUCTION

The Group adopts a range of measures to reduce the generation of wastes in its operations in adherence to the “low-carbon” environmental principle.

At the stage of production, the utilisation rate of raw materials is taken into full consideration during product design, with a view to maximising the use of raw materials and minimising the waste of fabric leftovers. In the meantime, we give priority to the use of reusable paper boxes for the dispatch of goods to reduce wastage of wood products.

In connection with the management of obsolete electronic products, we retain and reuse components of obsolete electronic products which are still usable and appoint qualified recycling service providers to collect such components for recycling, in order to minimise the generation of electronic waste.

In connection with office waste, we purchase bottled drinking water on a centralised basis to minimise the number of waste bottles generated. We also encourage our staff to bring their own tableware and cups to reduce the consumption of disposable chopsticks and paper cups.

Hazardous wastes generated in the production operations of the Group comprise mainly toner cartridges and ink boxes. We have appointed qualified third parties to handle the proper disposal of hazardous wastes in a centralised manner.

TABLE OF KEY ENVIRONMENTAL PERFORMANCE INDICATORS

Unless otherwise stated, scope of environmental statistics includes the data of the Group and its subsidiaries in China (excluding outlets).

Emissions

Indicator	FY2020	FY2019
Total greenhouse gas emissions (scopes 1 and 2) (in tonnes)	1,317.54	1,445.99
Direct emissions (scope 1) (in tonnes)	31.09	31.07
Petrol	23	22.82
Diesel	8.09	8.25
Indirect emissions (scope 2) (in tonnes)	1,286.45	1,414.92
Purchased electricity	1,286.45	1,414.92
Greenhouse gas emission intensity (in tonnes/person)	1.47	1.52
Greenhouse gas emission intensity (in tonnes/m ²)	0.06	0.06
Total hazardous wastes (in tonnes)	0.23	0.1
Hazardous wastes per capita (in tonnes/person)	0.0003	0.0001
Total non-hazardous wastes (in tonnes)	55.93	26.98
Non-hazardous wastes (in tonnes/person)	0.06	0.03

- Notes: 1. Due to its business nature, the significant air emissions of the Group are greenhouse gas emissions, arising mainly from the use of fuels and electricity generated from fossil fuels.
2. The Group's greenhouse gas inventories encompass carbon dioxide, methane and nitrous oxide. Greenhouse gas accounting is presented in carbon dioxide equivalent in accordance with 2019 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China and the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories issued by IPCC.
3. Hazardous wastes involved in the Group operations primarily include waste toner cartridges and ink boxes.
4. Non-hazardous wastes involved in the operations of the Group primarily include office waste, leftover materials and waste electronic equipment. Office waste is disposed of collectively by property management companies, while leftover materials and waste electronic equipment approved for retirement are recycled and disposed of by recycling operators.

Consumption of resources

Indicator	FY2020	FY2019
Total energy consumption (in MWh)	2,167.43	2,243.35
Direct energy (in MWh)	124.75	124.58
Petrol for corporate vehicles	93.97	93.20
Diesel for corporate vehicles	30.78	31.38
Indirect energy (in MWh)	2,042.68	2,118.77
Purchased electricity	2,042.68	2,118.77
Energy consumption per person in offices (in MWh/person)	1.35	1.28
Energy consumption per unit of area in office buildings (in MWh/m ²)	0.072	0.069
Energy consumption per unit of area in warehouses (in MWh/m ²)	0.0075	0.0086
Energy consumption per RMB million of revenue of Taicang Factory (in MWh/RMB million)	9.09	10.4
Water consumption (in tonnes)	21,880.8	31,707.13
Water consumption per capita in offices (in tonnes/person)	7.86	8.52
Water consumption per RMB million of revenue of Taicang Factory (in tonnes/RMB million)	121.45	207.24
Total volume of packaging materials for finished goods (in tonnes)	1,210.38	1,160.80
Consumption of packaging materials per RMB million of revenue (in tonnes/RMB million)	0.61	0.75

- Notes: 1. Energy consumption data is calculated based on the consumption of electricity and fuel as well as the conversion factors provided by the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2008), the national standards of the People's Republic of China. The electricity purchased externally excludes the data of the offices set up in Harbin, as the electricity fees of Harbin offices is included in the property management fees, hence electricity consumption cannot be calculated separately.
2. Energy consumption per person in offices represents energy consumption per person in the offices of headquarters and subsidiaries.
3. Energy consumption per unit of area in office buildings represents electricity consumption per square metre in the office buildings of headquarters and subsidiaries.
4. Energy consumption per unit of area in warehouses represents electricity consumption per square metre in the warehouses of subsidiaries.
5. Water consumption includes tap water consumption of district offices in Beijing, Taicang, Nanjing, Dalian, Changsha, Wuhan and Kunming. Water tariffs of other offices are included in property management fees, hence the water consumption cannot be calculated separately.
6. Packaging materials for finished goods comprise mainly cartons and plastic bags purchased in the reporting period for the shoe supply chain, apparel supply chain, equipment supply chain and logistics distribution.
7. Packaging materials consumed per RMB million of revenue refer to the weight of packaging materials used by the Group in China for finished goods delivering revenue of one million RMB.

China Dongxiang (Group) Co., Ltd. 中國動向（集團）有限公司

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