

2017/18

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT



波司登
BOSIDENG

Bosideng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3998

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Chairman's Statement

This is the second ESG report publicly released by the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the ESG Reporting Guide. It is also a summary and report of the Company's efforts to fulfill its social responsibilities in economic, environmental and social aspects in 2017.

In 2007, Bosideng was listed on the Main Board of the Hong Kong Stock Exchange and became a Hong Kong listed company. The last decade has witnessed the stunning transformation and growth of Bosideng. After ten years of exploration and innovative breakthroughs, we still keep moving forward with our original intention unchanged in achieving our positioning as a "globally hot-selling down apparel expert" and are committed to meeting more consumers' demand for a quality life. Over the past decade, Bosideng gradually enriched its product mix and expanded its business landscape while enjoying a growing consumer base. The mission that "Bosideng warms the world" has gone way beyond down apparel to encompass the consideration and care extended by a renowned brand to the public.

After going public for ten years, we launched a new competition strategy this year. Through a series of measures, we gradually strengthened consumers' awareness of Bosideng and comprehensively enhanced our brand value and reputation, making Bosideng the only clothing brand selected into the CCTV National Brand Plan in the clothing industry. Given the growing "needs for a better life", factors such as the environmental and social contributions of enterprises are playing an increasingly important role in brand shaping and value creation. In response to the concern and supervision of the public and the government as well as the demands from customers, suppliers, employees and other cooperation partners, we must shoulder "environmental responsibility" and "social responsibility" as a corporate citizen, and combine corporate responsibility with brand strategy to build a new brand ecosystem, so as to achieve sustainable development in the long run.

We are always dedicated to strengthening communication with stakeholders to enhance mutual trust and create value together. There are many stakeholders who have different expectations of Bosideng in various aspects of operations management. As such, we have established an active communication mechanism where we regularly communicate with stakeholders to deepen mutual understanding and cooperation. We fit these internal and external demands into our development and social responsibility

as a corporate citizen, so that "environmental protection" and "caring for people and society" become the internal drivers for the Group to pursue economic benefits and sustainable development. We proactively put into practice the concept of ecological civilization construction, and integrate the concept of green operation and social responsibility work into our enterprise management practices.

"Warmth" is the inherent product feature and brand advantage of Bosideng, and brand image in which we have taken pride. Adhering to the principle of "focusing on quality with craftsmanship spirit, caring about user experience, and sincerely warming users", we keep our customers warm by constantly improving our products to meet their needs, such as developing downproof system solutions and antibacterial down technology to protect users' health and enhance their experience. We warm our employees by taking care of their material and spiritual needs with equal respect, emphasizing the development willingness and potential of employees, and creating and maintaining a sound working environment and cultural atmosphere. We warm our society by actively organizing various charitable activities, shouldering community responsibilities on our own initiative, and working tirelessly to bring care and warmth to those in need. Through these continuous efforts, we hope that the warm image of Bosideng will be more deeply rooted in the hearts of people!

While fulfilling our social responsibility with the people-oriented philosophy and philanthropism, we never forget to establish and put into practice the concepts of green development and ecological civilization in the new era in an effort to provide innovative practices for the construction of a beautiful China. By optimizing the intelligent applications in all links of the supply chain, we improve response speed and efficiency and open up a green development path. Focusing on building an efficient and environment-friendly logistics system, we have optimized the Group's logistics network to distribute goods directly from regional distribution centers to retail stores, thus reducing the consumption of gasoline, water and electricity. We employ innovative technologies such as artificial intelligence and big data to improve the efficiency and accuracy of warehousing and transportation management and reduce resource wastage and carbon emissions. We also joined a group of 100 Chinese enterprises in advocating environmental protection for the Antarctic and implementing "green, eco-friendly, energy-related and responsible" environmental protection initiatives to protect the Earth, our beautiful homeland.

Chairman's Statement

Bosideng has been focusing on down apparel business for 42 years. Regardless of headwinds or tailwinds, we always adhere to the initial mission of "warming the world". To this end, we boost industry upgrading and lead the development of the industry with innovative and enterprising efforts. To build globally renowned Chinese brands is the common responsibility of Chinese enterprise in the new era. As the leading brand in the industry, Bosideng has the responsibility, determination and confidence to work with all stakeholders towards sustainable development, carry forward our strategic vision and mission, empower responsible brand development, and renew and invigorate Chinese clothing brands.

Last but not the least, on behalf of the Board of Directors, I would like to sincerely thank all shareholders, business partners and customers for their steadfast support for, understanding of and trust in the Group, and all employees for their efforts and contributions. We will continue to create warm and quality products for the public in a green and sustainable way with the utmost effort and innovative thinking.



About this Report

BASIS OF PREPARATION

This is the second Environmental, Social and Governance ("ESG") Report of Bosideng International Holdings Limited (the "Company", together with its subsidiaries, "Bosideng", "we" or the "Group"). This report is prepared in accordance with the general disclosure requirements in the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules of the Stock Exchange of Hong Kong Limited and is a true reflection of the Company's environmental, social and governance performance in 2017/18.

BUSINESS OF THE GROUP

The Group is a multi-brand integrated apparel group with the design, sourcing and sale of down apparel as its principal business in the People's Republic of China (the "PRC"). Founded in 1976, the Group commenced its entrepreneurial journey in extremely difficult conditions under the leadership of eleven rural workers, including Mr. Gao Dekang, the founder, with 8 domestic sewing machines. It was listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3998. HK) in October 2007.

With a focus on down apparel business, the Group has been widely recognized by consumers with its expertise and leading role in the industry. Currently, the Group's down apparel brands include "Bosideng", "Snow Flying", "Bengen", etc. With these

brands, the Group is well positioned to meet the needs of different customers and established a solid foundation as a leading role in the industry in the PRC market. In particular, the down apparel brand of Bosideng has maintained its outstanding position in the industry in terms of sales in the PRC during the past 23 consecutive years (1995 -2017), and its products are sold to 72 countries and regions in the world.

By maintaining the down apparel business as its core module in the Group, Bosideng has been proactively exploring opportunities to acquire non-down apparel brands with high development potential and good reputation. Currently, the Group's non-down apparel brands include JESSIE, Buou Buou, KOREANO, KLOVA and Sameite. In addition to the non-down apparel business, the Group's non-core business also includes OEM processing business, the customers of which are mainly famous European and American brands.

The Group vigorously implements its brand development strategy and has won a number of honors including "China's World Famous Brand Products" (中國世界名牌產品) and "China's Leading Textile and Apparel Brands" (中國紡織服裝領軍品牌). Looking forward, the Group will continue to focus on down apparel business as its core business, and concentrate on brand building activities in terms of optimizing the products and enhancing sales channel development. The Group is aiming to achieve a much more outstanding performance and becoming the most respected functional apparel group in the world.



About this Report



FEEDBACK

If you have any comments or suggestions on this report, you may contact the Investor Relations Department at bosideng_ir@bosideng.com. We welcome any comments and undertake not to disclose any of your information to any third party without your permission.

REPORTING PERIOD AND SCOPE

The reporting period of this report is the fiscal year of 2017/18 (from April 1, 2017 to March 31, 2018). The reporting scope mainly covers garment sourcing and sales business at the headquarters in Changshu and the retail stores all over the country. The following are the main subsidiaries of the Company:

Company name	Place of incorporation/ establishment and business	Group's effective interest	Principal business
1) Enterprises established outside the PRC			
Bosideng International Fashion Ltd. 波司登國際服飾有限公司	British Virgin Islands	100%	Investment holding
Bosideng UK Limited 波司登（英國）有限公司	UK	100%	Sourcing and distribution of non-down apparel
2) Wholly foreign-owned enterprises established in the PRC			
Bosideng International Fashion (China) Limited 波司登國際服飾（中國）有限公司	PRC	100%	Sourcing and distribution of down apparel
Jiangsu Bosideng Garment Development Co., Ltd. 蘇波司登服裝發展有限公司	PRC	100%	Sourcing and distribution of non-down apparel
Shanghai Bosideng Trade Development Co. Ltd. 上海波司登商貿發展有限公司	PRC	100%	Distribution of down apparel
3) Sino-foreign equity joint ventures established in the PRC			
Bingjie Fashion Limited 冰潔服飾有限公司	PRC	100%	Sourcing and distribution of down apparel
Bosideng Down Wear Limited 波司登羽絨服裝有限公司	PRC	100%	Sourcing and distribution of down apparel
Kangbo Fashion Limited 康博服飾有限公司	PRC	100%	Sourcing and distribution of down apparel
Shanghai Shuangyu Fashion Limited 上海雙羽服飾有限公司	PRC	100%	Sourcing and distribution of down apparel
4) Domestic companies established in the PRC			
Changshu Bosideng Advertising Co., Ltd. 常熟市波司登廣告有限責任公司	PRC	100%	Advertisement agency
Shenzhen Jessie Fashion Co., Ltd. 深圳市杰西服裝有限責任公司	PRC	70%	Sourcing and distribution of non-down apparel
Changshu Bosideng Import and Export Co., Ltd. 常熟市波司登進出口有限公司	PRC	100%	Sourcing and distribution of OEM products
Jiangsu Bosideng Marketing Co., Ltd. 江蘇波司登營銷有限公司	PRC	100%	Distribution of down apparel
Shanghai Bosideng Clothing Trading Co., Ltd. 上海波司登服飾貿易有限公司	PRC	100%	Distribution of down apparel
Shenzhen Buoubuou Fashion Co., Ltd. 深圳邦寶時尚服飾有限公司	PRC	91%	Sourcing and distribution of non-down apparel

About this Report

Company name	Place of incorporation/ establishment and business	Group's effective interest	Principal business
Shanghai Bosideng Information Technology Co., Ltd. 上海波司登信息科技有限公司	PRC	100%	Internet consulting and e-commerce of down and non-down apparel
Xuezhongfei Enterprise Co., Ltd. 雪中飛實業有限公司	PRC	100%	Distribution of down apparel
Shanghai Bosideng Electronic Commerce Co., Ltd. 上海波司登電子商務有限公司	PRC	100%	E-commerce of down and non-down apparel
UNO (Tianjin) Apparel Co., Ltd. 優諾（天津）服裝有限公司	PRC	100%	Sourcing and distribution of non-down apparel
Klova (Tianjin) Apparel Co., Ltd. 柯蘿芭（天津）服裝有限公司	PRC	100%	Sourcing and distribution of non-down apparel
Tianjin Koreano Apparel Co., Ltd. 天津柯利亞諾時裝有限公司	PRC	100%	Sourcing and distribution of non-down apparel
Noah (Tianjin) Apparel Co., Ltd. 盧華（天津）服裝有限公司	PRC	100%	Sourcing and distribution of non-down apparel

Considering the importance of down apparel business relative to non-down apparel business, we will focus on disclosing data on down apparel business this year and plan to extend the scope of disclosure to cover non-down apparel business in the future. Unless otherwise specified, the environmental data herein only cover the headquarters in Changshu and the branded down apparel retail stores operated by the Group.

Number of retail stores operated by the Group by brand				
As at March 31, 2018	Bosideng	Snow Flying	Bengen	Total
Specialty stores	552	7	6	565
Concessionary retail outlets	646	187	25	858
Total	1,198	194	31	1,423

Environmental, Social and Governance Reporting Guidelines

ENGAGEMENT OF STAKEHOLDERS

Effective communication with stakeholders is crucial to the Company's success. In order to achieve long-term success and sustainable development, we establish and maintain communication with our stakeholders to allow them to give suggestions when developing policies and rules which related to environmental and social responsibility, and at the same time, give opinions on the strategies of the Group's future operations and development. Last year, we appointed an independent third party to identify internal stakeholders with sufficient knowledge of the Group's business and to conduct one-on-one interviews with them to understand what environmental and social responsibility issues they believe are important to the Group. The team analyzed the results collected and identified the issues of importance.

In order to obtain more comprehensive opinions and further improve the Group's environmental, social and governance performance, this year we continued to engage an independent third party to expand the scope of stakeholder interviews to cover more external stakeholders. This time, we invited representatives of external stakeholders such as banks, suppliers and third-party distributors to interviews, so as to understand what they believe are the important environmental and social responsibility issues for the Group and update the results of last year's analysis of important issues.

The success of the Group relies on the support of key stakeholders, including customers, consumers, employees, cooperation partners, the government and shareholders. As such, the Group maintains communication with a wide range of stakeholders (i.e. organizations and individuals that have significant impacts on or are materially affected by the Group's business). Through a variety of channels, the Group can learn about the latest requirements of stakeholders in a timely manner and actively respond to their requirements in order to enhance the Group's ability to fulfill its environmental and social responsibility and achieve its sustainability objectives.

Stakeholders	Concerns	Communication
Customers and consumers	Product quality, service standard and customers' feedback	Customer visits, exhibitions and customer surveys
Employees	Employees' interests, development and occupational health and safety	Employee representative congress, labor union and various seminars
Suppliers	Win-win cooperation, integrity and honesty	Visits to suppliers' factories and industry conferences
Government	Status and compliance of enterprise development	Regular communication with local officials, regular reporting, guidance and scrutiny, and inspections by officials
Shareholders	Operating results of the Company	Shareholders' meetings and board meetings

Environmental, Social and Governance Reporting Guidelines

MATERIALITY ANALYSIS

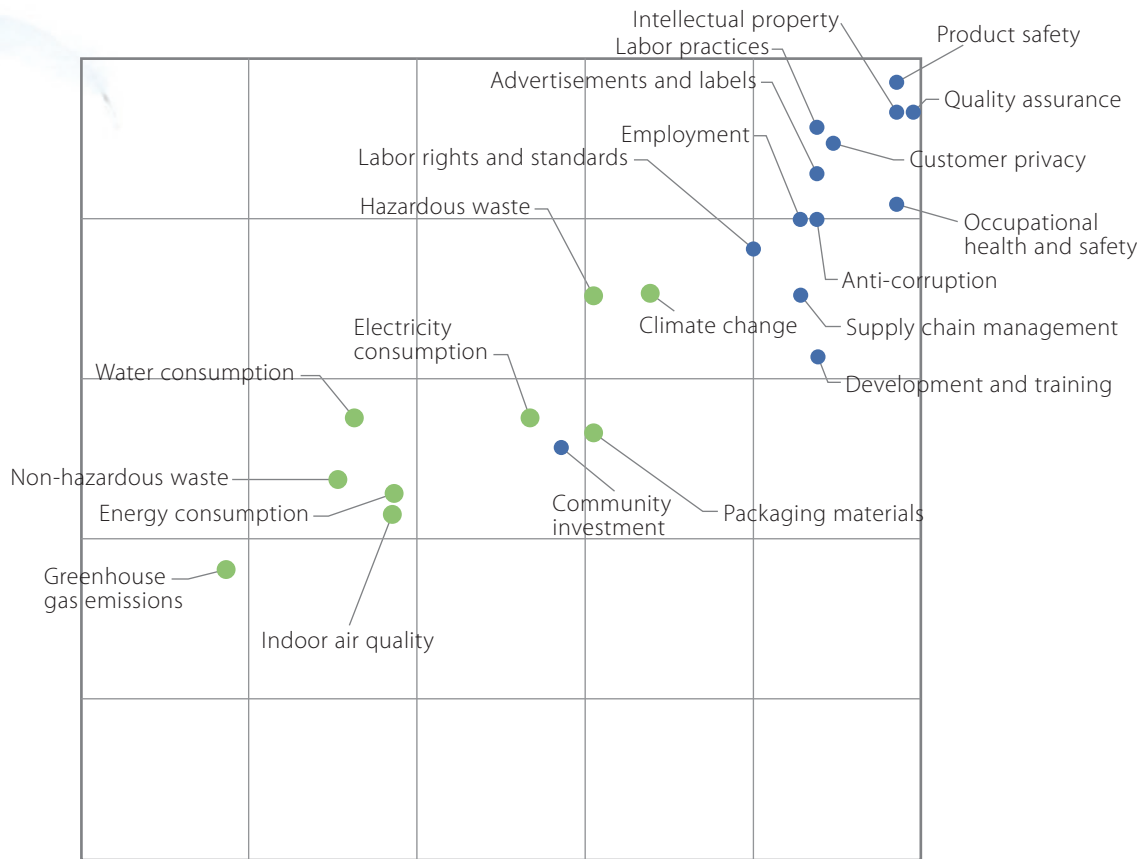
After further analysis of the opinions collected, we identified a series of issues that have significant impacts on the Group. The analysis results are reported as follows: Views and opinions collected from the interviews with stakeholders were assessed. The material environmental, social and governance issues and how they relate to business operations are set out in the following table by materiality:

Scope	Key issues	Relationship with business
Environmental	Climate change	The stakeholders are concerned about the impact of extreme weather caused by escalating climate change on the Group's operational strategies. It is necessary for the Group to pay close attention and respond to such impact.
	Hazardous waste	The Group's operations generate a small amount of hazardous waste which is required to be disposed of properly in accordance with relevant regulations.
	Packaging materials	To prevent products from being damaged during transportation, different types of packaging materials are needed to protect the clothes transported from factories to retail stores. We regularly recycle packaging cartons, plastics and paper bags for reuse, and those non-recyclable packaging materials are handed over to sanitation offices for harmless treatment.
	Use of electricity	The Group's headquarters office and retail outlets need to use electricity for their daily operations. Although we cannot directly manage the electricity consumption of third-party suppliers, we have been working closely with them and motivating them to make improvements with our influence.
Social	Product safety	"Putting Customers First, Integrity, Enterprisingness, Innovation, Cooperation and Responsibility" are the core values of Bosideng. We are committed to providing our customers with high-quality and safe products.
	Quality inspection	The Group has established an excellent quality assurance system to ensure that suppliers adhere to the zero quality defect standards throughout the production process.
	Intellectual property	Brand trademarks and technological innovations are important assets of the Group and need more protection in order to establish and maintain corporate reputation.

Environmental, Social and Governance Reporting Guidelines

MATERIALITY MATRIX OF BOSIDENG

IMPORTANCE TO STAKEHOLDERS



IMPORTANCE TO BOSIDENG

Environment

ENVIRONMENTAL POLICIES

According to Bosideng's brand strategy, corporate positioning and planning, we established the following environmental policies of the Group as the basic principles of our environmental management. The following policies have been approved by the chairman of the Board of Directors. We review the implementation of relevant operational procedures and measures on a regular basis to ensure that the policies are effectively implemented.

- 1 Compliance with regulations – comply with environmental laws and regulations of the People's Republic of China, international environmental conventions signed by it and environmental and safety requirements on products in the countries and regions to which the products of the Group are exported;
- 2 Pollution prevention – actively advocate and practice green operations and green manufacturing to prevent and control the generation and discharge of pollutants during business activities and product production;
- 3 Energy saving and emission reduction – strengthen energy resource management, maintain low energy consumption among peers, and control and reduce discharge of pollutants;
- 4 Continuous improvement – continuously improve the environmental issues in operations and development and enhance management level.

We have introduced extra-thick down apparel, thick down apparel and thin down apparel to meet the needs of different regions and the personalized needs of different types of consumers.



As a well-known down apparel company in the PRC, Bosideng always regards ecological environment protection, ECO development and corporate responsibility as the priority issues for its development while laying great emphasis on the quality, innovation and design of products. The Group keeps making solid efforts in environmental protection, energy conservation, pollution reduction, waste management and packaging materials control. The Group is principally engaged in the sourcing and distribution of down apparel products, and carries out business activities mainly at its headquarters in Changshu and retail stores across the country. The work environment is mainly indoor offices and stores. As such, the Group does not directly generate waste gas and waste water. However, it is inevitable to produce a small amount of hazardous waste during operations. Due to the harmful effects of hazardous waste, the results of the materiality assessment show that the Group needs to handle the generation of such waste with care. We have established an environmental management system certified by ISO14001 Environmental Management System. Each year, we set the Group's environmental management objectives and measures for circulation among various departments. We strictly monitor all business segments through training, regular internal audits and management reviews to ensure compliance with the standards and requirements of environmental regulations.

The Group is not engaged in self-production activities, nor does it have any industrial plants. The production of all its products is sourced to the plants of third party suppliers. Although we do not directly control the environment performance of the third party suppliers, we are aware of the potential impact of their production activities on the environment. As such, we have been strictly monitoring the suppliers, exerting influences on them and giving them suggestions for improvement.

The Group hopes to play a leading role in fulfilling corporate social responsibility by incorporating responsible sourcing and production into its sustainability efforts and promoting supply chain information disclosure, hazardous chemical management and sustainable technological innovation. For further details of supply chain management, please refer to Section 5.5 – Supply Chain Management.

EMISSIONS

Waste Management

As the Group's principal places of business are offices and stores, we do not directly generate large amounts of waste. At present, the wastes generated by the Group are mainly packaging materials, domestic waste, store decoration waste and a small amount of other hazardous waste. In order to strengthen the management of the above wastes, the Group has established the Waste Disposal Management Rules to reduce the environmental impact of wastes by promoting the recycling and reuse of wastes. Such rules apply to the control and management of packaging waste, domestic waste, store decoration waste and other hazardous waste.

Hazardous waste

Though we do not directly produce down apparel, the operation of offices or stores will still produce a small amount of hazardous waste, such as waste lamps, batteries, ink cartridges, organic cleaner, computers, photocopiers and other electronic equipment.

According to the Group's environmental operation control system, hazardous waste is centrally disposed by the logistics department. The duties of the logistics department include seeking and determining qualified waste disposal agencies, signing entrusted disposal contracts, transferring hazardous waste to the qualified waste disposal agencies for standardized disposal, and obtaining disposal information. In addition, the system office also collects statistics on the amount of hazardous waste disposed to file with the Suzhou Municipal Hazardous Waste Management System on a monthly basis.

Environment

The Group has specific disposal methods for different types of hazardous wastes, as shown in the following table:

No.	Type of hazardous waste	Disposal method	Recording process
1	Used batteries and accumulators (excluding the environment-friendly ones)	Replace the old ones with new ones, and hand over the old ones to the waste repository of the logistics department for unified disposal*	The waste disposal department shall fill out a hazardous waste handover list, and the waste repository shall sign for it and keep record of the wastes received
2	Waste fluorescent tubes (excluding the environment-friendly ones)	Replace the old ones with new ones and the electrician team shall collect the old ones and hand them over to the waste repository for centralized disposal*	The electrician team shall fill out a hazardous waste handover list and the waste repository shall sign for it and keep record of the wastes received
3	Ink boxes, ribbons and toner cartridges of photocopiers and printers	Replace the old ones with new ones and hand over the old ones to the waste repository for centralized disposal*	The waste disposal department shall fill out a hazardous waste handover list, and the waste repository shall sign for it and keep record of the wastes received
4	Medical waste and expired medicines from infirmaries	Hand over the waste to the waste repository or a medical waste collection and disposal agency for centralized disposal. Combustible waste may also be disposed of by incineration in the boiler room.	The waste disposal department shall fill out a hazardous waste handover list for the waste repository or a medical waste collection and disposal agency to sign for; the waste repository shall keep record of the wastes received
5	Other hazardous waste	Hand over the waste to the waste repository for centralized disposal*	The waste disposal department shall fill out a hazardous waste handover list, and the waste repository shall sign for it and keep record of the wastes received

* The centralized disposal mentioned above means finding a qualified disposal agency approved by the environmental protection authority and handing over the waste to the agency for harmless treatment. Before a disposal agency is found or where the amount of hazardous waste is small, the waste may be stored in the waste repository temporarily.

In order to reduce the generation of hazardous waste, the Group vigorously promoted the use of energy-efficient LED lighting during the year and phased out mercury-containing lamps. We have required all new sales outlets to use LED lighting in order to reduce the generation of hazardous waste from waste lamps. In addition, at the headquarters of the Group, we also employed energy-saving compressed air devices during the year to reduce the production of waste mineral oil.



General waste

The group has established an environmental operation control system. We recommend employees reduce the use of and one-off materials and encourage them to use reusable ones. We promote conservation awareness, and encourage recycling. According to the nature of waste, the Group's general waste is mainly classified into store decoration waste, packaging waste and domestic waste. We have specific disposal methods for different kinds of generate waste.

Store decoration waste

The Group conducts strict supervision over the decoration process of retail stores. During the process, every construction units has to follow the Construction Manual which is introduced by the channel management department. It has unified requirements such as design, use of materials and construction quality. For the disposal of decoration waste, the construction manual sets out the following requirements:

- For outsourced decoration works, the decoration contract may provide that the contractor shall be responsible for the harmless treatment of decoration waste;
- For outsourced works without stipulating waste disposal by way of contract or decoration works carried out by the Group itself, the logistics department shall arrange for personnel to clean up and classify the decoration waste therefrom. Recyclables shall be recycled by a relevant recycling agency, while the unrecyclable waste shall be handed over to the local sanitation office for harmless treatment.

Packaging waste

To ensure the quality and appearance of the products delivered to the customers, the Group uses different kinds of packaging materials to protect the goods when transporting them. We have strict control over the packaging materials for down apparel, and separately deliver such packaging materials, and this in return can also reduce the unnecessary waste generated by retail companies at the same time. In addition, retailers need to return a corresponding amount of carrying bags when returning goods, and the returned carrying bags will be reused to reduce the generation of packaging waste.

Environment

As for inevitable packaging waste, we have the following recycling principles:

- The cartons, plastics, paper bags and straps used for packaging shall be delivered to the waste repository and sorted out for unified disposal by full-time cleaners. Then the logistics department shall instruct the contracted recycling agencies to recycle and reuse the waste on a regular basis. The unrecyclable waste shall be handed over to the local sanitation office for harmless treatment;
- The wood from unpacked packaging cases shall be sorted out and used by the carpenters from the logistics department, while the unrecyclable parts shall be handed over to the local sanitation office for harmless treatment.

Domestic waste

The Group's domestic waste mainly includes the kitchen waste from the canteens at the headquarters of the Group and the domestic waste generated by various departments. In order to reduce the generation of kitchen waste from the source, the Group strengthened purchasing management during the year to avoid waste caused by the purchase of excessive ingredients. Meanwhile, we also increased the cost per meal and improved the quality of meals to reduce the chances of generating leftovers.

As for inevitable kitchen waste, we deal with it using the usual method. Leftovers from canteens and guesthouses are poured into designated kitchen waste buckets and then collected by contracted farmers for use as feeding stuff. The kitchen waste generated in the process of handpicking ingredients in canteens and guesthouses is dumped into designated garbage trucks and delivered to the domestic waste station. Such waste will then be transported by the local sanitation office to a waste transfer station for harmless treatment on a daily basis.

In addition, in order to reduce the general waste in offices, we provide designated facilities and sites at the headquarters to collect waste paper, waste cloth and other recyclable waste for recycling, so that staff can carry out classified collection and utilization of the general waste. In order to control paper consumption, we implement a departmental and printing room approval system for large-volume copying and printing of documents (e.g. more than 500 sheets a day) to prevent employees from using excess paper unnecessarily. The domestic waste generated by each department is collected by full-time cleaners and dumped into domestic waste bins on a daily basis. Such waste will then be transported by the local sanitation office to a waste transfer station for harmless treatment at regular time every day.

Greenhouse Gas Emissions

Since 2016, the parent company of the Group has been submitting reports on its greenhouse gas emissions to the Development and Reform Commission of Jiangsu Province each year by filling out its annual report on and plan for greenhouse gas emissions through a designated provincial website. Such reports cover the emissions of the parent company of the Group. The parent company's report on greenhouse gas emissions for 2017 has passed the provincial (highest-level) review.

Exhaust Emissions

As a purchaser and distributor of down apparel, the Group's main source of exhaust emissions is the exhaust emissions of the vehicle fleets transporting its down apparel. The Group does not own any vehicle fleet, but hires external vehicle fleets over which it has no direct control to deliver its goods. The Group works closely with the third-party fleets to continuously improve its central logistics system. After the logistics system is streamlined, the goods are first transported from the headquarters to regional warehouses and then distributed to the retail outlets. This logistic management system is conducive to enhancing delivery efficiency and reducing fuel usage and exhaust emissions.

We also require the outsourced fleets to inspect the vehicles regularly to ensure that they are in good condition. In addition, we issue environmental protection open letters (notices) from stakeholders to the vehicle fleets, demanding that the logistics services provided by them should meet the relevant requirements of national and local laws and regulations and industry rules on energy conservation and environmental protection and that the exhaust gases and noise emitted by their vehicles should meet national emission standards. We also conduct annual emission tests on internal vehicles and only put those meeting the emission standards into use.

Wastewater Discharge

As an enterprise that mainly engages in the wholesale and distribution of clothing, the Group does not produce industrial wastewater during operations. Instead, it mainly generates domestic sewage. The domestic sewage generated from the headquarters in Changshu, which meets the discharge standards, has been discharged into the municipal sewage pipe network for centralized treatment since 2014. The Group formulates annual targets and management plans for water and energy conservation each year, and reduces water consumption through daily operation control, inspection and maintenance, thus reducing wastewater discharge from the source. In addition, the domestic sewage of Xuezhongfei Enterprise Co., Ltd., a subsidiary of the Group, is partially recycled for watering plants after specific treatment.

USE OF RESOURCES

The Group is committed to improving the efficiency of resource utilization in order to reduce the use of resources. In order to reduce the waste of resources, the Group has formulated the Management Rules on Electricity and Water Conservation which is designed to strengthen the management of electricity and water consumption and provide guidance for employees on conservation. The energy-saving and environmental leading group led by the vice president and the energy and environment office are in charge of the Group's environmental protection and energy conservation work. Each year, they formulate annual targets and management plans for water and energy conservation.

Energy Management

The Group updates its energy management targets on an annual basis based on the five-year plan or annual energy conservation and emission reduction targets issued by the competent environmental and energy-saving authorities of the government. We aim to have the water and electricity consumption per working hour lower than the average level of the previous two years in 2018. Electricity meters have been installed in offices, canteens and dormitories at the headquarters to continuously monitor the electricity consumption of the Group's facilities. Each department is required to publish an electricity consumption form on a regular basis and carefully conduct self-examination to find out the reasons for high electricity consumption and then take countermeasures.

The energy conservation efforts carried out by the Group this year are as follows:

- Started the central air conditioning renovation;
- Employed energy-saving LED lamps to phase out ordinary fluorescent lamps and other lighting equipment;
- Installed solar-assisted energy supply systems on dormitory buildings in place of power grid for hot water supply.

In addition, the Group continuously implements the following daily energy-saving measures:

- Carry out energy conservation publicity and education (including training courses and publicity on electronic screens and banners during the energy conservation promotion week);
- Ensure that lights, air conditioners and electric fans are not turned on when nobody is in the office;
- Turn off electrical appliances which are not in use or switch them to the power-saving mode;
- Set the temperature of the central air conditioning system in summer at not less than 25°C and have the air conditioning team of the logistics department keep record of the operation of the central air conditioning system. In winter, use air conditioning only when the temperature is below 0°C;
- Turn off the lights near the windows on sunny days when there is enough sunlight through the windows to save electricity.

Environment

The Group is also committed to reducing the energy consumption of vehicle fleets transporting its goods. Last year, we started to build a centralized logistics hub to simplify the logistics network and improve transport efficiency. During the year, all regional warehouses in Southwest, Northwest, North and Central China have been established and are in normal operation. With the streamlined logistics network, goods are delivered directly from regional warehouses to stores, which reduces the transportation distance and cuts gasoline consumption caused by the delivery. In addition, we closed the warehouses of certain sales companies in places where our regional warehouses are located, thus reducing the consumption of water and electricity, relevant personnel costs and rental costs.

Apart from internal management, we also work closely with third-party manufacturers and urge them to continuously improve their environmental and energy-saving performance. For example, our largest third-party supplier in Changshu has invested more than RMB3.76 million during the year to optimize the electromechanical system in its plant for energy conservation and emission reduction.

Investments of the largest third-party supplier in Changshu in environmental protection and energy conservation in 2017/18		
No.	Project name	Investment amount (RMB'0,000)
1	Energy-saving technical renovation of central air conditioning system	210
2	Purchase of natural gas boilers and gas pipelines	90
3	Energy-saving renovation of LED lighting and compressed air equipment	18
4	Construction of an environmental and energy-saving management system	33
5	Project of employing energy-saving electric ironing tables	25
	Total	376

Water Management

The Group has installed water meters in every office, canteen and dormitory at the headquarters for the purpose of collecting water consumption data. Based on the measured water consumption, each department is required to publish a water consumption form on a regular basis and carefully conduct self-examination to find out the reasons for high water consumption and then take countermeasures. In order to reduce water consumption, the Group continued to implement the following water saving measures:

- Use water-saving sanitary ware and flushing equipment;
- Regularly check the faucets and toilet flushing systems and report any malfunctions for repair in a timely manner to ensure no water leakage will occur;
- After work, the logistics department shall arrange for special personnel to close the main water inlet valve and toilet flushing system of each department.

Through the above measures and continuous water conservation advocacy, the annual water consumption of the headquarters in Changshu decreased by 2.9% during the year.

Environmental Data of the Group in the Latest Three Years

Environmental data of the Group during the latest three years ¹			
	2017/18	2016/17	2015/16
Total water consumption (0'000 tons)	11.49	7.35	7.01
Total electricity consumption (0'000 kWh)	2,112.2	256.8	238.6
Packaging materials (ton) ²	4,820.0	2,081.4	1,981.0
Hazardous waste (waste lamps) (kg)	12.7	–	–

1. Data for 2016/17 and 2015/16 only cover the head office in Changshu. Starting from this year (2017/18), the data disclosure will be extended to cover the head office in Changshu and retail stores operated by the Group.
2. Data on packaging materials for 2016/17 and 2015/16 only cover paper boxes. Starting from this year, the data will cover packing tape, sealing tape, carrier bags and self-adhesive plastic bags in addition to paper boxes.

ENVIRONMENT AND NATURAL RESOURCES

The Group is committed to reducing the impact of its business operations on the environment and natural resources. During the reporting period, it did not cause any material pollution and damage to the air, land, water and ecosystem in the neighborhood. The details of the Group's policies and measures for use of resources and emissions are set out in the above sections.



COMPLIANCE PRACTICES

The Group did not violate any environmental laws and regulations during the year. In 2017, the Group continued to be accredited as a green enterprise (the highest rating) by the Environmental Protection Bureau of Changshu.

Employment and Labor Practices

We are well aware that Bosideng's long-standing success relied on the contributions of our employees. As such, we implement a transparent and fair recruitment system and offer competitive salaries to retain outstanding talents. We respect the rights of our employees, adopt a people-oriented approach, and strive to provide them with a safe working environment. Meanwhile, we also care about the personal development of employees and provide them with on-the-job training and long-term development opportunities, so that employees can progress together with the Group.

EMPLOYEES AND THEIR COMPENSATION AND BENEFITS

The Group believes that talents are the cornerstone of the Group's steady development. In the principles of "respect, development, restraint, and encouragement", we have established a people-oriented human resources development and management system centered on development of position competencies. We attract and retain talents with generous compensation and benefits, a people-oriented management philosophy, and fair and comprehensive performance appraisal and training programs. By providing various learning and development opportunities, we help employees enhance their self-worth, thus improving employee satisfaction.

We advocate equal opportunities and oppose any form of discrimination. The Group's headquarters and project companies use the same set of standards for employee recruitment and compensation. When hiring employees, we adhere to the principle of "putting morality first and prioritizing competency" and make employment decisions mainly based on the suitability of job applicants for specific positions in terms of competency and without being affected by such factors as race, gender, age and marital status. The Group's human resources management system sets forth in detail the management measures on, among others, recruitment, compensation and benefits, promotion and attendance management, as well as unified standards for the selection, employment, education and retention of talents.

According to the Management Measures on Compensation and Benefits of the Group, employee compensation consists of fixed basic salary, fringe benefits and annual performance bonus. Every year, the Group adjusts employee compensation according to the labor cost budget to ensure the competitiveness of compensation and benefits, so as to enhance employees' enthusiasm. Based on the positions or conditions of individual employees, we also provide fringe benefits, such as perfect attendance bonus, seniority allowance, high temperature allowance, food allowance, communication allowance and accident insurance. The Group implements the national system of national statutory holidays, and all the employees are entitled to, among other things, annual leave, marriage leave, maternity leave, work-related medical leave and funeral leave. In addition, employees working overtime as arranged and approved by relevant departments are entitled to compensatory leave.



Employment and Labor Practices

In order to give employees a clearer picture of their own development paths within the Group, the Group has set up a “six-level, three-class” position rank system according to the structure of administrative and technical positions in various department. In order to evaluate and reward employees’ performance fairly and impartially, the Group has established a result-oriented performance appraisal system where performance appraisal results are structured according to the “2-7-1” law of distribution. Each year, each department head conducts performance interviews with subordinate employees at all level according to the Job Responsibilities and Performance Agreement. After the two sides agree on the appraisal results, they confirm and sign the performance appraisal form and then submit it to the human resource department for record. According to the actual appraisal results, employees may be offered incentives such as promotion, salary raise and year-end bonus for the enhancement of their enthusiasm.

The Group attaches great importance to the feedback from employees and is committed to establishing a multi-faceted communication platform. The management collects comments and questions from employees through various meetings, performance interviews, project workshops, online real-time discussions on mobile phones, etc. Each year, the Group conducts an employee satisfaction survey to identify the key areas needing improvement, and have the administrative, human resource and other departments coordinate in solving the relevant problems.

In addition to basic compensation and benefits, the Group is also very concerned about the daily life of employees. Our human resource department is committed to solving all kinds of problems faced by employees in life. The Group’s dormitories have family rooms to provide accommodation for employees and their family members as needed. The Group provides employees with free meals and shuttles between Shanghai/Suzhou and Changshu. In order to cultivate the spirit of mutual support among our employees, the Group launched a Love Fund internally for each employee to donate RMB2 per month on a voluntary basis, which is designed to provide financial aid to needy workers at any time to help them solve urgent needs.



Employment and Labor Practices

As at March 31, 2018, there were 5,340 full-time employees in the Group.

Profile of employees			
	Total number of employees	Number of resigned employees	Turnover rate
Male employees	2,230	145	6.1%
Female employees	3,110	41	1.3%
Aged under 16	0	0	0%
Aged 17-30	1,821	61	3.2%
Aged 31-50	3,217	80	2.4%
Aged over 51	302	45	13.0%
Full-time employees	4,572	146	3.1%
Contracted/non-full-time employees	768	40	5.0%
Domestic employees	5,326	186	3.4%
Foreign employees	14	0	0%
Total	5,340	186	3.4%

During the reporting period, the Group received no complaints from employees about harassment (including sexual harassment), corporal punishment, ill-treatment and inappropriate penalties, and there were no disputes arising from remuneration payments.

HEALTH AND SAFETY

The Group is committed to providing a safe and comfortable working environment for employees, and always adheres to the principle of “complying with regulations, putting safety first, cherishing life and prioritizing prevention”. As our principal business is sourcing and distributing branded down apparel, the working environment of our employees is mainly offices and sales stores which have no material occupational health and safety risks, and the Group also take this into consideration though. We have established and put into operation an occupational health and safety management system, and have obtained OHSAS18001 certification¹, indicating that the Group's efforts to protect the occupational health of employees are widely recognized.



Pursuant to the local regulation on occupational health and safety, the Group has developed and implemented different occupational safety management and monitoring measures, such as the Management Measures on Fire Control and the Procedures for Hazard Source Identification and Risk Assessment and Control. Every year, we conduct monitoring of occupational safety risks in the work environment, regularly assess occupational health and safety risks, and analyze the assessment results and then make improvements.

In order to cope with various possible safety accidents with quick and effective rescue efforts, the Group has formulated the Emergency Preparedness and Response Procedures which sets out refined contingency plans for potential hazards such as electrical fires, elevator faults, natural disasters and compromised drinking water safety, with a view to ensuring rapid response to emergencies. In response to the risk of fire damage, we formulate fire safety evacuation drill plans, organize two fire evacuation drills each year, and put up escape routes at conspicuous places. According to the relevant requirements on fire protection of buildings, the Group has installed smoke detectors and regularly carries out maintenance of fire-fighting equipment to ensure the safety of employees. In addition, we also provide safety training for new employees and post warning signs in places where there are potential safety hazards, including warnings against dust, noise, high-voltage electric shock, skid, etc.

1 OHSAS18001 will be replaced by ISO45001 Standard. The Group plans to study and prepare for ISO45001 Standard in 2018. According to the release of the new standard, the Group will carry out system transition work and strive to complete the certification of the new standard in 2019.

Employment and Labor Practices

In order to ensure that the Group complies with the ever-changing safety-related regulations, we regularly assess our compliance with laws and regulations, and collect relevant laws and regulations through the government, the Internet, newspapers and other channels to sort out all regulations on health and work safety related to our business. During the year, we continued to collect and assess occupational health and safety regulations and standards. On this basis, we revised and issued the 2017 List of Occupational Health and Safety Laws and Regulations for the study and implementation by various departments. In the list, there are 10 newly-added regulations, including the Measures for the Supervision and Administration of "Three Simultaneities" of Occupational Disease Prevention Facilities in Construction Projects and the Work Standards of Jiangsu Province for the Detection of Occupational Hazards in Workplaces

To ensure workplace safety, we investigate and deal with any violations of laws and regulations, and takes measures to reduce the impacts of such violations. Employees may report any irregularities they found to the management and relevant management personnel through face-to-face reporting, telephone, email, meeting or other means.

At the end of 2017, we have conducted a review of the occupational health and safety management system, including assessing the status quo of the system, summarizing the operations of the system, and evaluating the suitability. We have tested and obtained a better understanding on the compliance and effectiveness of the system, in order to make continuing improvement based on the internal audit of the system by having in depth understanding that the targets and indicators are being met. The evaluation conclusion is: the occupational health and safety management system operated effectively and had appropriate targets. Next, we need to integrate the system into our daily work and improve the occupational health and safety awareness of all employees, so as to standardize the occupational health and safety system.

In addition to safety management within the Group, we also work closely with major suppliers and try to improve their production safety systems by providing advice on improvement measures in the capacity of a major customer of theirs. Taking our three suppliers in Changshu as an example, the Group helped them optimize their safety management manuals, procedural documents and workflows during the year. We helped them establish sound safety production systems and continuously standardize employee health and safety management by optimizing the organizational structures of their occupational health and safety management systems and relevant job responsibilities. During the year, our major suppliers made following achievements in their factories in Changshu:

- 1 Engaged third-party agencies to test the dust and noise in workplaces and regularly examine the safety facilities in buildings including fire-fighting equipment, elevators and anti-lighting equipment. The test results meet the occupational health and safety requirements;
- 2 Engaged a qualified company to clean up drinking water pools and entrusted a testing organization from Suzhou University to carry out water quality testing. The testing results meet the relevant standards;
- 3 Provided occupational disease examinations for a total of 31 personnel exposed to occupational hazards. No occupational contraindications or suspected occupational diseases were found;
- 4 Cooperated with the fire brigade to carry out emergency evacuation and fire drills, and to prepare for responses to emergencies;
- 5 Organized training on occupational health and safety management system standards to improve employees' safety awareness.

Employment and Labor Practices



In the third-party factories in Changshu, a total of RMB1.235 million was invested in occupational safety during the year; 100% of the protective equipment for staff was in good condition; 100% of the personnel needing protective equipment were equipped with necessary protective equipment; and the workplaces met 100% of the environmental standards.

Statistics on investments of third-party factories in Changshu in occupational health and safety in 2017/18		
No.	Use of funding	Investment amount (RMB'0,000)
1	Inspection and maintenance of fire-fighting equipment	5
2	Fire safety rectification	30
3	Emergency drills	0.8
4	Replacement of protective equipment (such as insulated shoes, insulated gloves and protective clothing)	1
5	Greening	22
6	Sanitation fees	10
7	Monitoring of working environment	1.7
8	Measurement	5
9	Special equipment inspection	10
10	Medical check-ups (covering occupational diseases)	33
11	Construction of occupational health and safety system	5
	Total investment amount	123.5

During the year, the Group found no violations of occupational health and safety laws and regulations that had a significant impact on the Group.

Employment and Labor Practices

DEVELOPMENT AND TRAINING

The Group regards employees as its vital assets and promotes continuous learning and development of employees based on its core values, system requirements, training management, performance management system, and measures for promotion. We developed the Measures for Organizing and Managing Training to improve the overall quality and work ability of all employees, in order to establish an excellent workforce and enhancing the Company's core competitiveness. We further standardized the internal training management of the Group, and established training management standards and measures that are aligned with the Group's strategic plan and meet its business needs.

Bosideng Business School, being the highest organization for organizing and managing personnel training of the Group, promotes the learning and development of employees under the philosophies of "integration, mastery, inheritance and innovation". During the year, Bosideng Business School invested a total of RMB5.43 million in staff training. Based on different positions and roles, we developed suitable training programs for employees. The following are the main training programs developed by Bosideng Business School for different categories of employees:

Executive talents	Selection and training of director-level reserve cadres; personal development plan for incumbent cadres
Strategic core talents	Empowerment plan (organizational talent management, transformation management)
High-potential reserve talents	Reserve talent training
Business line experts	Building a professional training course system for various business lines
New talents	Training of reserve sales personnel, induction training for new employees



Employment and Labor Practices

In addition, we continued to provide professional courses for employees through offline classrooms, E-learning and other established training methods. Meanwhile, the Group actively introduced emerging media tools as staff training channels, such as the Zhi-niao platform and the WeChat learning platform "Learning Club", so as to create favorable conditions for employees who love to learn and enable employees to study and improve themselves using mobile phones. The super shopping guide platform launched during the year has played a very important role in retail terminal training.

In addition to internal training, we also encourage employees to participate in external training, including training at home and abroad. Such training enables employees to learn new technologies, new management systems or professional knowledge and skills that internal lecturers lack, so that they are better positioned to offer suggestions for the Company's development. After completing the relevant training application form and obtaining approval from the Group, employees can reimburse their training expenses.

LABOR STANDARDS

The Group respects labor rights and has zero tolerance towards exploitation of labor and child labor. In dealing with the issues concerning labor rights, we strictly abide by relevant laws including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Social Security Law of the People's Republic of China.

In order to prevent forced labor and child labor, we have formulated internal rules and regulations in line with relevant national laws, and have clearly formulated policies prohibiting forced labor and child labor. The Group's personnel management system stipulates that all full-time employees recruited must be at least 16 years of age. We regularly search for possible signs of child labor and forced labor through building a systematic position management system. For instance, our human resource department analyzes the age structure of employees of labor-intensive suppliers and stores by reviewing their employee lists and analyzing their personnel information, in order to prevent illegal practices. If child labor or forced labor is found, we will hold accountable the head of the human resource department and the person-in-charge of the employing unit. If the case is serious, they shall bear legal liability for that.

In addition, we strictly verify the identity of new employees in the recruitment process to prevent child labor within the Group. Before joining the Group, each new employee is required to go through the entry formalities with the human resource department, including submitting the photocopies of his or her resident identity card, residence booklet and physical examination form. Before signing a labor contract or confidentiality agreement, a would-be employee needs to present his/her original identity card for identity verification and double check whether he/she has reached the statutory working age under local regulations. Where a job applicant is found to have provided false information or concealed information about his/her identity, which is a serious violation of the Group's rules and regulations, the Group has the right to immediately terminate the employment of his/hers. In addition to monitoring the Group's own recruitment activities, we regularly review the recruitment process of our recruitment agencies, and take employee age verification as a criterion for selecting suppliers.

In order to prevent forced labor, the attendance system in the Employee Handbook specifies the working hours of employees and the rules on overtime work. Employees are free to apply for overtime work or leave work on time. The Group does not force any employees to work overtime, and all overtime work is done voluntarily. Each department should inform its staff of overtime arrangement in advance when working overtime is necessary. Overtime work can only be carried out with the consent of the department manager and the approval of the human resource department. After working overtime, staff need to sign the attendance sheet as a proof for their overtime work. Employees who have worked overtime will receive compensatory time, which is to ensure that they get adequate rest.

Employment and Labor Practices

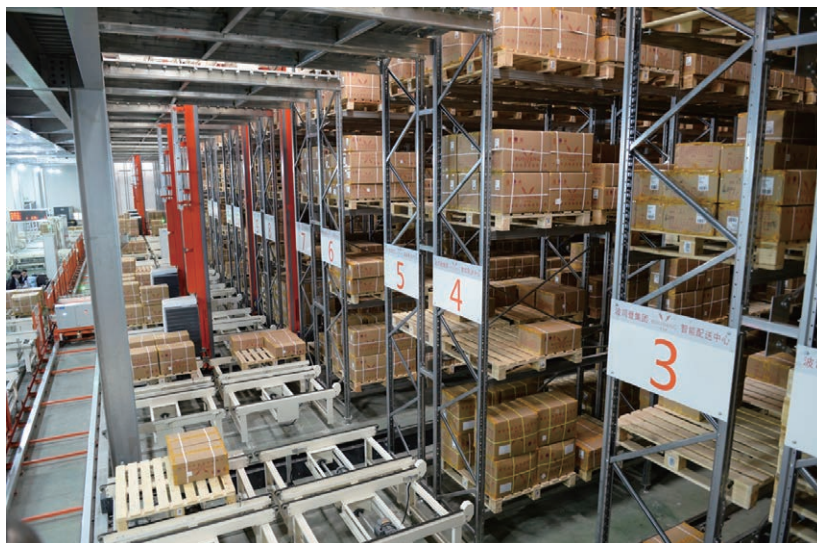
In addition, in order to protect the legal right of employees to freely terminate their labor contracts, the Group has established procedures for the termination of labor contracts. The procedures are carried out by the management staff of the Group's human resource department to ensure that the Group strictly abides by all applicable laws and regulations when terminating labor contracts. The Group respects the employment wishes of each employee leaving the Group. Yet, we will find out the reasons for employee turnover through the relevant departmental heads, and endeavor to provide a reasonable and fair working environment for employees.

During the year, the Group found no violations of labor-related laws and regulations that had a significant impact on the Group, such as employment of child labor or forced labor.

SUPPLY CHAIN MANAGEMENT

As an enterprise mainly engaged in sourcing and sale of down apparel, our supply chain is of great significance to our business. In order to ensure that we can meet our customers' demand for quality products of Bosideng, the Group has established stringent policies on supply chain and supply quality management.

The Group's requirements for suppliers are set out in its supplier evaluation criteria, covering the qualifications, reputation, financial stability, social responsibility, costs, service and R&D capabilities of suppliers. We also promote the sustainable development of suppliers by developing supplier selection criteria, supplier cooperation manual and supplier performance assessment standards and taking measures such as strategic supplier cultivation and supplier monitoring. We assess the performance of suppliers on a monthly basis and urge suppliers to comply with the code of conduct of the supply chain by publishing performance assessment information on the SAP platform shared with suppliers. In order to better serve the Company's strategy, this year we focused on revising the supplier performance management policy, strengthening performance incentives, and promoting suppliers' cooperation enthusiasm. We also revised the supplier selection criteria to raise the threshold for admission of suppliers, so as to continuously improve supplier qualifications and ensure that supplier resources meet the Company's business needs.



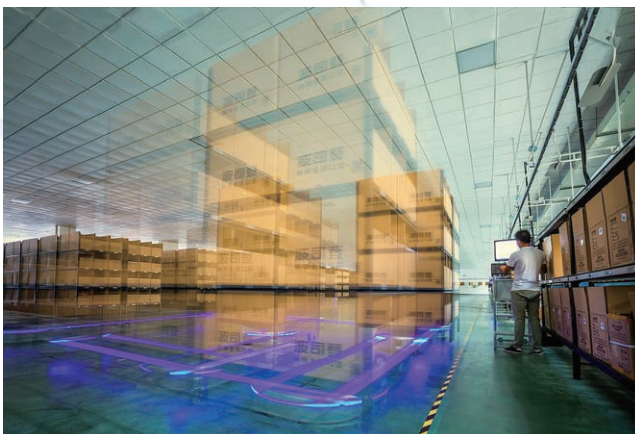
Employment and Labor Practices

According to the supplier selection criteria, when conducting annual site inspection of suppliers, we review the environmental monitoring report and environmental management system audit report provided by suppliers to verify whether they have complied with environmental regulations. For certain key suppliers, we dispatch dedicated personnel to inspect their implementation of SA8000 Corporate Social Responsibility Standards and procure suppliers to make improvements. In the process of inspection of suppliers, we also pay attention to factors such as social responsibility, environment, health and safety. Any supplier found to be unqualified in any aspect shall submit a rectification plan and fully rectify the relevant problems. Based on the inspection results, we will terminate our partnership with suppliers with the lowest scores to maintain the quality of suppliers.

When existing suppliers cannot match the needs of the Group, the supply chain management department and the purchasing department will jointly develop new suppliers. Before admitting new suppliers, the supply chain management department will investigate the qualifications of potential suppliers and conduct site inspection of suppliers that meet the Group's requirements. Only those determined qualified after the site inspection can begin formal partnership with the Group.

To encourage suppliers to continuously improve their social responsibility and environmental performance, the Group will include suppliers who have been certified by a third-party agency in the inspection waiver list. The Group is more willing to cooperate with manufacturers with good track records, and offer them more orders and shorter payment periods. When signing a contract with a supplier, the Group will add the requirements on social environmental responsibility to the schedules to the contract. We also provide training for the representatives of our suppliers at the beginning of each year to explain to them the Group's supply chain policy for the coming year.

The Group vigorously innovates, researches and develops the application of AI and big data technologies in an effort to achieve intelligent management of warehousing and transportation. Our intelligent warehouse replenishment system can help warehouses replenish goods intelligently to maintain a reasonable inventory level and avoid excessive inventory. Our intelligent store replenishment system can help terminal stores replenish goods intelligently, reducing daily replenishment workload and enabling store staff to focus on sales and customer service. With intelligent applications in all links of the supply chain, we continuously optimize the supply chain and increase the response speed and efficiency of the supply chain.



In the future, in order to meet the Group's new strategic needs, we will continue to expand the coverage of suppliers and other partners and optimize and scale up our supplier network nationwide. We will work with suppliers to support each other and make progress together. Under the premise of effective risk control, we will nurture and protect suppliers that have growth potential but may be of smaller scale or have other difficulties by supporting them with preferential policies and orders. We will continue to improve the qualifications of suppliers and empower them to grow with Bosideng while ensuring that supplier resources meet the Company's business needs.

PRODUCT RESPONSIBILITY

Focusing on down apparel business for 42 years and with products sold well in 72 countries around the globe, Bosideng is committed to becoming the preferred down apparel brand for 7.5 billion consumers in the world. The Company promotes adjustments of strategies and upgrading of brands centering on brands, commodities, communication, channels, terminals, in a drive to convey fashionable, aesthetic, simple and confident brand personalities and create heart-warming living experience. Putting quality and safety first, we promote the “Quality +” product innovation thinking, and strive to incorporate color, innovation and top quality into the DNA of our brands. With functional materials and new technologies, we are dedicated to providing high-quality products and services to meet the diverse dressing needs of consumers. In order to ensure that end-consumers can enjoy safe and stable products, the Group strictly abides by relevant laws such as the Product Quality Law of the People’s Republic of China and has developed a sound ISO9001 quality control system. We have also obtained national quality certification, signaling that the quality of our products is widely recognized.

In order to meet consumers’ requirements for quality and functionality, the Group applied different technologies to its down apparel products. For example, we launched antibacterial down apparel undergoing special technical treatments to reduce the discomfort caused by peculiar smell of down apparel while protecting the health of consumers. In order to improve the functionality of our products, we also actively adopt new designs and materials such as Gore-Tex fabric to provide consumers with fashionable and practical clothing.

To practice the Group’s innovative thinking of “Quality+”, we require manufacturers to carry out strict quality inspections and antibacterial tests over raw and auxiliary materials and finished products according to the established standards, and promote the use of eco-friendly materials. In order to ensure that the quality of our products and services meet the relevant requirements, we work closely with suppliers in all aspects from design quality control, inspection of raw materials and product quality control in the production process to inspection of finished products and even to after-sales service and improvement of major quality problems. We have developed a three-level inspection system to inspect the quality of finished products. The finished products will be sent to the inspection department for inspection. Only qualified finished products can be put in storage. In terms of requirements for product quality, we have set a target defect-based product return rate at less than 0.15% for general products and a target defect-based product return rate at less than 0.1% for high-end products. At present, the key technical indicators of the Group’s products are all higher than the national standards, and some of the technical indicators are industry-leading, which shows that Bosideng takes quality very seriously.

In addition, we have formulated a product recycling policy and recall procedures. If a store finds in the sales process that the defect rate of a product type is high, it may send the defective samples to the supply chain management department for verification. After verification, the supply chain management department will issue a product recall notice and organize the repair or harmless treatment of the recalled products. For batch defective products, we have the following feedback and handling methods:

- 1 First, collect data on quality anomalies, assess the severity and frequency of quality anomalies, and evaluate the risk of quality anomalies from the perspective of customers;
- 2 For low-risk quality anomalies, analyze the causes of the anomalies, have the department(s) responsible for the quality anomalies rework and repair the defective products, and take measures to prevent such anomalies from happening again;
- 3 For high-risk quality anomalies, halt the production of the problematic products immediately, and have the quality management center analyze the causes of the quality anomalies and propose improvement measures which shall be reported to the Company’s leaders for approval;
- 4 Have the department(s) responsible for the quality anomalies rework, repair or dispose of the defective products, and have the supply chain center hold accountable the responsible department(s);
- 5 Have the quality management center track the effectiveness of the improvement measures and ensure that such measures are effective, so as to prevent the quality anomalies from happening again.

The Group specifies product standards, fiber content, clothing size and washing instructions in the product labels in strict accordance with relevant national laws and national standards for down apparel, and never makes false descriptions of products to mislead consumers. In order to allow consumers to fully understand the source of production and other production conditions, upon customers' request, the Group may require its largest suppliers to use down certified by the "Responsible Down Standard", which means that they are subject to independent third party assessment each year. This is to make sure that animal welfare is properly protected and provide consumers with traceability from source to final products. The Standard has the several important principles:

- 1 Feather down farms shall not sell force-fed waterfowls (especially those subject to gavage commonly used for foie gras production);
- 2 Feather down farms shall not pluck feathers from live waterfowls;
- 3 Feather down farms shall comply with local laws on animal welfare;
- 4 Feather down farms shall always provide waterfowls with clean, fresh and safe drinking water;
- 5 Feather down farms shall provide sufficient space for waterfowls to live in a comfortable environment;
- 6 Living places of waterfowls shall be thoroughly cleaned and disinfected on a regular basis;
- 7 Feather down farms are required to certify waterfowls three days after their birth to ensure the traceability of the source of waterfowls.

In order to clearly understand customers' preferences and satisfaction with the Group's products, each year, the Group's commodity management department collects information on customers' preferences and satisfaction with the Company's products and services through customer satisfaction surveys and compares them with competitive products in this regard. We also hire a consulting company to conduct on-site interviews with customers in stores, so as to understand their comments on the Company's products and services. We have established an after-sales service system where customers can inquire about or voice their opinions on our products via telephone and other channels.

In addition, we adopt the "Pan-membership Management" model to gain insight into consumer needs using WeChat as a social interaction platform and create a closed loop of online and offline member experience. In 2017, we had over 7.7 million members. Our growing and loyal member base will help us better understand the needs of consumers.

While developing innovative technologies and designs, Bosideng also attaches importance to intellectual property management for the protection of our technological innovations and intangible brand assets such as trademarks, patents and copyrights. To this end, the Group's legal affairs center successively formulated the Trademark Management System, the Intellectual Property Legal Risk Guide, the Management Measures for Externally Authorized Project and other documents to guide intellectual property affairs. In accordance with the Guidelines for the Administration of Intellectual Property Rights of Industrial Enterprises, we carry out the Group's value-added strategy for intellectual property based on patents, patent applications, trademarks, and copyright registrations. With a standardized intellectual property management system, we have clear procedures for the declaration and use of intellectual property rights, which are designed to make the management, protection and use of intellectual property rights well documented and supported by rules and laws.

By strictly implementing the intellectual property management system, we actively increased the number of intellectual property applications, formed a "patent protection circle", and strengthened the capabilities in early warning and prevention of patent infringement to mitigate the risk of infringement. Meanwhile, we carry out external technical cooperation including trademark licensing and transfer in a planned way, thoroughly review the use of intellectual property rights by various departments, and implement and improve the Group's intellectual property strategy. The Group also made active efforts to protect intellectual property rights, such as setting up an anti-counterfeiting team and working with the Administration for Industry and Commerce and the Public Security Bureau to crack down hard on infringements of the Group's trademarks, so as to protect consumers' interests and its brand reputation.

Operations

During the year, the Group cooperated with the parent company and obtained the following patents:

Intellectual Property Rights Obtained During the Year			
Patent Application No.	Patent Name	Patent Type	Date of Authorization
ZL201621356731.0	A heat-preserved, waist-protected model	Utility model	November 3, 2017

During the year, the Group found no serious irregularities in the health & safety, advertising, labeling and privacy matters relating to its products and services.

ANTI-CORRUPTION

The Group is firmly against any corruption and any destruction of the fair competition environment, and adheres to the three basic principles of "honesty, integrity and being law-abiding". In order to prevent bribery, extortion, fraud, money laundering and other illegal acts, the Group has developed a sound internal audit system. We have established and revised the internal control system with a focus on the key areas, important positions and critical stages such as finished product procurement, advertising bidding, product marketing, warehouse management, and financial management. We strengthen management process control, capital control, investment control and internal audit control through developing reasonable business workflows, in an effort to prevent corruption from the source.

In addition, we provide training for new employees on management rules regarding bribery, extortion, fraud and money laundering, and have new employees sign the Letter of Commitment to Integrity which requires them to be honest and clean and prohibits them from taking advantage of their duties or business activities to accept any form of bribe or utilizing the Company's resources for personal gain. Employees who violate laws and regulations on preventing bribery, extortion, fraud and money laundering will be severely punished. Where any irregularity is found, we will report it directly to the audit committee. If it constitutes a violation of the law, the case will be handed over to the judicial authorities for handling according to law.



In order to improve the anti-corruption awareness of employees, each year we invite the relevant leaders of the Public Security Bureau to conduct integrity training at the Company's annual sales meeting. The legal department conducts legal risk research and compiles legal risk prevention guidelines on a regular basis. Moreover, relevant government officials will regularly communicate with the legal team of Bosideng to explain the direction of legal development, answer the legal questions faced by the Group and ensure that the Group complies with all laws.

During the year, the Group found no violations of anti-corruption laws and regulations that have a significant impact on the Group.

Mr. Gao Dekang, the founder of Bosideng and chairman of the Board of Directors of the Group, has always been enthusiastic about social services. Since its inception, Bosideng has made it its responsibility to give back to the society. Based on the corporate mission of “Bosideng warms the world”, the Group has built up a social responsibility system integrating public responsibility, social welfare and ethical practices. In order to promote the integration of social responsibility into enterprise management, we established a social responsibility leading group as early as in 2012, and we have been promoting social responsibility efforts in a planned and systematic manner. Bosideng Charity Foundation, founded by the Chairman of the Group as a dedicated charity platform of Bosideng, actively participates in various social undertakings and strives to bring love and warmth to those in need.

The following are the charitable activities carried out by the Group during the year, which are presented by theme:

ORANGE LOVE FUND

Caring for the disadvantaged, contributing to the city's environmental hygiene. In 2017, Bosideng donated down jackets worth RMB2.36 million to sanitation workers across the nation. In January 2018, Bosideng's RMB1 million “Orange Love Fund” project was officially launched with the aim of providing livelihood support for underprivileged sanitation workers by granting them living allowance. In the same month, Bosideng donated RMB150,000 of living allowance to poor sanitation workers in Changshu. Bosideng shows everyday care to sanitation workers by giving them refreshing supplies to combat hot weather and nutritious food to advocate civilization and express our gratitude for their hard work.



WARMTH IN CHINA

“Warmth in China” is one of the major charity projects of Bosideng. Since 2017, adhering to the mission of “warming your body with supplies, warming your heart with benevolence”, Bosideng Charity Foundation has donated supplies amounting to more than RMB9 million to the impoverished population in over 20 provinces and municipalities nationwide in collaboration with charitable organizations such as China Charity Federation, filling every corner of the nation with care and warmth. Bosideng has committed itself to bringing warmth to people in China by providing warm clothing such as down jackets for those in need.

- In September 2017, China Charity Federation and Bosideng Charity Foundation held a strategic cooperation ceremony. Bosideng Charity Foundation will make RMB200 million worth of donations to China Charity Federation within 10 years.



Community Investment

- In January 2017, Bosideng donated 2,650 pieces of own-brand down jackets worth around RMB1.11 million to impoverished families in Meigu County and Zhaojue County, Liangshan Yi Autonomous Prefecture, Sichuan, giving them warmth in winter.



- In April 2017, Bosideng expanded the coverage of the charity project "Warmth in China" to Qinghai Lake, donating supplies worth RMB827,000 to the region.



SUPPORTING EDUCATION

- In March 2018, the foundation of Bosideng Changba Central Primary School in Sinan County, Guizhou was laid. Bosideng Changba Central Primary School in Sinan was built with RMB11 million of donations from Bosideng, Jiangsu Charity Society and Suzhou Charity Federation, of which RMB5 million was donated by Bosideng. The primary school is expected to be completed and put into operation in February 2019.



- In 2017, the Xinai Fund (formerly known as "Dreams Come True") of Bosideng continued its disadvantaged student assistance program and donated RMB237,400 of living allowance to the poor students in Jiangnan University and Changshu Institute of Technology.



DISASTER RELIEF

- On August 8, 2017, a magnitude 7.0 earthquake struck Jiuzhaigou County, Aba Prefecture, Sichuan Province, causing heavy casualties and property losses. Bosideng responded quickly and worked with China Charity Federation to donate RMB1.68 million of supplies. On August 10, the supplies were urgently sent to the earthquake-stricken area.



GIVING BACK TO HOMETOWN

When drinking at a rivulet, stop to consider its source. In order to give back to its hometown, Bosideng grants a pension of more than RMB600,000 to the aged and the disadvantaged in Kangbo Village every year, providing them with financial support and assistance. In October 2017, Bosideng Charity Foundation donated an additional amount of RMB410,000 for the construction of a pilot service program dubbed "Bosideng Red Cross Charity Home – Smart Health" in Kangbo Village, which was to install "One Button Call for Help" devices and "smoke alarms" and equip residents with blood-pressure meters and other medical equipment, so that villagers can keep track of their health without leaving home.



List of Honors Received by the Group During the Year

During the year, Bosideng continued its efforts to become the world's most respected functional clothing group. The achievements of the Group and its parent company in market competition, corporate development, operations management and social responsibility have been widely recognized by all sectors of society. The Group will continue to honor its corporate social responsibility and obligations and pursue Bosideng's mission of warming the world.

No.	Honor	Issuing organization	Issuing date
1	"Bosideng" down apparel ranked first in the comprehensive market share among similar products in 2016	China General Chamber of Commerce, China National Commercial Information Center	April 2017
2	Jiangsu Provincial Shared Clothing Design Service Platform jointly built by the provincial government and enterprises	Jiangsu Economic and Information Technology Commission	May 2017
3	Outstanding Member of China Council for Brand Development	China Council for Brand Development	June 2017
4	2016 Advanced Enterprise in Industrial Economy in Changshu	Changshu Municipal People's Government	February 2017
5	The First Batch of Demonstration Enterprises for Intelligent Manufacturing in Changshu's Textile and Apparel Industry	Suzhou General Chamber of Commerce	July 2017
6	Contract Compliance and Good Credit Enterprise in Changshu		September 2017
7	Top 50 Private Enterprises in Suzhou		July 2017
8	Top 50 Enterprises in Sales Revenue, Total Profit and Sales Profit Margin in Jiangsu's Apparel Industry in 2016	Jiangsu Garment Association	July 2017
9	Top 100 Enterprises of China's Garment Industry in 2016	China National Garment Association	July 2017
10	Meritorious Industrial Entrepreneur of Suzhou in 2016-2017	Jiangsu Sushang Development Promotion Association	August 2017
11	Top 500 Chinese Manufacturing Enterprises in 2017	China Enterprise Confederation, China Enterprise Directors Association	August 2017
12	2017 Top 500 Chinese Private Enterprises	All-China Federation of Industry and Commerce	August 2017
13	2017 Model Enterprise in Implementing a Management System Integrating IT Application with Industrialization	Ministry of Industry and Information Technology	August 2017
14	Advanced Unit of Changshu in Caring for the Next Generation (2012-2017)	Changshu Municipal Committee for the Next Generation, Changshu Spiritual Civilization Construction Steering Committee Office	October 2017
15	Special Contribution Award from Textile Vision Science & Education Fund	Textile Vision Science & Education Fund	December 2017

List of Honors Received by the Group During the Year

No.	Honor	Issuing organization	Issuing date
16	Leading Enterprise in China's Down Apparel Industry	China Feather and Down Industrial Association	December 2017
17	2017 Top Ten Brands in Suzhou Brand Expo	Suzhou Brand Expo Organizing Committee	December 2017
18	2017 Top 10 Most Popular Brands in Suzhou Brand Expo		December 2017
19	Top Ten Dominant Brands of China's Textile and Apparel Industry in 2017 (Bosideng)	Journal of China National Textile and Apparel Council, Textile Apparel Weekly	December 2017
20	The 12th People's Enterprise Social Responsibility Award – "Environmental Protection Award of the Year"	People.cn	January 2018



General ESG Disclosure Table

	Area	Section	Note
A	Environmental		
A1	Emissions (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.2, 4.5	
A1.1	The types of emissions and respective emissions data.	–	The Group does not consider air emissions as its material area.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2.2	The parent company of the Group has submitted to Jiangsu Development and Reform Commission the group's greenhouse gas emissions report, the reporting scope of which includes the Group.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3.3	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	The Group does not consider non-hazardous waste as its material area.
A1.5	Description of measures to mitigate emissions and results achieved.	4.2.3	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.2.1	
A2	Use of Resources Policies on the efficient use of resources, including energy, water and other raw materials.	4.3	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.3.3	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.3.3	
A2.3	Description of energy use efficiency initiatives and results achieved.	4.3.1	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.3.2	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4.3.3	

General ESG Disclosure Table

	Area	Section	Note
A3	Environment and Natural Resources Policies on minimizing the issuer's significant impact on the environment and natural resources.	4.4	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.4	
B	Social		
B1	Employment Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer relating to the following aspects: <ul style="list-style-type: none"> • compensation and dismissal • recruitment and promotion • working hours and rest periods • equal opportunity and anti-discrimination • diversity • other benefits and welfare 	5.1	
B1.1	Total workforce by gender, employment type, age group and geographical region.	5.1	
B1.2	Employee turnover rate by gender, age group and geographical region.	5.1	
B2	Health and Safety Policies relating to providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations that have a significant impact on the issuer.	5.2	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.2	
B3	Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3	

General ESG Disclosure Table

	Area	Section	Note
B4	Labour Standards Policies that have a significant impact on the issuer relating to preventing child and forced labour and compliance with relevant laws and regulations.	5.4	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.4	
B4.2	Description of steps taken to eliminate such practices when discovered.	5.4	
B5	Supply Chain Management Policies on managing environmental and social risks of the supply chain.	5.5	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.5	
B6	Product Responsibility Policies that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress and compliance with relevant laws and regulations.	6.1	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.1	
B6.4	Description of quality assurance process and recall procedures.	6.1	
B7	Anti-corruption Policies that have a significant impact on the issuer relating to preventing bribery, extortion, fraud and money laundering and compliance with relevant laws and regulations.	6.2	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6.2	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	6.2	
B8	Community Investment Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7	



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