

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This environmental, social and governance Report (the “ESG Report”) was compiled in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) contained in Appendix 27 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

The board of directors (the “Board”) recognizes the importance of a robust environmental, social and governance performance in meeting the expectations of various stakeholders. The Board has taken overall responsibility for the Company’s ESG strategy and reporting and endorsement of this year’s ESG Report.

This report discusses information of our policy, efforts and achievements towards environmental, social and governance issues from 1 July 2018 to 30 June 2019 (the “Fiscal 2019”).

### Profile and Scope

This report covers the activities of Top Form International Limited (the “Company”) and its principal subsidiaries (collectively “Top Form” or the “Group” or “our” or “we” or “us”). Top Form Brassiere Mfg. Co., Ltd (“Top Form Bra”) represents the brassiere manufacturing arm of Top Form and is the major principal subsidiary. The data disclosed in this report was captured from production plants in China, Thailand, Cambodia and all operating offices of the Group. We take into account the potential social and environmental impact of these principal subsidiaries and have made relevant adjustments of the disclosure content compare to our last published ESG report to reflect sustainability topics that are material to our stakeholders. To find out more about our sustainability efforts, a separate Sustainability Report is published periodically on our website at [www.topformbras.com](http://www.topformbras.com).

### Report assurance

Data and case studies mentioned in this report originate from our internal documents. The Group confirms that this report does not contain false or misleading statements. The Group is responsible for the authenticity, accuracy and completeness of content of this report.

### Contact

We highly appreciate and welcome feedback from our stakeholders on this report so that we may meet their interests and expectations more accurately in our next report. In case of any questions or comments, please contact us at [query@topformbras.com](mailto:query@topformbras.com).

## VISION

It is Top Form’s vision to be the leading international apparel partner, from ideation to delivery, driven by insights and built on sustainable operations. Top Form employs over 8,000 people across China, Thailand, and Cambodia, with our headquarters in Hong Kong. We provide end-to-end service, from material sourcing to finished garments, and our product category ranges from panties to functional sports bras. Our strong foothold in the competitive market stems from a combination of our products’ concept designs, which utilizes innovative technologies, and our multinational production base, which offers global logistics solutions.

## MISSION

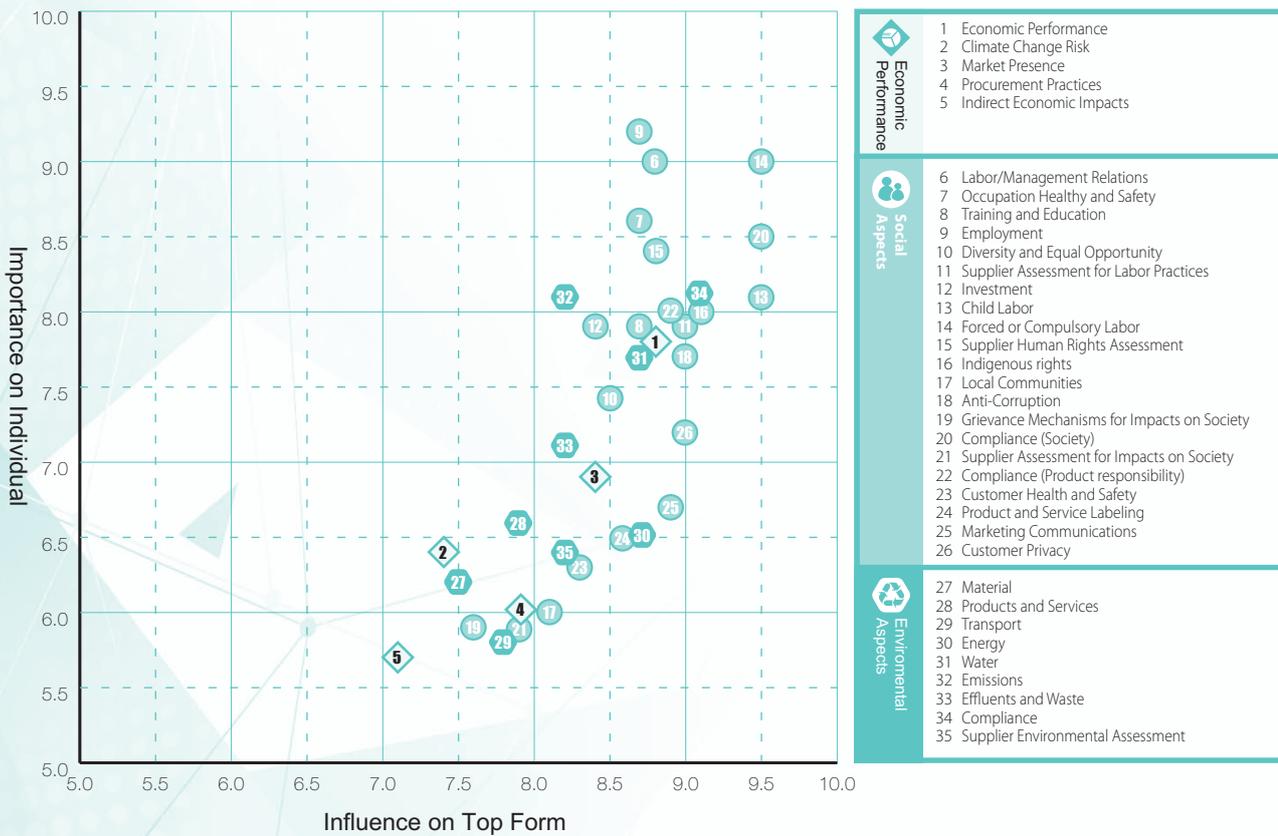
“Top Form strives to make a lasting positive impact through our actions, our relationships and the quality work we do”, and we deliver sustainable values to our key stakeholders by focusing on three corporate social responsibility pillars: Sustainable Manufacturing, Employer of Choice and Good Corporate Citizen.

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## STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

In the financial year of 2017, the Group engaged with specific stakeholders to evaluate their needs and interests in a range of sustainability topics, and we identified the topics that are most material to our business. Based on the output of the materiality assessment, the Group disclosed the management approach and summarized three key focus areas (Sustainable Manufacturing, Employer of Choice, and Good Corporate Citizen) spanning eleven aspects of sustainability that exhibited greater material impacts and opportunities for the Group and our stakeholder, which is the framework for this year's report.

### MATERIALITY MATRIX



### EMPLOYMENT

At Top Form, our remuneration and benefits not only include local regulatory requirements such as contributions to social insurance and other legal standards, we also take into account market offers, time commitments, responsibilities and employment conditions to develop our remuneration packages. Each operating facilities has its own set of promotion and benefit policies to ensure that employee remuneration is based on performance.

Compensation is also paid for work overtime according to local labour laws. Upon terminating any employees with dissatisfactory performance or of any other reasons, the Group pays the relevant dismissal compensation in accordance with their service contracts and the relevant laws and regulations.

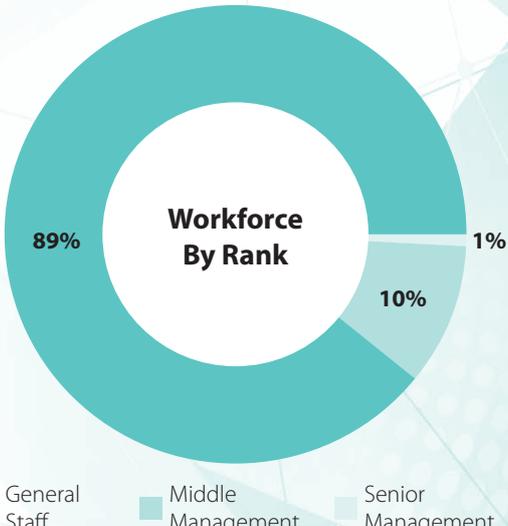
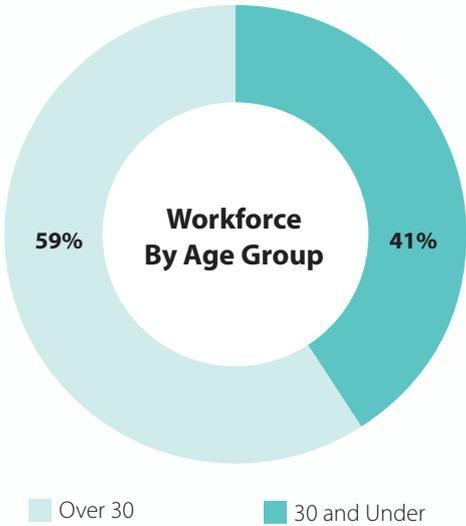
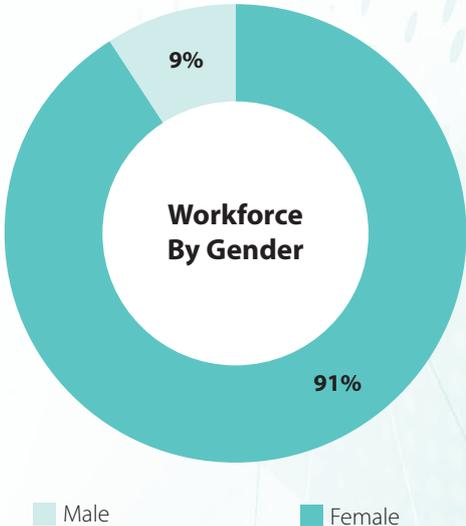
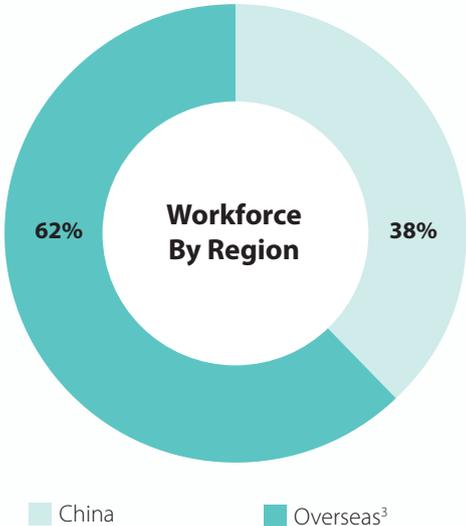
We put great emphasis on treating every employee fairly and we fully comply with local requirements with respect to minimum age. In practice, our Human Resource Department follows the Code of Conduct and Labor Practice Policy<sup>1</sup> to implement relevant procedures and training to ensure that we provide a work environment that offers equal opportunities to all employees and any discrimination with regards to age, gender or ethnicity is prohibited.

At Top Form, we take pride in the diversity of our talented people and believe that diverse teams make innovation possible. With over 15 nationalities employed into the Group, we continue to maintain an inclusive environment where all people are valued and respected.

<sup>1</sup> Our Labor Practice Policy is set out on page 13 of 2017 Sustainability Report published in November 2017.

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As at 30 June 2019, the Group employed a total of 8,853 employees<sup>2</sup>.



## HEALTH AND SAFETY

Top Form conducts its operations in accordance with the industry standards and legal requirements of the countries in which it operates in order to provide a safe and healthy working environment for our employees. Environmental, Health and Safety (“EHS”) Policy is established to provide guideline to our operation leaders of the expectation of our working environment. In addition, the local EHS Committee meets regularly to review EHS matters such as self-audits results, past incidences and progress of corrective actions.

Safety awareness and preventive measures training is crucial in maintaining a safe workplace. Safety trainings are conducted such as how to identify safety hazards and how to use Personal Protective Equipment (“PPE”) to our workforce. Fire drills are also organized with local fire department regularly, and evacuation maps are displayed at key locations at our operation sites.

<sup>2</sup> The Group only employs full-time employees.  
<sup>3</sup> Overseas region includes Thailand and Cambodia.

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Annual health and safety audit is also conducted by headquarters to assess and monitor effective measures are in place. The Group also values work-life balance of our employees, and we organize various activities to promote a healthy life style such as aerobic dances and football matches to our Thailand workers, or inviting external experts to provide health talks to our office staffs.

During the reporting year, there is no occupational fatality occurred and it recorded 42 lost day incidences, which accounts to an average of 12 lost days per injured employee.

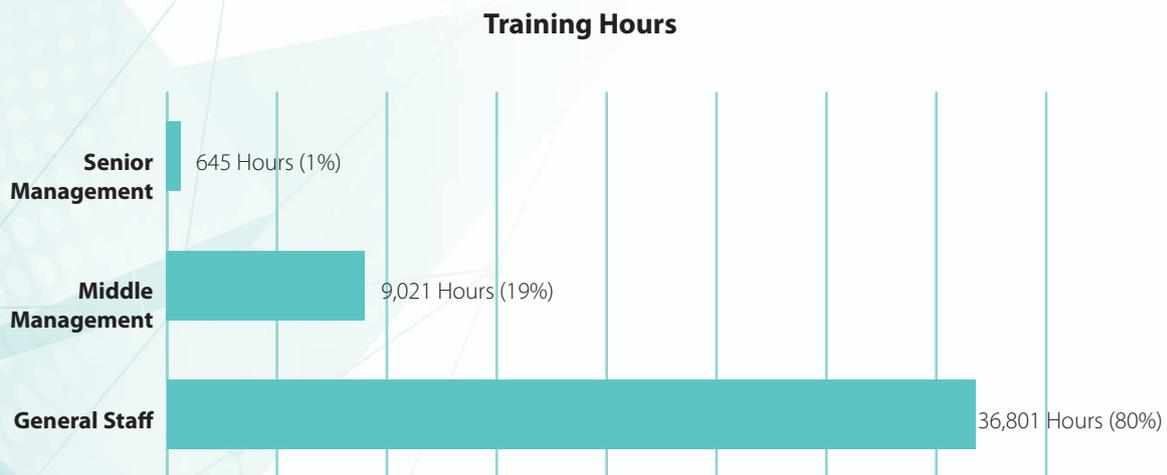
## DEVELOPMENT AND TRAINING

Training is essential to maintain operation efficiency and support the professional development of our employees. During reporting year, an average of 5.3 training hours is provided to each employee. All level of employees received trainings provided by the Group or external institutes. Not only do we provide basic orientation and job skill training to new associates, but a diverse set of vocational training is also provided to strengthen their knowledge in the garment manufacturing industry. We believe that our employees deserves the opportunity to grow without needing to make significant financial commitments, thus, we offer training sponsorships to employees with leadership roles to attend classes and workshops to continue their professional development.

Maintaining high level of transparency between management and employee is important, annually, we arrange staff briefing sessions at our headquarters or Shenzhen office and all factories with senior management team to review the operational performance and discuss the future prospects of the Company with department heads or managers.

The Group has a performance assessment system ("PMS") in place which provides an impartial, periodic and systemic evaluations for all levels of employees. The performance appraisal is open and encourages two-way communication where employees have the opportunity to speak with supervisors or managers related to career development and work achievements. The PMS is designed with the objectives to establish the basis for reward management and align individual performance and goals with the Group's long term business goals and values.

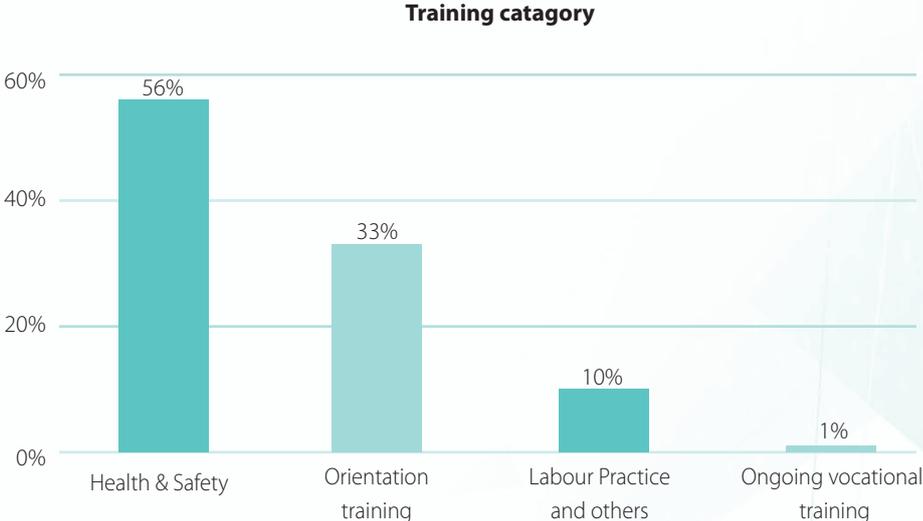
The total training hours of employees trained by employee category and the respective percentages during the reporting year were as follows:



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The average training hours completed per employee by gender and training category during the reporting year were as follows:

Average training hours per employee by gender	
Male: 7.2 hours	Female: 5.2 hours



The Group considers that average training hours by training category are better representation of the performance indicator and all of employment receives trainings provided by the Group.

## LABOUR STANDARDS

Top Form is subject to various compliance audits by our customers, third party and local authorities on an annual basis, and we work closely with these external stakeholders to ensure we meet expected compliance requirements. Major production facilities in Top Form Bra have obtained Golden Certificate of Compliance of Worldwide Responsible Accredited Production (WRAP<sup>4</sup>), which recognizes our plant’s compliance with all accredited production principles.

<sup>4</sup> The WRAP 12 principles are based on generally accepted international workplace standards, local laws and workplace regulations, and include the spirit or language of relevant conventions of the International Labor Organization (ILO). The Principles encompass human resources management, health and safety, environmental practices, and legal compliance including import/export and customs compliance and security standard.

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The Group does not accept and prohibits the employment of either child or forced labor and it is outlined in our Labor Practice Policy. Our recruitment procedure verifies the age of job applicants to ensure the candidates are at least of the legal minimum working age.

During the Fiscal 2019, we did not receive any complaints regarding human rights, forced labor, or gender, underage and other types of discrimination within the Group.

## SUPPLY CHAIN MANAGEMENT

Implementing and managing a sustainable supply chain is a complex process that requires close collaboration between customers, garment manufacturers and our customers' nominated suppliers. An essential business value that Top Form delivers to our customer is the capacity to manage a global supply chain from end to end on their behalf, and we communicate regularly with our suppliers the importance of material quality to reduce waste and continuous to explore opportunities to work with suppliers that offer sustainable material.

99% of over 190 suppliers are either OEKO-TEX® Standard or bluesign® certified, and our procurement team closely monitors the handful of suppliers who are not certified to ensure their products do not exceed customers' chemical requirements via third party lab tests. In addition, procedures are established to screen and monitor our suppliers can meet our internal environmental standards.

Suppliers based by geographical region



## PRODUCT RESPONSIBILITY

At Top Form, we obtained third party accreditation for raw material quality control process to ensure the raw material used in our products meet customers' requirements. Testing reports conducted by third party or accredited laboratory are demanded if deviation is discovered from the production standard.

Quality risk assessment process begins at development stage to set quality standards and identify quality control area before production. Quality assurance department in production conducts comprehensive quality check in accordance to internal procedures and guidelines. Training of quality standards and inspection procedures are routinely reviewed to ensure the bulk product complies with customers approved standards. Escalation procedure is established to address any quality issue raised from customer after delivery.

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Accreditations for product quality	Accredited by	Area of accreditation
Internal Laboratory	Customers via third party audit	Quality assurance of material and product
Production facilities: <ul style="list-style-type: none"> <li>✓ Long Nan</li> <li>✓ Grand Gain<sup>5</sup></li> <li>✓ 2 factories in Thailand</li> <li>✓ 1 factory in Cambodia</li> </ul>	OEKO-TEX <sup>®</sup> Standard 100	Our products have passed the OEKO-TEX <sup>®</sup> Standard 100 standard accreditation. The standard examines hazardous substances in textiles and guarantees the product's safety. It is a widely recognized quality assurance standard in the textile and garment industry.

The Group respects the intellectual property rights such as design, printed logos, or artwork of our customers and it is critical to protect these assets to maintain trust and prevent customers from losses. Confidentially agreements are engaged both with our customers and employees to ensure confidential information are handled appropriately; and periodically, our facilities follow customer procedures to destruct left over production material that contains brand name or licenced logo to safeguard improper use.

## ANTI-CORRUPTION

The Group strictly adheres to anti-corruption rules and regulations in the respective countries in which our business operates. Top Form is committed to conducting its business responsibly and professionally and our Code of Conduct contains information regarding bribery, anti-corruption, procedures of reporting suspected of violating the Code of Conduct, and we make every effort to keep the identity of the reporting staff confidential.

Top Form prohibits employees from engaging in any competing business, investment or activity that might pose a conflict between individual interests and those of the Group. Our employees are required to complete a Conflict of Interest Statement to declare any existing or potential conflict of interest situations. Employees are responsible for declaring any financial directly or indirectly related to the Group such as their immediate family has personal contract or agreement of any nature with Top Form's suppliers, contractors or customers in order to prevent any potential misconduct.

No incident of corruption occurred during the reporting period.

## COMMUNITY INVESTMENT

Top Form continuously engages and enhances the wellbeing of the communities where we operate via sponsorships, charitable donations and a wide range of community service activities. Volunteers from different regions support underprivileged young children, people with disabilities and paying visits to the elderly throughout the year.

During the reporting year, massive flooding occurred near our Thailand and Longnan operation facilities and impacted many low rise home. Our local team reached out to various affected villages and offered their support by purchasing and distributing relief necessities such as food and blankets. We have also volunteered to help the clean up and affected families.

The Group contributed a total of 1,500 volunteer hours and in the sum of HK\$43,000 in charitable donation in Fiscal 2019. We are proud to be recognized as a "Caring Company" awarded by The Hong Kong Council of Social Service, where the awardee demonstrate good corporate citizenship for the various community engagement activities we have achieved.

## EMISSIONS/THE ENVIRONMENT AND NATURAL RESOURCES

At Top Form, we recognize the importance of environmental stewardship in all our business operations and persistently modernize our operation processes to improve efficiency and reduce our environmental impact.

<sup>5</sup> Grand Gain refers to Long Nan Grand Gain Underwear Co., Ltd.

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Environmental assessment is conducted by third party on regular bases to ensure our operations comply with local with applicable environmental laws, rules and regulations.

Electricity accounts to 93% of our carbon emission and we strive to reduce our energy consumption across the Group through energy efficient activities such as exchanging and gradually phasing out our clutch motors to more energy efficient servo motors to reduce energy consumption. This enhancement represents an energy savings of up to 80% over clutch motors per sewing machine; T8 fluorescent lighting tubes has been replaced by T5 reflectors lighting tubes that consumes 50% less energy per tube. We also remind employees to turn off lights, computer monitors and air conditioning if they are not in use.

Since Top Form operates in the apparel manufacturing business, our main operating waste is the generation of material scrap such as fabric and foam. We make every effort to reduce, reuse and recycle in order to minimize the impact on landfills by enhancing the utilisation rate of raw materials and sorting appropriate scrap and reuse them for cleaning.

The total non-hazardous waste by waste type and the respective handling method during the year are as follows:

## Non-hazardous waste: 1,750 tonnes

Waste Type	Approximate percentage of total waste	Handling Method
Production waste (i.e. fabric and foam scraps)	72%	Collected by licensed enterprise
Carton boxes from material goods	14%	
Others: Domestic waste	14%	Collected by certified enterprise for transport to landfill

Clean fabric scraps are collected and sorted, and donated to the local villagers to upcycle the scraps to floor mats and cleaning rags for their own use or sell in local markets. Operators collect fabric scraps to make small cushions. Carton boxes from material good are often re-used for other parcel deliveries, warehouse storage or scrap bins.

The hazardous waste such as empty glue barrels and hardener cans are less than 1% of our total waste and it is collected by licensed enterprise.

## USE OF RESOURCES

Our key production process includes fabric lamination, heat press moulding, raw material cutting, sewing and packaging. Our operation does not consume water in significant quantities and we considered the total water consumption was minimal during the year. No polluting process, such as dyeing and enzyme washing, is involved, and we do not have programs for enhancing water efficiencies and no issue in sourcing water.

The major resource consumed during our manufacturing process is electricity, which accounts for nearly 93% of the Group's total carbon emissions. We have continued to seek alternative energy sources such as solar to reduce the reliance on purchasing electricity for our operation.

Other resources such as water, LPG, diesel and petrol are used for non-production activities such as sanitation, backup power generation, canteen operations and company vehicles.

To reduce the demand for air-conditioning, water cooling system is installed in our production floor combining large exhausted fans to help lower the temperature of the working environment by delivering cool breeze from the wet perforated curtains, and the water is pumped and circulated back within the system.

Material (including packaging) has a low priority level during the materiality assessment and the Group decided not to disclose this information.

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## Environmental KPI<sup>6</sup>

The greenhouse gas (“GHG”) emissions include direct GHG emissions (Scope 1) and energy indirect GHG emissions (Scope 2). The environmental key performance indicators (“KPIs”) relating to the Group’s operation during the Fiscal 2019 are shown in the table below:

		Emission source	Emission item	Unit	Amount
<b>Scope 1</b>	GHG emissions from stationary combustion sources	LPG	CO <sub>2</sub>	Tonnes CO <sub>2</sub> eq	12
		Diesel oil	CO <sub>2</sub>		10
	GHG emissions from mobile combustion sources	Diesel, Petrol	CO <sub>2</sub>		374
			CH <sub>4</sub>		51
			N <sub>2</sub> O		1
HCFC & HFC emissions for refrigeration/air-conditioning		HFC	447		
<b>Scope 2</b>	Energy indirect emissions			9,273	
<b>Total GHG emissions</b>					<b>10,168</b>

China and overseas facilities represents 52% and 48% of the Group total GHG emissions respectively.

	Resources	Unit	Amount
Energy consumption	Electricity	kWh in '000s	15,378
	Diesel ( <i>mobile combustion</i> )		1,090
	Petrol ( <i>mobile combustion</i> )		408
	LPG		53
	Diesel ( <i>stationary combustion</i> )		108
	Total energy intensity	kWh/HK\$ revenue	0.014

<sup>6</sup> Our operation does not involve significant air emissions of NO<sub>x</sub>, SO<sub>x</sub>, N<sub>2</sub>O, CH<sub>4</sub> or other pollutions to the environment and thus those figures are not disclosed in the report.