



裕元工業(集團)有限公司 Yue Yuen Industrial (Holdings) Limited

Incorporated in Bermuda with limited liability
於百慕達註冊成立之有限公司

Stock Code 股份代號 : 551



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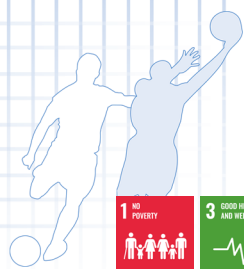
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Chapter 1

About This Report

Introduction

Yue Yuen Industrial (Holdings) Limited (the “Company”) together with its subsidiaries (the “Group” or “Yue Yuen”) adheres to the core values of “Professionalism, Dedication, Innovation and Service”, and is committed to becoming the best sports and leisure goods manufacturer and retailer. The Group follows a sustainable development strategy and has formulated four major business strategies and objectives. OEM’s “economies of scale” business model will be transformed to “economies of value” business model with innovative services. By providing the most valuable solutions in the overall footwear industry supply chain, the customers will enjoy services of high value, thus enhancing the competitiveness of our customers, and achieving win-win outcomes and co-prosperity for both the Company and its customers. The Group is moving towards sustainable development, by continuing to improve industrial intelligent production technology, maintaining harmonious and good labor relations and satisfying required environmental standards of production bases as well as following the international trend of sustainability. Meanwhile, the Group increases employees’ recognition and joint practice of its core values, enhances strategy planning and promotes the efficiency of implementation through various internal communication channels, providing the employees with safe and healthy working environment as well as talent training and development, promoting and implementing supply chain management policies, and administering a set of comprehensive policies, mechanisms and measures for environmental protection, and community involvement and participation, with the objective to carry through sustainable development and operation.

The close cooperation between the Group and the sustainable development department (the “Sustainable Development Department”) of Pou Chen Corporation (together with its subsidiaries, the “Pou Chen Group”) helps integrate and provide strategic studies, proposals and project management of corporate social responsibility issues of the sustainable production of the manufacturing plants in different regions. These include the codes of conduct of the brand customers for sustainable operation, the compliance with laws and regulations of local regulatory authorities, the management of labor relations, and responses to the audits and inspections of the Group’s factories conducted by non-governmental organizations. The sustainable development team also regularly reports to the management on the performance of the aforesaid affairs and provides recommendations. The Group and its parent company, Pou Chen Group, are committed to responding to the call of the United Nations’ Sustainable Development Goals (SDGs). The Group, as a responsible leader in the industry, is a member of the World Federation of the Sporting Goods Industry (“WFSGI”), and it has been supporting the principles of WFSGI’s Code of Conduct since 2016. The Group’s parent company Pou Chen Group (comprising Pou Chen Corporation and the Group) also joined Fair Labor Association (a non-profit organisation dedicated to protecting workers’ rights around the world, “FLA”) in 2011 as its supplier member. The social compliance program of Pou Chen Group has been accredited by the FLA since 2018, which makes the Group become the first and only FLA-accredited footwear supplier globally. Pou Chen Group issues a sustainability report every year and passes the verification of a third party. The relevant data sources and calculation logic are consistent with those of the Group, which can ensure the reliability of the content of the Group’s report. The board of directors (the “Board”) of the Company is responsible for evaluating and determining the Group’s environmental, social and governance (“ESG”) risks, the formulation of the corresponding strategies, and ensuring that appropriate effective ESG risk management and internal control systems are established and maintained. Through regular analysis and independent assessments by the internal audit function, the Board also determines whether the aforesaid systems are sufficient and effective.



Chapter 1

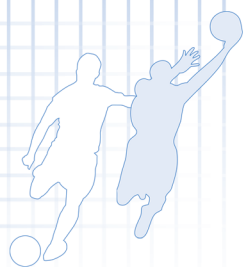
About This Report

The Board is pleased to submit the Group's 2021 Environmental, Social and Governance Report (the "Report") with respect to the Group's policies and performances in four main areas including environmental protection, employment and labor practices, operating practices and community participation during the period from January 1, 2021 to December 31, 2021 (the "Reporting Period").

Report Compilation Basis

This Report is prepared with reference to the "Environmental, Social and Governance Reporting Guide" (the "Reporting Guide") under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The data disclosed in this Report is derived from the results of internal statistics and analysis of the Group's internal management systems. The Group has complied with the "comply or explain" provisions set out in the Listing Rules and the four core reporting principles, including materiality, quantitative, balance and consistency in the Reporting Period (as set out below). Details are as follows:

Materiality	Quantitative
Through peer-to-peer benchmarking analysis and communication with eight stakeholders, the Group identifies important ESG issues which involve significant environmental and social issues in the Group's operations.	This Report discloses ESG key performance indicators in a quantitative manner as far as possible, and we also increase their transparency by disclosing calculation references and/or methods.
Consistency	Balance
The Group adopts a management and performance measurement approach consistent with previous years to enable stakeholders to make a fair comparison of the Group's ESG performance. In the event of inconsistencies, the Group will explain in the report.	The content of this Report is impartial and reflects to the readers the achievements made by the Group in ESG management and performance and the areas for improvement.



Chapter 1

About This Report

Scope of Reporting

The Group is engaged in two main businesses: (1) the footwear manufacturing business for international brand customers, and (2) the operation of an integrated sportswear retail network in the Greater China region as well as event management and sport services. For specific details of the aforesaid businesses, please refer to the Group's 2021 Annual Report. This Report only covers the relevant policies and performance of the footwear manufacturing business of the Group. The environmental data disclosed in this Report mainly covers areas including mainland China, Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar, while the social data is consistent with the scope of annual report. In addition to the six major business regions covered by the environmental data, it also includes Taiwan, Hong Kong, Macau, the United States, Mexico and other regions, but does not include the relevant information with regard to the retail and related businesses as mentioned in the aforesaid item (2). As for the relevant policies and performance of the retail and related businesses as mentioned in the aforesaid item (2), please refer to the ESG Report in the 2021 Annual Report of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company.

Reporting Period

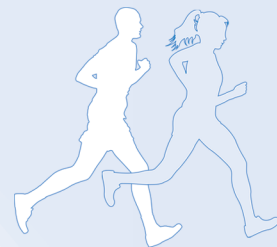
The ESG information published in this Report covers the period from January 1, 2021 to December 31, 2021, which is the same as the financial year as reported in the Group's 2021 Annual Report.

On behalf of the Board

Tsai Pei Chun, Patty

Managing Director

Hong Kong, March 15, 2022





Chapter 2

2021 Highlights


Financial and Business Performance



Revenue
US\$8,533.3 mn


Gross Margin
24.0%

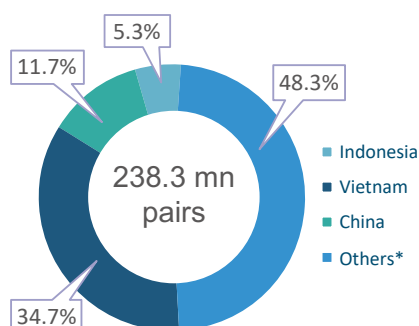

Net Profit Margin
1.7%


Shoe Volume
238.3 mn pairs


Average Selling Price
US\$18.68 per pair

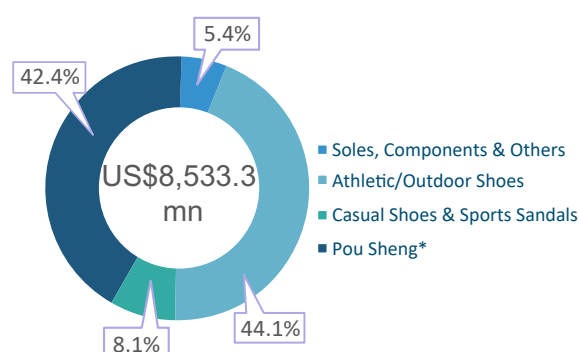

Retail Network
8,417 stores

Shipment by Region



* Others include Bangladesh, Cambodia, Myanmar, etc.

Revenue by Category



* Sales of the Group's retail subsidiary in China, including shoes, apparel, commissions from concessionaire sales and others

External Organization Participation



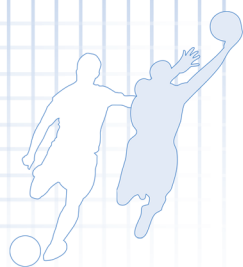
World Federation of the Sporting Goods Industry

Yue Yuen joined the World Federation of the Sporting Goods Industry (WFSGI) in 2016 and became one of its manufacturer members supporting the principles of the WFSGI's Code of Conduct.



Fair Labor Association (FLA)

The social compliance program of Pou Chen Group received FLA accreditation since 2018, making the Group the first and only FLA-accredited footwear supplier globally.



Chapter 2

2021 Highlights

Key Sustainability Ratings

FTSE Russell Ratings



The Group's overall social responsibility ratings rose steadily in the past few years. The Group will continue to explore ways to improve its rating and implement relevant measures in the future.



MSCI ESG Ratings



The Group has obtained BB rating from MSCI ESG Research for seven consecutive years since 2014, and has achieved BBB rating for the first time during the Reporting Period.



Awards & Recognition

Institutional Investor 2021 All-Asia Executive Team survey



Rest of Asia Consumer/ Discretionary Sector

- Best CEO
- Best CFO
- Best IR Professional
- Best IR Team
- Honored Company

Hong Kong Investor Relations Association 7th Investor Relations Awards



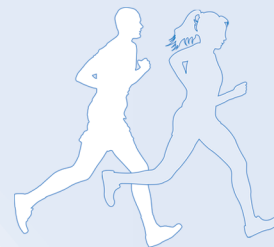
Mid Cap

- Best IR Company
- Best IR by CFO
- Best IRO
- Best IR Team
- Best ESG (S)
- Best ESG (G)
- Best Investor Meeting
- Best Annual Report

IR Magazine Awards – Greater China 2021



- Certificate for Excellence in Investor Relations



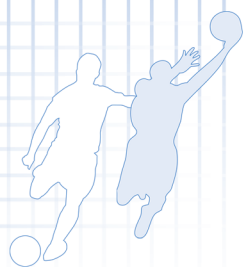
Chapter 2

2021 Highlights

Compliance Management

The Group has generally complied with the following applicable laws and regulations which have a significant impact on the Company, including but not limited to:

Environmental protection (including emissions of exhaust gas and greenhouse gas, sewage discharge to water and land, generation of harmful or harmless wastes, etc.)	
Region	Laws and Regulations
Mainland China	<ul style="list-style-type: none"> • Environmental Protection Law of the People's Republic of China • Environmental Protection Tax Law of the People's Republic of China • Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China • Law on the Prevention and Control of Water Pollution of the People's Republic of China • Law on Appraising of Environment Impacts of the People's Republic of China • Law on the Prevention and Control of Environment Pollution by Solid Wastes of the People's Republic of China • Law on the Prevention and Control of Pollution from Environmental Noise of the People's Republic of China
Myanmar	<ul style="list-style-type: none"> • Environmental Conservation Law (2012) • Environmental Conservation Rules (2013) • National Environmental Quality (Emission) Guidelines (2015) • Prevention of Hazard from Chemical and Related Substances Law (2013) • Prevention of Hazard from Chemical and Related Substances Rules (2016)
Vietnam	<ul style="list-style-type: none"> • Environmental Protection Law • Water Resources Law
Indonesia	<ul style="list-style-type: none"> • Environmental Protection and Management Law
Cambodia	<ul style="list-style-type: none"> • Law on Environmental Protection and Natural Resources Management of Cambodia
Bangladesh	<ul style="list-style-type: none"> • Environment Conservation Rules, 1997



Chapter 2

2021 Highlights

Compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, prevention of child labor, prevention of forced labor, human trafficking and other benefits and welfare	
Region	Laws and Regulations
Mainland China	<ul style="list-style-type: none"> • Labor Law of the People's Republic of China • Labor Contract Law of the People's Republic of China • Labor Dispute Mediation and Arbitration Law of the People's Republic of China • Employment Promotion Law of the People's Republic of China • Social Insurance Law of the People's Republic of China • Regulations on Prohibition of Child Labor of the People's Republic of China • Regulation on Special Protection for Underage Workers of the People's Republic of China • Prohibition of Forced Labor and Prisoners Labor Policy and Procedures of the People's Republic of China
Hong Kong	<ul style="list-style-type: none"> • Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) • Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) • Employment Ordinance (Chapter 57 of the Laws of Hong Kong) • Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) • Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong) • Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) • Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong) • Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong)
Myanmar	<ul style="list-style-type: none"> • Labor Law • Social Insurance Law • Factory Act • Syndical Law • Employment Law • Labor Safety and Health Law 2019 • Minimum Wage Law
Vietnam	<ul style="list-style-type: none"> • Labor Law • Social Insurance Law • Medical Insurance Law • Syndical Law • Employment Law • Labor Safety and Health Law

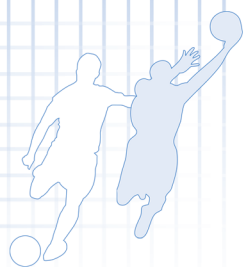


Chapter 2

2021 Highlights

Compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, prevention of child labor, prevention of forced labor, human trafficking and other benefits and welfare

Region	Laws and Regulations
Indonesia	<ul style="list-style-type: none"> • Labor Law • Social Insurance Law
Cambodia	<ul style="list-style-type: none"> • Labor Law • Law on Social Security Schemes • Trade Union Law • Law on the Protection and the Promotion of the Rights of Persons with Disabilities
Bangladesh	<ul style="list-style-type: none"> • Bangladesh EPZ Labor Act (2019) • Bangladesh Labor Act (2006)
Macau	<ul style="list-style-type: none"> • Labor Relations Law • Minimum Wage for Employees • Law on Employment of Non-Resident Workers • Social Security System
Taiwan	<ul style="list-style-type: none"> • Labor Standards Act • Employment Services Act • Labor Pension Act • Act for Protection of Labor in Mass Dismissal • Labor Incident Act
U.S.	<ul style="list-style-type: none"> • Fair Labor Standards Act • National Labor Relations Act • Employee Retirement Income Security Act • Family and Medical Leave Act • Title VII of the Civil Rights Act of 1964 • Pregnancy Discrimination Act • Equal Pay Act • Age Discrimination in Employment Act • Americans with Disabilities Act
Mexico	<ul style="list-style-type: none"> • Constitution of the United Mexican States • Federal Labour Law



Chapter 2

2021 Highlights

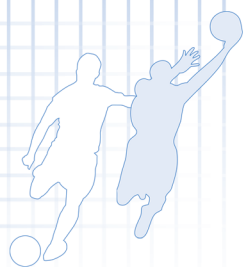
Workplace safety and occupational hazard prevention for employees	
Region	Laws and Regulations
Mainland China	<ul style="list-style-type: none"> • Prevention and Control of Occupational Diseases Law of the People's Republic of China • Production Safety Law of the People's Republic of China
Hong Kong	<ul style="list-style-type: none"> • Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)
Myanmar	<ul style="list-style-type: none"> • Labor Safety and Health Law 2019 • Labor Law • Factory Act
Vietnam	<ul style="list-style-type: none"> • Labor Safety and Health Law • Labor Law
Indonesia	<ul style="list-style-type: none"> • Occupational Safety and Health Law • Labor Law
Cambodia	<ul style="list-style-type: none"> • Labor Law
Bangladesh	<ul style="list-style-type: none"> • Bangladesh EPZ Labor Act (2019) • Bangladesh Labor Act (2006)
Taiwan	<ul style="list-style-type: none"> • Occupational Safety and Health Act
U.S.	<ul style="list-style-type: none"> • Occupational Safety and Health Act
Mexico	<ul style="list-style-type: none"> • Constitution of the United Mexican States • Federal Labour Law



Chapter 2

2021 Highlights

Health and safety, labelling and privacy of products and services	
Region	Laws and Regulations
Mainland China	<ul style="list-style-type: none"> • Constitution of the People's Republic of China • Tort Law of the People's Republic of China • Public Security Administration Punishments Law of the People's Republic of China • Criminal Law of the People's Republic of China • Product Quality Law of the People's Republic of China • Law on the Safety of Special Equipment of the People's Republic of China • Advertising Law of the People's Republic of China • Law on the Protection of Consumer Rights and Interests of the People's Republic of China
Myanmar	<ul style="list-style-type: none"> • Product Safety Law
Vietnam	<ul style="list-style-type: none"> • Intellectual Property Law • Cyber Information Security Law
Cambodia	<ul style="list-style-type: none"> • Trademark Law • Law on Copyright and Related Rights • Patent Law
Bangladesh	<ul style="list-style-type: none"> • Bangladesh EPZ Labor Act (2019) • Bangladesh Labor Act (2006)

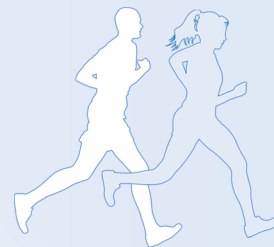


Chapter 2

2021 Highlights

Prevention of bribery, extortion, fraud and money laundering	
Region	Laws and Regulations
Mainland China	<ul style="list-style-type: none"> • Anti-Unfair Competition Law of the People's Republic of China • Criminal Law of the People's Republic of China • General Provisions of the Civil Law of the People's Republic of China • Anti-money Laundering Law of the People's Republic of China
Hong Kong	<ul style="list-style-type: none"> • Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)
Myanmar	<ul style="list-style-type: none"> • Prevention of Corruption Law • Criminal Law
Vietnam	<ul style="list-style-type: none"> • Prevention of Corruption Law • Criminal Law
Indonesia	<ul style="list-style-type: none"> • Money Laundering Control Law • Criminal Law
Cambodia	<ul style="list-style-type: none"> • Anti-Corruption Law • Criminal Law • Anti-Money Laundering and Combating the Financing of Terrorism Law
Bangladesh	<ul style="list-style-type: none"> • Act 90, 91, 92 and 146 of the Laws of the EPZ Office

The Group has not received complaints or notifications from any government departments due to any significant violations of the above laws and regulations.



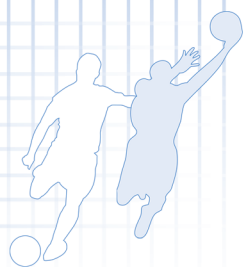
Chapter 3

ESG Governance Structure

The Group regards ESG management as an important component of its daily corporate operations. During the Reporting Period, the Group further aligned itself with the international trend of sustainability and committed to integrate and strengthen its internal ESG governance structure, and also established an ESG working team to advise and assist the Board on ESG issues to ensure that environmental protection and social concerns are incorporated into the Company's agenda and integrated into daily decision-making, corporate culture as well as future planning. The Group also promoted the development of our corporate social and environmental responsibility to create business drive and to strengthen the Group's competitiveness so as to ensure that the Group brings a positive impact on its stakeholders.

Illustrative Diagram on ESG Governance Structure





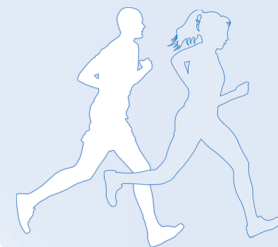
Chapter 3

ESG Governance Structure

Terms of Reference of the Board

The Board sees corporate governance as a cornerstone for the Group to build a solid foundation for sustainable development and to help the Group achieve long-term success, and therefore shoulders a mission to plan and promote the sustainability of its corporate operation, and to implement and adhere to strict ethical business standards and implement in line with the Company's commitment to ESG development. Its responsibilities include:

- 1 Lead the Group to form a vision for effective and measurable ESG development that meets the expectations of shareholders and other significant stakeholders, as well as the legal and regulatory requirements of the locations in which it operates;
- 2 Review and oversee the implementation and results of the ESG policies to ensure that they are in line with the management principles and governance framework formulated by the Group for ESG issues;
- 3 Understand the environmental objectives recommended by the ESG taskforce, propose appropriate adjustments in accordance with the Group's development strategy and external environment, confirm the setting of its objectives and carry out the action plan to achieve its objectives;
- 4 Oversee and lead management in optimizing risk management for each business unit and factory site, provide forward-looking guidance on the identification, assessment and management of material risks (including ESG risks) so as to enhance the Group's overall ability of risk resistance;
- 5 Pay attention to the internal control mechanisms relating to its daily operations and delegate the Audit Committee with the authority to oversee whether the Group has put in place a proper and effective internal control system, identify outstanding problems and weaknesses in the related areas, and supervise the implementation of targeted rectification plans; and
- 6 Review and discuss the annual ESG report and disclosures of other related information to ensure that the ESG report is prepared in accordance with the requirements of the four reporting principles of materiality, quantitative, balance and consistency, and that the content is timely presented, accurate and complete, and truly reflects the Group's ESG performance.



Chapter 3

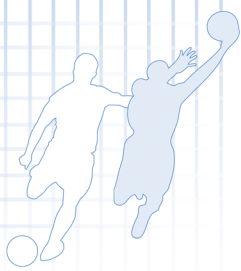
ESG Governance Structure

Terms of Reference of the ESG Taskforce

The Board has delegated the key responsibility to the taskforce for the implementation of the Company's ESG strategy. The taskforce was formally established on May 13, 2021 under the leadership of the Board. With the exception of its Chairman being appointed by the Board, other members are directly appointed by their respective departments. Each department is required to appoint a representative to the taskforce.

The taskforce is chaired by an Executive Director, vice-chaired by a senior management officer from the Director's Office, and comprised of members from each of the Investor Relations Department in Hong Kong, the Company Secretarial and Legal Department in Hong Kong, the Director's Office and the Human Resources Department respectively, whose responsibilities include:

- 1 Hold ESG meeting at least once every six months;
- 2 Direct and regularly review the Group's ESG management approach, strategy and priorities to ensure that they are advancing up to the pace and coping with the timely needs;
- 3 Keep abreast of the latest published ESG-related laws and regulations, be aware of key international trends, and report to the Board with provision of expected measures and plans to ensure compliance with the ESG-related legal and regulatory requirements in the locations in which it operates;
- 4 Make reference to peers or benchmark companies and the size of the Group to set ESG objectives and make strategic recommendations in order to achieve these objectives, review its progress regularly and report to the Board of its relative performance and results;
- 5 Conduct ESG risk assessments, identify ESG risks relevant to the Group, assess the impact of such risks on the Company, formulate implementation strategies for timely risk response which is in line with the Group's vision and mission, and then make recommendations to the Board;
- 6 Review and approve the Group's annual ESG report and other relevant information disclosures for final confirmation and approval by the Board for publication; and
- 7 Perform other ESG responsibilities delegated by the Board.



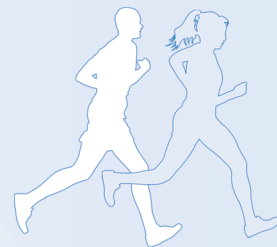
Chapter 3

ESG Governance Structure

Terms of Reference of the Responsible Unit of the ESG Liaison

In order to implement the corporate sustainability work in a more systematic and efficient manner and to properly carry out the related ESG management requirements, at least one liaison is assigned to each of the Group's key ESG responsible units, whose responsibilities include:

- 1 Communicate closely with stakeholders, including the collection of results from the materiality assessment questionnaire in which stakeholders participated, to direct and review the identification and prioritise key ESG issues of the Group;
- 2 Promote the implementation of the ESG management policies and action plans, including supervision and guidance of nurturing ESG culture and activities within departments;
- 3 Establish specific ESG responsibilities and initiatives at departmental level;
- 4 Set measurement standards for ESG performance and key performance indicators, arrange and prepare the Company's annual ESG report and other relevant information disclosures in accordance with the internal division of labor; and
- 5 Report regularly to the ESG taskforce on the implementation of ESG initiatives.



Chapter 4

Stakeholder Engagement

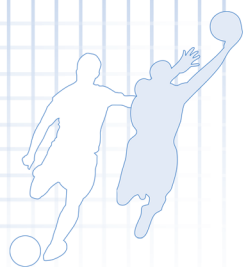
Identification of Stakeholders

Based on the feedback from customers received by the relevant business executives, records of enquiries and interactive communications between external organizations and internal staff, interaction frequency, and with reference to the five principles of AA1000 Stakeholder Engagement Standard 2015, the Group consolidated eight different groups of stakeholders that are related to the footwear manufacturing business. These include shareholders/investors, customers, government/regulatory authorities, employees/labor unions, suppliers, media, non-governmental organizations and local community.

Communication with Stakeholders and Identification of Material Issues

Regarding issues that are of concerns to the stakeholders, the Group seeks stakeholder opinion and suggestions through scheduled and ad hoc meetings with stakeholders with transparent and good interactive communications between relevant business contact windows. Internal meetings of the Group are conducted to report and discuss the feedback received from the stakeholders, which will then be used as important reference for the Group's sustainable development strategy. The administrative centers of the Group's major production bases have also established dedicated sustainable development units to coordinate and process the communications with, and information and feedbacks from, stakeholders in relation to the issues on environmental protection, human rights and social impacts.

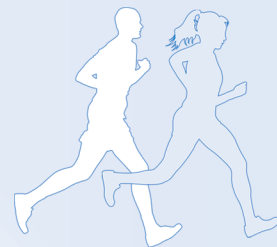
Through various communication channels as set out in the table below, the issues in question will be sorted according to their categories and nature before sending to relevant departments to be handled and responded to. Letters received through relevant communication channels in 2021 included business cooperation proposals, shareholders/investors services, media affairs and requests for research and survey. Moreover, due to the ongoing impact of novel coronavirus pneumonia (COVID-19) pandemic, most stakeholders have more concerns on the preventive measures and the degree of impact of the pandemic. In addition to external explanatory announcements, the Company has also given a key description of it in this Report.



Chapter 4

Stakeholder Engagement

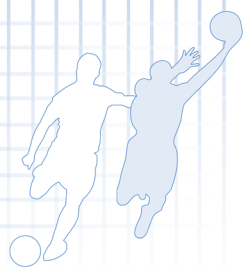
Stakeholders	Issue of Interest	Communication Channels and Methods	Frequency
Shareholders/ Investors	<ul style="list-style-type: none"> Economic performance Corporate governance Market image Major event 	<ul style="list-style-type: none"> Publish information on the Company/HKEx websites (such as announcements, circulars, quarterly results announcements, interim reports, annual reports, etc.) Results presentation materials Convene shareholders' meetings Hold quarterly, interim and annual results presentation Press releases Non-deal roadshows One-on-one meetings, investors forums and teleconferences Inquiry on shareholding issues to the share registrar and transfer office Mail/email enquires 	<ul style="list-style-type: none"> Irregular intervals Four times per year At least yearly Four times per year Irregular intervals Four times or above per year Irregular intervals Irregular intervals Irregular intervals
Customers	<ul style="list-style-type: none"> Customer service, product security and quality management (including privacy and use of personal data and intellectual property management) Management of prohibited/restricted substances Compliance with code of conduct Transparency and reliability of information disclosure Handling of the COVID-19 pandemic 	<ul style="list-style-type: none"> Business visits/regular meetings Ad hoc communication meetings Audit feedback/self-management performance feedback Email and phone contact ESG Report 	<ul style="list-style-type: none"> Monthly Irregular intervals Monthly Irregular intervals Yearly
Government/Regulatory Authorities	<ul style="list-style-type: none"> Respect for labor rights (including freedom of association and collective bargaining, major labor disputes) Corporate governance Compliance with statutes 	<ul style="list-style-type: none"> Cooperate with the government on compliance inspections Regular submission of statements/documents ESG Report Proposal consultation visits 	<ul style="list-style-type: none"> Irregular intervals Monthly/Quarterly Yearly Irregular intervals



Chapter 4

Stakeholder Engagement

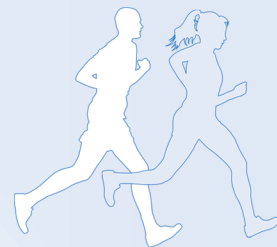
Stakeholders	Issue of Interest	Communication Channels and Methods	Frequency
Employees/Labor union	<ul style="list-style-type: none"> • Education, training and career development planning • Remuneration and benefits system (including caring activities for employees, family caring activities and respect for employee's religion policy) • Occupational safety and health management, and damage prevention and control management • Respect for labor rights (including freedom of association and collective bargaining) • Rationality of rules and regulations 	<ul style="list-style-type: none"> • Company internal website/email/employee suggestion box/questionnaire • Employee Welfare Committee/Occupational Safety and Health Committee/Labor union • Committee for Complaints, Rewards and Penalties • Internal staff publications • Employee and manager forums • Consultation services at life guidance and counseling for the production factory sites' employee 	<ul style="list-style-type: none"> • Irregular intervals • Monthly • Irregular intervals • Monthly/ Bimonthly • Monthly/ Quarterly • Daily
Suppliers	<ul style="list-style-type: none"> • Supply chain management, assessment and development (quality/sustainability requirements) • Management of prohibited/restricted substances • Fair competition/quality and price/supply criteria 	<ul style="list-style-type: none"> • Procurement contracts/Letters of undertaking • Business communication/email and phone contacts • Supplier assessment system • Supplier meetings 	<ul style="list-style-type: none"> • Irregular intervals • Irregular intervals • Yearly • Irregular intervals



Chapter 4

Stakeholder Engagement

Stakeholders	Issue of Interest	Communication Channels and Methods	Frequency
Media	<ul style="list-style-type: none"> Respect for labor rights (including freedom of association and collective bargaining, major labor disputes) Operational status Newsworthy events 	<ul style="list-style-type: none"> Press releases Coordination of requests for visits by media and provision of information 	<ul style="list-style-type: none"> Irregular intervals Irregular intervals
Non-Governmental Organizations (NGOs) (FLA/World Federation of the Sporting Goods Industry)	<ul style="list-style-type: none"> Employer–employee communication mechanism and handling mechanism for complaints of employees Compliance with laws and regulations Environmental protection 	<ul style="list-style-type: none"> Sustainable compliance initiative of FLA on-site audit and online platform Cooperation with NGOs Documents about their issues of interest Communication meetings/emails and phone contact ESG Report 	<ul style="list-style-type: none"> Yearly Irregular intervals Irregular intervals Irregular intervals Yearly
Community	<ul style="list-style-type: none"> Environmental protection statutes compliance Participation in local community charitable activities Employee diversity and equal opportunity 	<ul style="list-style-type: none"> Proactive visits Communication channels for external feedback Sponsor community charity events/community visits The Company's website 	<ul style="list-style-type: none"> Irregular intervals Irregular intervals Irregular intervals/ Quarterly Irregular intervals

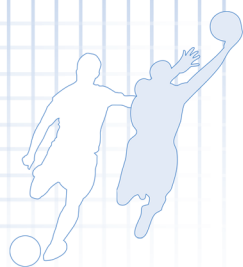


Chapter 4

Stakeholder Engagement

The Group's core business, namely footwear manufacturing, is a labor-intensive industry that continues to attract the attention of international labor rights groups. The brand customers also regard labor rights and occupational safety and health management standards as important evaluation criteria for partnership. Regarding issues which are of concerns to stakeholders, relevant internal department heads of the Group have filtered and selected material issues according to the "Four Principles for the Internal Assessment of Material Issues" which are summarized as follows.

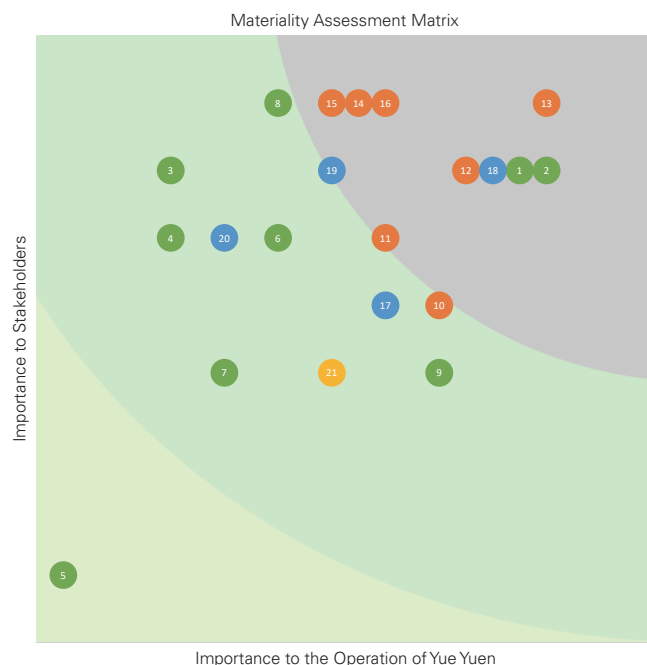




Chapter 4

Stakeholder Engagement

Materiality Analysis Results of Issues of Concerns for Stakeholders



Environmental Production

- 1 Use and procurement of raw materials and packaging materials for footwear manufacturing
- 2 Energy usage and audit
- 3 Water resources management and utilization
- 4 Sewage discharge and recycle of effluent
- 5 Sustainable operation and management of groundwater resources
- 6 Improvement measures of greenhouse gas and carbon emission
- 7 Air pollution control management
- 8 Waste management (including general wastes, statutory hazardous wastes, etc.)
- 9 Climate change

Employment and Labor Practices

- 10 Employee diversity and equal opportunity
- 11 Education, training and career development planning
- 12 Remuneration and benefits system (including caring activities for employees, family caring activities and respect for employees' religion policy)
- 13 Respect for labor rights (including freedom of association and collective bargaining)
- 14 Prohibition of child labor and no practice of forced labors
- 15 Employer-employee communication mechanism and handling mechanism for complaints of employees
- 16 Occupational safety and health management, and damage prevention and control management

Operating Practices

- 17 Customer service, product security and quality management (including privacy and use of personal data and intellectual property management)
- 18 Supply chain management, assessment and development
- 19 Moral integrity and anti-corruption
- 20 Product innovation

Community Participation

- 21 Participation in Local Community Charitable Activities



Chapter 5

Community Participation

The Group adheres to a diverse and inclusive service spirit, and continues to focus on its 3 major axes: providing quality education, ensuring a healthy life while eliminating poverty among the disadvantaged groups, and actively promoting participation in various local community activities.

1,988 Children

As of 2021, a total of 1,988 children benefited from the kindergartens built in Dong Nai and Binh Chanh factory areas in 2013.

615 Participants

Actively conducted community participation services, a total of 36 activities were held in 2021, with a total of 615 participants.

US\$2.1mn

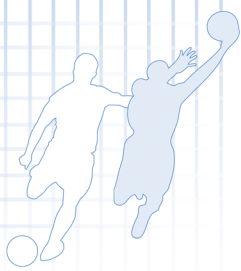
Donated nearly US\$2.1 million pandemic prevention fund domestically and abroad, assisted in the purchase of necessary pandemic prevention equipment, such as mobile respirators, respirator control panels, and fully supported the community pandemic prevention.

Upgrade of Pandemic Prevention

Issued working standards and guidelines for pandemic prevention, encouraged vaccination, implemented screening, conducted pandemic investigation and quarantine, sent gratuities, donated medical masks, hand sanitizers and other materials, and held pandemic prevention poster creation competition.

287 Charity Housing

The "Charity Housing Construction Scheme" has been launched since 2009, with a total contribution of US\$529,000 and a total of 287 charity housing were built and renovated.



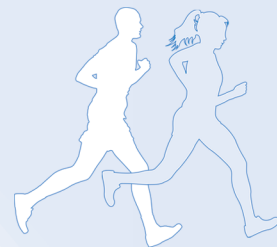
Chapter 5

Community Participation

Participation in Local Community Charitable Activities

Each of the Group's production bases has been actively communicating with local governments and organizations in order to localize and sustain the operation of the factories, and each factory has been organizing various external activities. Following the expansion of overseas operation and production bases, the Group is dedicated to meeting the demands of local living environmental conditions and the needs of the communities, actively devoting the Company's resources for community-friendly activities, thus enhancing local communities' living standard and strengthening the relationship of interdependence and co-prosperity between the Group and the communities. Since 2016, the Group has had an in-depth understanding and participation in the activities of the Civil Society Organization ("CSO") of various factories, which are in line with the vision of the Company's core value of service for respect, care and creation of a harmonious enterprise, formulating the Group's aspect and principle of participation in the community, with an expectation of achieving a sustainable development and promotion of the co-operation with CSO. In 2021, the number of community participation activities and their number of participants domestically and abroad were as follows:

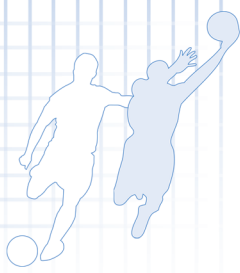
- A total of 146 participants in a total of 13 medical care and health activities;
- A total of 469 participants in a total of 23 local relations activities.



Chapter 5

Community Participation

The Principles of Activities of the Group and the CSO	
Compliance Management	Actively liaise with local civic groups advocating labor and environmental regulations to understand the requirements of local labor and environmental regulations and the direction of government policies, so as to timely adopt responsive measures to reduce the risk and impact on the Group.
Medical Care and Health	Shoe-making is a labor-intensive industry. Most of the Group's overseas production bases are located in developing or low-developing countries, where medical resources are relatively scarce. Epidemics such as typhoid and dengue fever have a great impact on employees' health. It is necessary to actively promote the knowledge of environmental hygiene and disease prevention to employees. At the same time, majority of the employees employed by the Group are female, so it is particularly important to nurture employees with the correct concepts of reproductive health and fertility planning. Each unit should cooperate with local civic organizations engaged in relevant health education to obtain information for employees in order to promote the health of employees.
Education	Due to the nature of this industry, the economic development of the countries where the overseas production bases are located is relatively underdeveloped, where people there are in a relatively vulnerable condition, and education is less common. Factories of the Group have been deeply involved in local communities for a long time, and they shall cooperate with local CSOs to provide various scholarships to encourage local disadvantaged groups to attend schools, and train talents to lay the foundation for future talent cultivation.
Local Relations	Each production base employs a large number of local employees. In order to understand the culture and customs and to be integrated into local community, the Group should actively engage in dialogue with local authorities to understand the needs of local communities, to assist the development of local communities and to care for local residents, so as to develop harmonious and mutually beneficial relationships with local communities.



Chapter 5

Community Participation

Mainland China Arbor Day and Environmental Day Activity

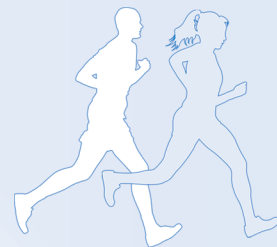


Mainland China Nursing Home Care



Indonesia Mosque Construction Activity





Chapter 5

Community Participation

Provide Quality Education

In order to promote a globally inclusive society and increase the opportunity for impactful conversations, the Group uses education as a platform and focuses on the educational service initiatives in each region. The Group adheres to the spirit of service and exerts continuous efforts in different regions based on their respective education and development needs.

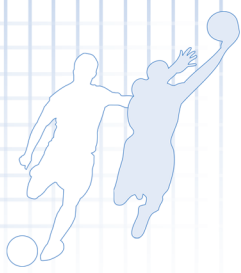
“Hiring and caring for the family” Initiative in Vietnam

Since 2013, the Group has built kindergartens in Vietnam’s Dong Nai and Binh Chanh and as of 2021, a total of 1,988 children has benefited from this. Among the kindergartens, the Little Flower Kindergarten in Bien Hoa, Dong Nai Province, is a green building that combines natural landscape with environmental protection and energy conservation, which not only demonstrates the Group’s corporate value of sustainable development, but also enables the children of our employees to learn and grow happily in the kindergartens.



In Vietnam, we have over 126,000 regular employees, accounting for approximately 44.0% of total employees. A “Seeds of Hope Scholarship” plan has been set up since 2012 to support the education of school-age children. As of 2021, there were a total of 10,902 children who benefited from the Group's contribution of US\$429,000.

In Indonesia, we have hired over 119,000 regular employees, accounting for approximately 41.6% of total employees. Since 2016, the Group promotes the “Scholarship for Children of Employees” scheme, and as of 2020, there were a total of 837 children who benefited from the Group's contribution of US\$24,000. In 2021, the scheme was suspended temporary due to the COVID-19 pandemic. The total amount of education funds contributed in Indonesia and Vietnam was approximately US\$453,000.



Chapter 5

Community Participation

Vietnam Award Scholarship to Children of Employees



Vietnam Donate Bookshelves to the Nursery



Indonesia Visit to Nursery and Donate Gifts



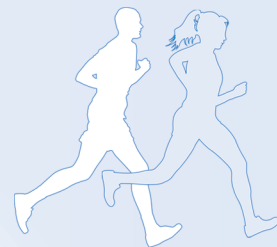
Ensure a Healthy Life

Health and well-being are the foundations of life. The Group provides services such as promotions on health and medical issues and free medical consultations from time to time at its operating bases. It also takes actions to promote the prevention of region-specific or seasonal diseases and assist in the enhancement of health knowledge.

In view of the relative lack of medical resources in some areas, the Group collaborated with professional medical organizations to provide voluntary medical services in remote areas, provide health education from time to time and promote health knowledge, as well as take specific actions such as donation of materials and visit of the underprivileged to enhance a closer connection between the Group and the local community. In 2021, there were 13 medical health related activities organized with a total of 146 participants (including employees, external volunteers and locals). In addition, a total of 19 vaccination activities were held this year at our Indonesia and Myanmar factory sites, with a total of 107,484 participants being vaccinated.

Set up medical station that meets international standard

Since 2017, the Group has launched the "Enterprise and Medical Co-operation" project at Vietnam factory sites, setting up medical station conforming to international standards of Marie Stopes International. By providing high-quality and essential maternity health and family planning services as well as education campaigns, female employees' awareness of maternity health can be increased. At the same time, female employees can also save time and expenses needed for outpatient visits.



Chapter 5

Community Participation

Indonesia Donate Medical Masks and Banner for Pandemic Prevention Slogan



Vietnam – Enterprise and Medical Co-operation Project



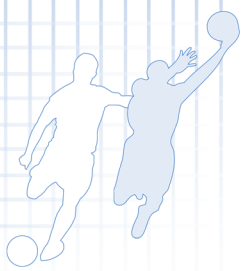
Eliminate Poverty of the Disadvantaged Groups

In response to the objective 1 of the United Nations Sustainable Development Goals (“SDGs”), the Group is devoted to eliminating poverty in local communities of major operating bases, particularly among the poverty-stricken and underprivileged groups, and to ensure that they have equal access to economic resources. The Group also helps them to increase the resilience of the poverty-stricken and underprivileged groups to natural disasters and reduce the probability of and impact on their exposure to extreme weather conditions, other economic, social and environmental disruption and natural disasters.

In our Vietnam factories, which account for the largest proportion of employees among our factories, the Company listens to the voices of employees and expands the implementation of the “Employee Home Visit” project, receiving requests for urgent assistance from employees’ families. The “Charity Housing Construction” Scheme has been officially launched in Vietnam since 2009, and by 2021, the Group made a total contribution of US\$529,000 and a total of 287 houses were built and renovated.

Vietnam Charity Housing Construction and Donation





Chapter 5

Community Participation

“Go with Love, Run for Happiness” – The “International Day of Happiness” Event held in Pou Sung Vietnam

The General Assembly of the United Nations adopted the Resolution No. 66/281 in 2012, declaring March 20 of every year to be the “International Day of Happiness”. Happiness and well-being are the universal goal and aspiration, and a more inclusive, equitable and balanced approach for economic growth is required to promote sustainable development, eliminate poverty and enhance the happiness and well-being of all people in the world.

There is a very wonderful school in Trang Bom District, Dong Nai Province, Vietnam – the Rose School for the Physically and Mentally Handicapped, located just 10 kilometer away from the Group’s Vietnam Pou Sung Company (“Pou Sung”), where there are about 70 hearing and speech impaired children from the age of 4 to 15. Despite their disabilities, these children still carry smiling faces and illustrate to the world that they are not defeated by their physical disabilities. The Group has been communicating with the school since the building of its factory, which has already been almost ten years. Every year, we co-organize activities with the school during festive holidays, such as study groups, young teachers nurturing, team building activities, safety awareness education, tidying up the school environment, etc., continuously accompanying the children with love and care.

On March 19, 2021, one day before the International Day of Happiness, a team of 15 from the Group went to the school and initiated a series of activities covering three themes, including “Fun Spinning”, “Let’s Work Together” and “Let’s Move Our Hands”, to welcome the International Day of Happiness together with the teachers and students of the school. The “Fun Spinning” activity allowed the children to learn how to set goals and use various means to achieve them. Through the experience of joy and frustration during the process, the children were able to understand that life is not always smooth sailing. Regardless of the favorable or difficult circumstances you are encountering, they are the best arrangement there is and that you have to persevere. The “Let’s Work Together” activity allowed the children to nurture team spirit at a young age and grasp the importance of co-operation in achieving goals, while “Let’s Move our Hands” enabled children to understand that hard work pays off. They can tell the world through their actions that they are born with talent. Through these activities, the children will not only find their self-worth, but will also help them to build up more strength and courage when they enter the society in the future.



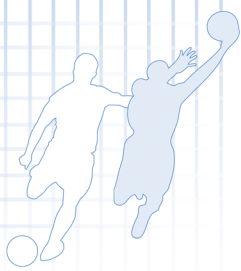
Chapter 5

Community Participation

Vietnam – International Day of Happiness Events



After years of co-operation and communication, the children got along very well with the Pou Sung colleagues. An 8-year-old student, “Keung Keung”, shared with us in sign language, “I really like when the big brothers and sisters are here playing games with us, and I hope that when I grow up, I will follow their footsteps and help people who are in need.”



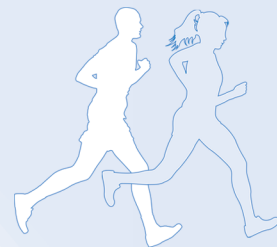
Chapter 5

Community Participation

The Group's team has witnessed the growth of these children and our colleague. Ms Ruan said, "Although these children are physically impaired, they are still learning and living their lives with dedication, and I feel that I have learned a lot from them. I also hope that the society can care more and have less prejudice on the disabled. "

Sister Cui, the headmistress of the Rose School for the Physically and Mentally Handicapped also shared, "Every time Pou Sung comes, the children forget that they are different from the others. We are grateful to the company for not only accompanying them, but also providing them with materials and equipment frequently, such as new bookcases, desks and chairs, fire-fighting equipment, etc., so that the children can grow up happily in a friendly learning environment."

The Group believes that everyone has the right to live a life with peace and dignity, and that we can all be happier by spreading the values of kindness and goodness. Happiness does not necessarily mean having a materialistic life, but rather the joy of being willing to lend a helping hand to others in a timely manner. Although everyone has different feelings and ideas about happiness, at a time when COVID-19 pandemic is still running rampant, there is nothing better than being safe and healthy. The Group is committed to sustainable business development and continues to maintain a good interaction with the community, so that both the community and employees can feel the warmth and care and strengthen the support for community advancement.



Chapter 5

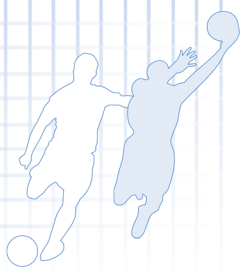
Community Participation

The Group Facilitates Pandemic Prevention in Post-Pandemic Era and Joins Hands with the Community to Do Charity Work

In 2021, the COVID-19 pandemic has not abated, with the situation especially severe in Southeast Asia regions. In addition to the strained medical resources and overload on medical staff, many local enterprises have been affected. So far, the Group treats the health and safety of employees as top priority, and has issued a number of working standards and guidelines related to pandemic prevention in consideration of both pandemic prevention and operational goals, such as the Group's cluster blocking control, guidelines on divisional work measures, pandemic prevention guidelines on flights, the Group's rules on travel and return quarantines, and the relevant leave and work standards, in order to continuously promote and upgrade the implementation of pandemic prevention.

In addition to implementation of basic pandemic prevention work, to ensure a healthy and safe working environment, the Group also implements pandemic prevention and care measures in each of its operating bases to enable all employees to work in a proper environment with a peace of mind. Take Vietnam as an example, the Group provides employees with COVID-19 screening, pandemic investigation and quarantine of infected employees, tracking the health status of quarantined employees, and also co-operates with labor unions to send gratuities to quarantined employees, including cooking oil, instant noodles and other daily necessities, to show our care and support for the employees. We also coordinate with the pandemic prevention measures of local government to make corresponding adjustment and arrangement to contain and control the spread of the COVID-19 pandemic as soon as possible. A poster competition was also organized in Indonesia for employees to design posters with the theme of "How to Protect Yourself and Your Family". The top three winners received trophies and exclusive interviews in the factory magazine to raise awareness of pandemic prevention in and out of the factory. Other operating bases provide caring measures for the employees through various ways by continuously providing daily notification of the COVID-19 pandemic, stock taking of the inventory of pandemic prevention materials, updating information on hospitals and quarantine hotels, and assisting employees to apply for pandemic prevention insurance.

In terms of community co-operation, we have continued our best efforts to provide resources and assistance to the community in the spirit of helping each other as in the past. In Vietnam and Indonesia, we donated masks, hand sanitizers, rice and materials to government units and social welfare organizations according to the actual needs of the communities. We also worked with labor unions to distribute pandemic prevention banners, publications and leaflets to neighboring communities, and gave away our Company's home-made medical masks to promote pandemic prevention and to convey the spirit of mutual help and co-operation.

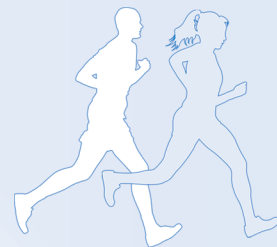


Chapter 5

Community Participation

In addition, since the outbreak of the COVID-19 pandemic in various parts of the world, the hospital's line of defense has become even more important. In order to help the frontline medical system to meet the urgent needs, the Group has donated a total of nearly US\$2.1 million to medical institutions and government-related units in Vietnam and Taiwan this year to help purchase the necessary pandemic prevention equipment, such as mobile respirators and respirator control panels, with a hope to help with the pandemic prevention at the critical moment.

As the COVID-19 pandemic affects everyone's daily life, the implementation of various pandemic prevention measures has become a necessary change for protecting ourselves, our friends and relatives. Since the beginning of 2020 when the pandemic was still developing, the Group has set up a pandemic prevention team and formulated the "Pandemic Prevention Guidelines for Continuous Operation" for each region to follow, actively coordinating with the pandemic prevention regulations of local governments in each operating base, continuing to strengthen various pandemic prevention measures, including access control to factories and office premises, daily temperature measurement and regular environmental disinfection, promoting pandemic prevention information and appealing to maintain a safe social distance, as well as encouraging and enhancing employees' COVID-19 vaccination rate.



Chapter 5

Community Participation

Indonesia – Donation of Homemade Medical Masks and Pandemic Prevention Leaflets at nearby Markets



Indonesia – Donation of Banner for Pandemic Prevention to Surrounding Communities



Indonesia – Awards for Pandemic Prevention Poster Creation Competition



Vietnam – Donation of Pandemic Prevention Fund



Vietnam – Video on
Pandemic Prevention



Indonesia – Video on
Pandemic Prevention



Chapter 6

Employment and Labor Practices

Key Performance

FLA Certification

The Group is the only sports footwear manufacturer in the world that is certified by the Fair Labor Association (FLA). The independent and objective transnational labor supervision reports audited and issued by FLA consecutively over the past 11 years demonstrate that the Group provides working environment, salaries and benefits that meet the legal requirements, protecting the rights and interests of over 280,000 employees worldwide.

287,000 Employment Opportunities

There are more than 280,000 regular employees hired worldwide, providing an employment opportunity for 222,600 female employees, which accounts for 77.4% of total employees, and striving to maintain gender equality.

92.6% of Employees

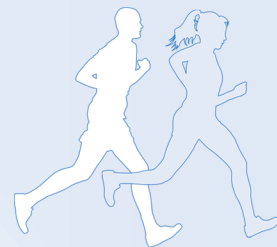
The Collective Bargaining Agreement covers approximately 269,000 employees globally, accounting for 92.6% of the total number of employees in the shoemaking business segment.

No Child Labor

In compliance with International Labour Organization (ILO) Convention No.138 — Minimum Age Convention, no child labor is employed.

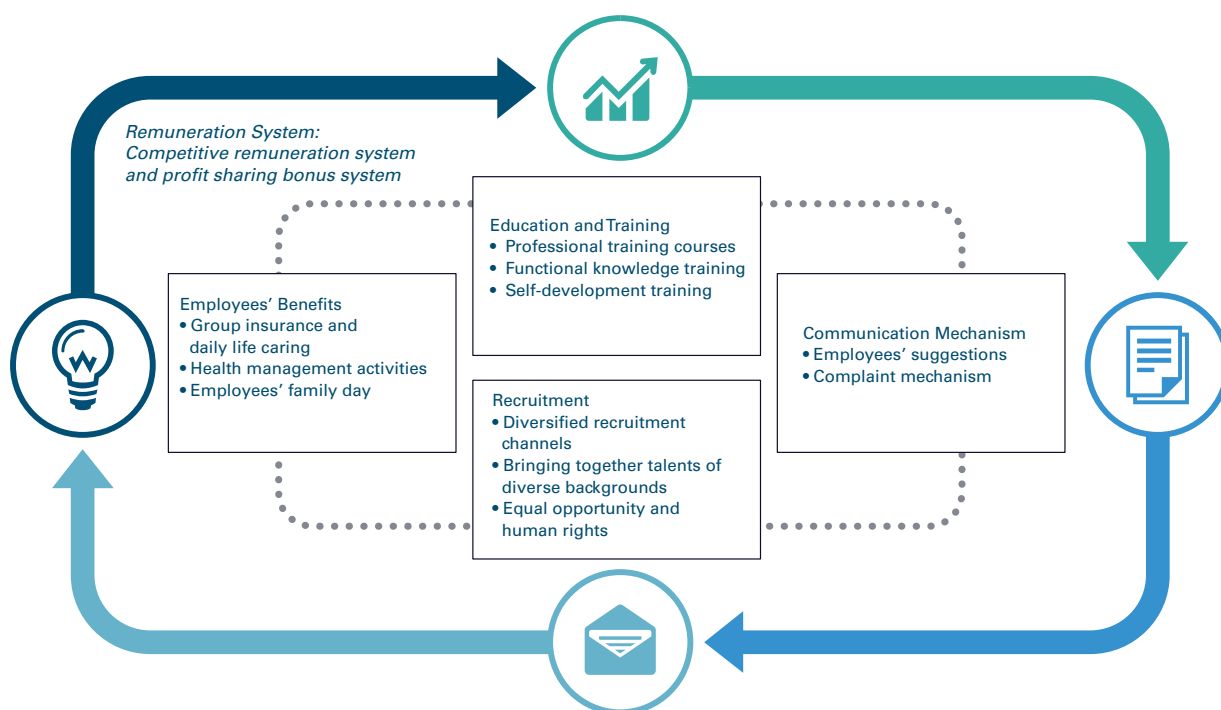
Nearly 100% Rate of Conclusion

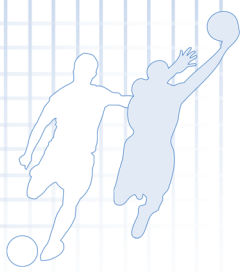
By collecting the Voice of the Employee (VOE), there were a total of 3,616 cases of complaint and consultation registered in the employee relationship management system, with 99.5% of the cases being concluded within 2 months.



Chapter 6 Employment and Labor Practices

The Group upholds the idea of “Focus on People, for the People”. The Group believes that employees are important assets, and has planned a holistic approach of recruitment, employment, training and retention of employees. Team events are organized to build the employees’ sense of belonging, as well as to increase the employees’ understanding of the Group and recognition of the Group’s core values of “Professionalism, Dedication, Innovation and Service”. The Group provides comprehensive training, competitive compensation and diversified communication channels with an aim to improve the employees’ professionalism and enthusiasm at work, as well as to attract talents. The performance management system has been introduced to effectively motivate the employees to engage in continuous development, to help the employees in career planning, and to achieve succession of talents and the Group’s objective of sustainable operation. The Group is also committed to providing the employees with an equal, safe and healthy work environment, complying with the local laws and regulations, as well as fostering labor harmony and building a high quality enterprise.





Chapter 6

Employment and Labor Practices

Employee Home Visits

The Group attaches great importance to the practice of sustainable service and conducts family visits from the perspective of all-rounded care. Through the home visit activity, the Group connects with the local employees and communities. The employee's direct supervisor and the management of the factory have the opportunity to show their care through a closer interaction with the employee's families. Through understanding the local culture and living environment, they can provide necessary assistance according to actual needs.

Employee home visit has been one of the Group's long-running projects. The management understands the needs of employee families and the communities they live in and establishes a good interactive relationship with their families through frequent employee home visits. In addition to enhancing local employment and economy development opportunities, the visits also introduce community-friendly actions such as volunteer medical consultations and services, housing construction and renovation, scholarship programs, etc. Through connecting with the families and communities of employees, the Company aspires to bring an overall life quality enhancement and sustainable development to the society. In 2021, while fully complying with strict local pandemic prevention regulations, the Group visited the families of 264 employees, including excellent employees, impoverished employees, pregnant employees, injured employees, etc., with the total hours spent in home visits reaching 1,928 hours.

Employee Home Visit



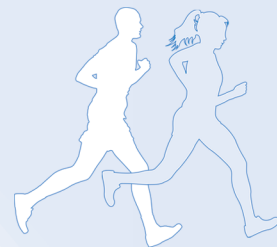
Myanmar



Cambodia



Mainland China



Chapter 6 Employment and Labor Practices

Respect for religion diversity

The Group recognizes and protects the freedom of religious belief of its employees and flexibly adjusts its management system to support employees to follow the rituals of their faith even during working hours. At our Myanmar factory, for example, the employees there are devout Buddhists, thus large Buddha statues are placed in the factory sites for the staff to find spiritual sustenance in faith.

Over approximately 90% of the employees at the Indonesia and Bangladesh factories believe in Islam. According to the Islamic scripture "Koran", Muslims must worship five times a day in the direction of Mecca, Saudi Arabia, to show that they remember Allah every day. The Company has therefore built several prayer rooms, also called musalla, in the factories, which can be freely used by the employees. Small separate prayer rooms are also provided in the working areas for the employees' free use. As of 2021, there are 97 religious building facilities within the Group. Islam fasting requires Muslim not to eat or drink from dawn to sunset during Ramadan, and the Group is considerate towards the physical condition of employees. Should any employee feel unwell, there are ambulances in place in the factories and medical rooms have been set up to provide immediate care services for them. The annual Eid al-Fitr marks the end of Ramadan and is equivalent to the New Year, a festive time to thank Allah. Therefore, the Group's factories in Indonesia and Bangladesh hold Eid feasts, while those in Indonesia factories also carry out fast-breaking ceremonies at local orphanages together with the residents of the local community. Free buses are arranged for employees to go home while working hours are flexibly adjusted, such that employees can pack their luggage to return home earlier to enjoy the Indonesian New Year together.

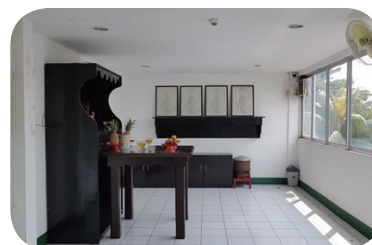
Indonesia



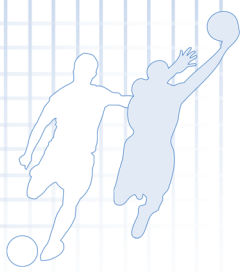
Musalla



Chapel



Buddhist Shrine



Chapter 6

Employment and Labor Practices

Myanmar-Ka Htain Festival



Indonesia-Eid al-Adha



Diverse and Extensive Club Activities

To achieve work-life balance, the Group frequently hosts off-work clubs (e.g. basketball club) and various activities in cooperation with labor unions, with combination of various local cultural festivities. Activities include yoga courses, Christmas party and employee Olympics, enriching the life of employees after work.

The internal employee activities include cultural integration of festival celebration, sports contests that strengthens interactions and cohesion, and the Group's community engagement focusing on education and health. In addition, local officials and labor unions are also invited to internal activities, and through these activities, employee cohesion and recognition are enhanced. In 2021, a total of 188 internal employee activities were held overseas, with approximately 129,767 employees participated.



Chapter 6

Employment and Labor Practices

Mainland China-Safety
Carnival



Vietnam-Singing
Contest



Myanmar-Ka Htain
Festival Celebration



Mainland China-Sports
Competition

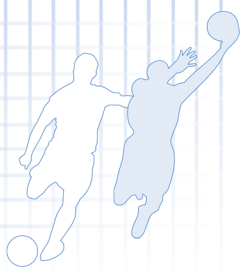


Vietnam-Women's Day
Celebration



Vietnam-Team Building





Chapter 6 Employment and Labor Practices

6.1 Proper Assignment of Roles and Responsibilities

Employee Diversity and Equal Opportunity

In the footwear manufacturing business, the Group continues to refine its production technology and research and development capabilities, and optimize production efficiency and work closely with international brands to provide the best quality products and comprehensive services. In the channel business, in order to provide high-quality customer services, product portfolio, market promotion and publicity activities, we set up the brand image YYSports as the channel name and anticipate that through professional division of labor and reinforced core competency, we will create the optimal value for the footwear manufacturing business and channel business.

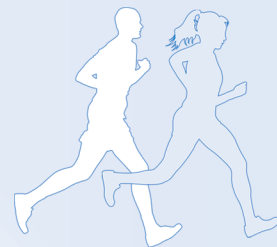
The Group actively invites talents and recruits personnel with different nationalities, genders, ages, and religious backgrounds in a fair and equal manner. In addition to recruitment via job banks, professional training institutions, community websites, group visits and business consultancies, we also promote internal employee referrals with the principle of conveying “finding the best partner”, and we encourage employees to join in the activity of finding excellent talents. The Company also participates in annual campus recruitment activities. Through campus expositions, info-meetings, corporate internships, management trainee programs and more, students are able to integrate with the industry more quickly.

In addition, the Group also continues to maintain the social media for recruitment by posting latest vacancies and professional footwear manufacturing training information and from time to time organizes activities to enhance and interact with external job applicants. Also, through diversified recruitment channels and community platforms, the Group hopes to attract more talents from different fields in the era of rapid information exchange to let them understand more on the footwear manufacturing industry, so that more talents will be interested in this industry and join the Group.

Bring Together Talents of Diverse Backgrounds

The Group welcomes talents from the same industry to join our team to accumulate professional experiences, and also brings in new talents from different industries to stimulate innovative ideas.

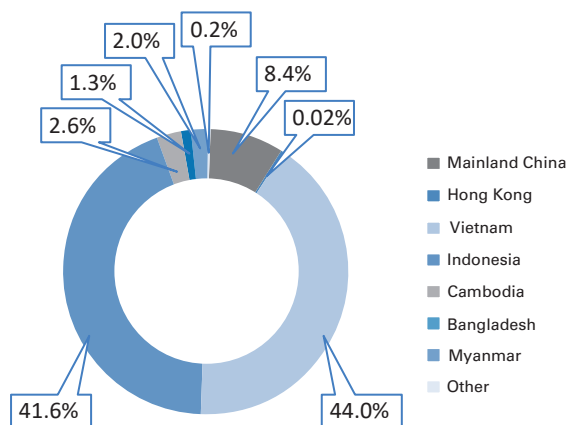
As of December 31, 2021, the total number of regular employees was approximately 287,631, with the ratio of male to female employees being approximately 22.6%:77.4%. 8.4% of our employees were in Mainland China, 44.0% in Vietnam, 41.6% in Indonesia, 2.6% in Cambodia, 1.3% in Bangladesh, 2.0% in Myanmar, 0.02% in Hong Kong and 0.2% in other regions (including Taiwan, Macau).



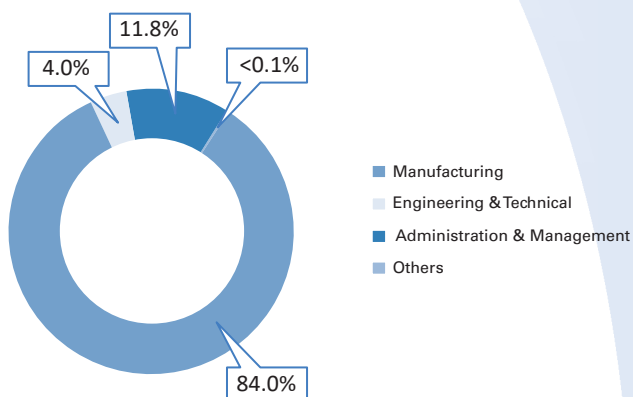
Chapter 6

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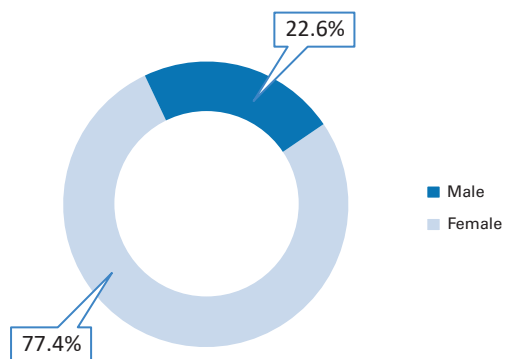
Manpower Statistics by Region



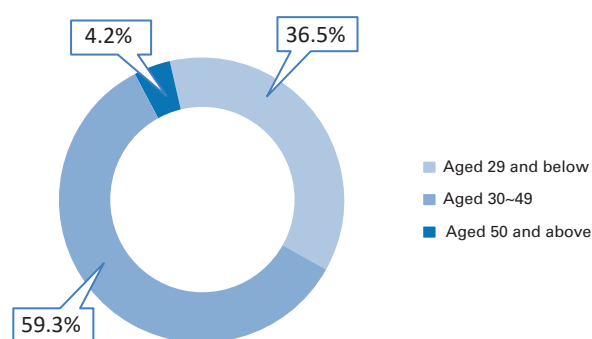
Manpower Statistics by Job Function

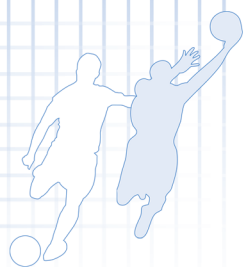


Manpower Statistics by Gender



Manpower Statistics by Age





Chapter 6 Employment and Labor Practices

Recruitment Rate ¹ (Approximate) – By Gender and Age										
Region	Gender				Age					
	Female		Male		29 and below		30~49		50 and above	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Overall	8.7%	16.2%	2.9%	4.4%	7.9%	13.9%	3.0%	5.5%	0.7%	1.2%
Taiwan	2.4%	4.0%	5.9%	9.1%	4.5%	5.0%	3.7%	7.8%	0.0%	0.3%
Mainland China	15.0%	22.5%	2.9%	5.2%	2.1%	4.2%	8.2%	14.2%	7.7%	9.3%
Hong Kong	1.7%	8.8%	1.7%	0.0%	1.7%	1.8%	1.7%	5.3%	0.0%	1.8%
Macau	0.0%	4.0%	0.0%	2.6%	0.0%	4.0%	0.0%	2.6%	0.0%	0.0%
Vietnam	6.4%	7.4%	3.0%	4.0%	6.3%	7.1%	3.1%	4.3%	0.0%	0.0%
Indonesia	6.4%	21.2%	2.1%	3.8%	7.6%	20.3%	0.8%	3.7%	0.0%	1.1%
Cambodia	35.6%	58.4%	11.4%	9.6%	34.8%	41.2%	12.3%	26.8%	0.0%	0.1%
Bangladesh	2.2%	11.0%	5.5%	22.9%	6.2%	27.0%	1.6%	6.9%	0.0%	0.0%
Myanmar	52.3%	30.7%	7.5%	5.6%	50.8%	31.5%	9.1%	4.8%	0.0%	0.0%
Others	4.4%	14.0%	11.1%	23.3%	6.7%	18.6%	6.7%	18.6%	2.2%	2.3%

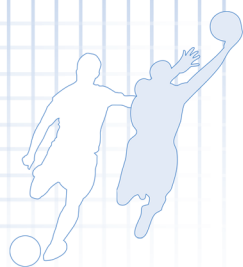
¹ Recruitment Rate = No. of New Recruits in the Respective Category in the Respective Region/No. of Employees in the Respective Region as at December 31, 2021



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Attrition Rate ² (Approximate) – By Gender and Age										
Region	Gender				Age					
	Female		Male		29 and below		30~49		50 and above	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Taiwan	5.1%	1.8%	7.5%	8.5%	4.5%	3.5%	8.0%	6.3%	0.0%	0.5%
Mainland China	9.2%	7.4%	3.7%	3.4%	2.0%	2.9%	9.6%	6.5%	1.3%	1.4%
Hong Kong	3.4%	5.3%	0.0%	7.0%	0.0%	3.5%	3.4%	5.3%	0.0%	3.5%
Macau	2.6%	4.0%	0.0%	1.3%	1.3%	2.6%	1.3%	1.3%	0.0%	1.3%
Vietnam	9.5%	9.6%	3.0%	3.0%	6.3%	5.3%	5.8%	6.7%	0.4%	0.6%
Indonesia	16.9%	3.3%	2.4%	0.5%	10.6%	2.6%	8.6%	1.1%	0.1%	0.0%
Cambodia	6.3%	8.6%	2.5%	2.3%	5.9%	6.9%	2.9%	4.0%	0.0%	0.0%
Bangladesh	1.6%	2.5%	1.9%	3.6%	2.1%	3.7%	1.4%	2.4%	0.0%	0.0%
Myanmar	9.6%	7.3%	2.2%	1.6%	9.8%	6.8%	2.1%	2.1%	0.0%	0.0%
Others	2.2%	18.6%	13.3%	27.9%	2.2%	18.6%	11.1%	23.3%	2.2%	4.7%
Overall	11.9%	6.6%	2.8%	1.9%	7.5%	4.0%	6.9%	4.1%	0.4%	0.4%

² Attrition Rate = No. of Employee Turnover in the Respective Category in the Respective Region/No. of Employees in the Respective Region as at December 31, 2021



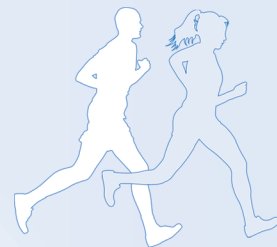
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Percentage of Local Senior Management ³										
Region	Senior Management Percentage		Middle Management Percentage		Section Management Percentage		Management Personnel Above 5th Grade Percentage		Middle to Senior Management Percentage	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Taiwan	20.0%	22.2%	84.3%	84.4%	97.8%	91.9%	87.2%	85.7%	77.8%	79.1%
Mainland China	6.9%	7.7%	86.5%	88.1%	96.6%	97.4%	90.8%	92.0%	84.1%	85.9%
Hong Kong	66.7%	75.0%	96.9%	96.8%	100.0%	100.0%	94.4%	94.2%	92.1%	92.3%
Macau	0.0%	0.0%	23.5%	33.3%	95.5%	96.0%	64.1%	72.5%	23.5%	33.3%
Vietnam	3.4%	5.2%	65.0%	68.8%	87.5%	88.9%	76.0%	78.0%	56.4%	59.9%
Indonesia	43.1%	37.0%	73.0%	74.2%	89.8%	92.1%	80.1%	83.6%	68.4%	68.8%
Overall	21.5%	19.5%	74.1%	76.2%	90.3%	91.7%	80.9%	83.0%	67.9%	69.8%

Gender Proportion of Section Level and Above				
Region	Male		Female	
	2020	2021	2020	2021
Taiwan	79.3%	75.9%	20.7%	24.1%
Mainland China	50.6%	50.0%	49.4%	50.1%
Hong Kong	31.5%	26.9%	68.5%	73.1%
Macau	12.8%	12.5%	87.2%	87.5%
Vietnam	38.7%	38.0%	61.3%	62.0%
Indonesia	49.0%	49.5%	51.0%	50.5%
Overall	45.1%	45.0%	54.9%	55.0%

³ Senior Management in Vietnam/Indonesia refers to staff serving as manager or roles of higher hierarchy



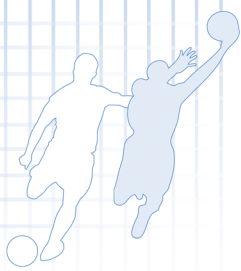
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6.2 Education, Training and Career Development

Education, Training and Career Development Planning

Talent plays a pivotal role in the sustainable development of a corporation. Yue Yuen actively nurtures core talents and through a systematic, diversified and comprehensive talent development mechanism, we aim to broaden our talents' international perspectives, deepen their professional knowledge, instill corporate culture and create competitive advantages, in order to lay a foundation for the Group's sustainable development. The Group's education, training and development policies and objectives are as follows:

- Align corporate mission, vision, business strategies and objectives, formulate talent development strategies, actively nurture leaders and professionals for the Group, and enhance our talent pool;
- Actively establish a talent pool of the Group, identify talents through systematic and professional evaluations, and according to personal and organizational needs, develop a comprehensive talent development plan and training blueprint;
- Strengthen corporate vision and shape culture and values to create irreplaceable soft skills for the Group;
- Introduce innovations, new technologies, ideas or tools to improve personal growth and organizational learning, and help the Group and its employees meet their objectives; and
- Value the employee's self-development, provide diverse learning channels, and encourage self-initiated learning to bring out the employees' potentials and realize personal achievement.



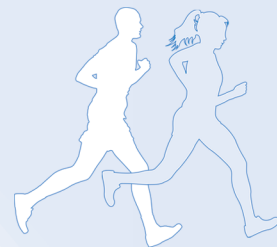
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Training System Programs

The Company's annual talent development training planning combines the Company's missions, vision, and management strategy and goals, collects and understands development points and training requirements of each business division, continuously innovating and introducing new technology, concepts and tools, facilitating personal growth and organization learning, providing diverse learning channels, encouraging self-paced learning, simultaneously, we take considerations on employee's personal development plan, competency training system for each hierarchy and relevant laws and regulations to stipulate "Regulations Governing Employee Training Management" as the basis of our operations.

To deepen the facilitation on working skills for employees at each position and to fulfill the vision of lifelong learning, the Group plans various series of training programs for different stages according to the Group's core values and employee competencies. From an employee's employment to his/her expected retirement, the Group's provides ongoing training for skills required by the employee in performing their tasks with an objective to reinforce the employee's capabilities for continued employment. Through arrangements of employee training courses, we expect to reach a consensus among employees internally, making employees recognize the organization value and furthermore contribute their parts in achieving the Group's best business performance.

- 1 *Orientation Program:* The Company organizes induction training courses for new employees, and organizes orientation forums for new employees who have been employed for one month to enhance their recognition to the Group.
- 2 *Core Program:* The Company develops a series of core program training based on the Company's core functions to establish a common language of the Group, such as the accountability course, so that employees are willing to assume responsibility and have a responsible attitude.
- 3 *Management Program:* According to the management functions required by all levels of managers, the corresponding learning and development projects are planned to strengthen the knowledge and skills, role positioning and necessary capabilities for management of the Group's supervisors.
- 4 *Professional Program :* Various learning and development projects such as R&D, quality control, engineering, manufacturing, business, procurement, supplier management, employee functions, etc., are planned to strengthen the professional and technical capabilities of employees.
- 5 *Self-Development Program :* To encourage a diversified development of employees, the Company has established a series of soft power courses to increase the added value of learning for employees in addition to work. In addition to language training, internal lecturer training is also planned to motivate employees' energy and potential, thus expanding the meaning and continuation of learning.



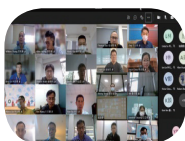
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Management Program



Leadership Management Training



Advanced Management Training

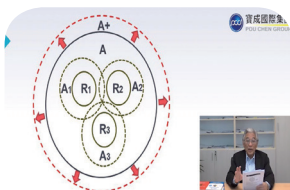


Strategy Camp



Systematic Mindset

Core Program



Accountability

Orientation Program



Orientation Training

Self-Development Program



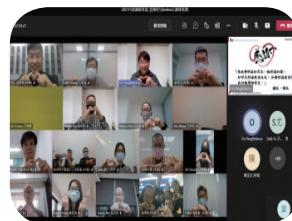
Lecture on Pandemic Prevention and Health Care of Chinese Medicine



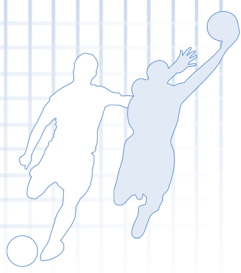
Lecture on Pandemic Prevention and Health Care of Western Medicine



"Uninterrupted Learning amidst Pandemic" Series



Internal Trainer Training Program



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Digital Learning: The pandemic causes suspension to production but does not interrupt the learning program

“Uninterrupted Learning amidst the Pandemic” Series

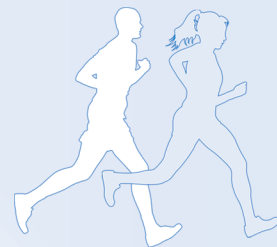
The COVID-19 pandemic continued to spread in 2021, and as a multinational corporation, the Group was deeply affected by it, as pandemic regulations differed from country to country. Under the pressure from both the severe situation of the pandemic and regulations of various countries, factories are forced to suspend production, which has made the Group to speed up the use of digital learning resources and tools to facilitate employees' self-learning.

During the shutdown, the Group invited experts from different fields to offer a series of uninterrupted learning programs to encourage employees to participate in the programs individually in their spare time, enriching themselves and effectively reducing the risk of infection and time spent caused by public gatherings. We have also successfully implemented “continuous learning” and “soft power development” for talents. We hope to enhance employees' safety awareness, strengthen recruitment skills, and familiarise with the relevant laws and regulations through the following six thematic programs: workplace safety, fire safety, expatriate life, recruitment interviews, sustainable development, laws and regulations, in order to cultivate talents and layout the foundation for a sustainable future.

Lecture on Pandemic Prevention and Health Care of Chinese and Western Medicine

In addition to the above series of programs, relevant lectures on pandemic prevention and health care are also held at the same time. Professional teams of Chinese and western medicine practitioners are invited to give a lecture on the development trend of the current pandemic situation and the correct pandemic prevention and health care knowledge to the employees of the Company. At the same time, the professional practices of both of the medical systems are used to review and refine the pandemic prevention management measures of the Company, so as to make the pandemic prevention in the factories of the Group more pragmatic and comprehensive, and make employees feel peaceful and at ease.

In addition to the on-site program interaction, the lecture on pandemic prevention and health care is also broadcasted live and shared to our factories worldwide. The lecture content is edited into an online program afterwards, which is continuously promoted to all employees of the Group to watch and promote the correct concept of pandemic prevention and health care.



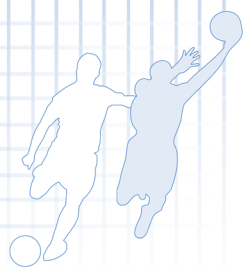
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AIM Training for Senior Factory Operation Management

Each of the Group's six shoemaking factories in China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar plays an important role in generating profits. In addition to the dedicated employees, the role of senior factory managers is also important for the smooth operation of these factories. Good management methods and means make the factory employees willing to devote themselves to the Company and produce high-quality products. It is the task and mission of the operation managers of each factory to obtain continuous satisfaction and orders from customers and create higher revenue for the Company.

The Group also recognizes the importance of nurturing factory management talents and experience inheritance, and therefore launch the "AIM Senior Factory Operation Management Talents Training" educational training program in 2021. The training mainly covered nurturing high potential factory management talents, and the candidates for the program were specially selected by the authorized responsible supervisor of each business unit and 35 outstanding talents are selected to enroll in the training. The content of training covers a number of internal and external management issues that senior factory managers need to encounter in practice, for example, from the analysis of the international political and economic situation, trainees can then understand that preparation and prevention can be done on factories of various countries by effective analysis of the international political and economic situation, and further contemplate through the perspective of brand customers, on how the factory can effectively negotiate with customers, or even strive to become customers' favorite, so that they will continue to place orders, thus creating a stable production, profitability and creating win-win opportunity. In addition to dealing with the external environment, internal management is also an important issue that senior factory managers must face. Therefore, the program also contains contents focusing on negotiation and management of internal customers.

The lecturers hired in this program are leaders in the field of factory management in the Company, and have profound practical experience in factory management. Through the teaching and support of our seniors, senior factory managers can be prepared to accept the challenges of factory management at any time.



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Overview of the Implementation of the Group's Education and Training

In 2021, the Group invested approximately 2,229,884 training hours for education and training, with a total of 649,554 employees participated in these trainings, and an average training hours of approximately 7.8 hours⁴ per employee. In addition, a new online training system was introduced in 2017, so that employees can make full use of their time to learn on the online platform without being restricted by country, environment and time, and can achieve the comprehensive sharing of the Group's learning resources. In the future, we will continue to optimize this platform and develop more digital programs and tools for online platform, so that employees can make use of more improved learning resources.

Total Training Hours (Approximate)	Total Participants (Approximate)	Average Training Hours per Staff (Approximate)
2,229,884	649,554	7.8

The analysis of the Group's training by gender and job level of the employees is shown as follows⁵:

Job Level	Gender	Participants (Approximate)	Total Training Hours (Approximate)
Entry-Level	Male	495,005 (77.8%)	1,578,186.3
	Female	141,255 (22.2%)	519,460.8
Mid-Level	Male	6,094 (48.8%)	89,067.8
	Female	6,404 (51.2%)	40,661.4
Senior-Level	Male	173 (21.7%)	717.3
	Female	623 (78.3%)	1,790.2

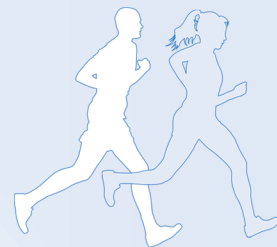
Talent Development and Management System

The Group has implemented performance management system to achieve operational goals and enhance employees' capabilities. The target covers employees in major operating locations including Mainland China, Vietnam, Indonesia, Myanmar and Bangladesh and does not differ due to gender or age. During performance assessments, all employees who have worked over three months participate in it. The entry level employees are assisted to improve their day-to-day work performance primarily through a monthly assessment mechanism, while the performance assessments of management personnel (mid-level and above) are carried out in the middle and the end of each year based on individual and organizational goal setting and implementation. Formal performance interviews are conducted to help the supervisors and employees understand the organizational goals and personal expectations on development, so that work directions of the organization and the individuals are clearer and aligned.

⁴ Average training hours per employee = total training hours/total employees at the end of 2021.

⁵ Average training hours for the group of employees = total training hours of the group/total employees of the group at the end of 2021.

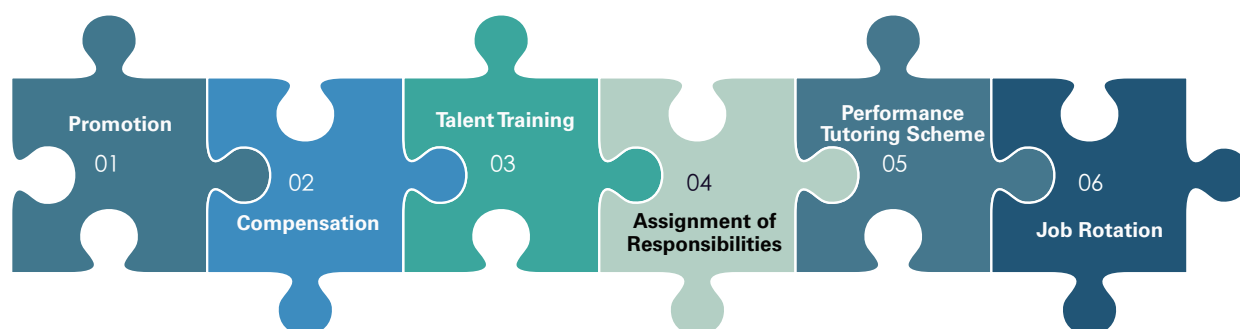
Percentage of participation = number of participants of the group of employees for each gender/total number of participants of the group.



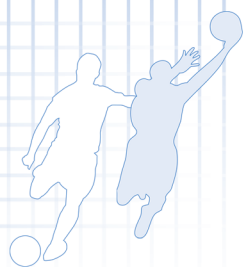
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In addition, performance management training sessions are arranged for supervisors to enhance the effectiveness of performance interviews between supervisors and subordinates. The supervisors will join the internal instructor team and convey and share knowledge and practical experiences in relation to performance management in the internal instructor trainings. In training sessions, a number of experiential learning activities are included. Through observation, analysis as well as sharing of experience, the participating supervisors acquire knowledge and get inspiration.

Performance Management:



The implementation of performance management is primarily used to measure employees' overall progress in the achievement of goals and performance, the final results of which are one of the basis for employees' promotions, rewards, training and personal development plans. With a comprehensive performance management system, we create a performance-oriented corporate culture, incentivize employees' performance and functional results and further nurture and develop employees' personal capabilities.



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6.3 Comprehensive Remuneration and Benefits System

The Group attaches great importance to the physical and mental health and welfare of employees, and provides diversified and flexible welfare measures in accordance with the actual local situation to ensure the quality of life of employees and promote work-life balance. Taiwanese expatriates also enjoy welfare programs such as health care, life and entertainment, festival benefits and family care. The actual welfare system of each factory slightly differs due to local laws and operating environment:

Various Sport Facilities	basketball courts, football courts, gyms, tennis courts and employee activity center.
Recreation Centers	employee reading rooms with free lending service of books and magazines.
Factory Facilities	on-site kindergartens in major operating bases.
Local Clinics	on-site clinics in some operating bases providing suitable medical services.

Encouraging Balance Between Work and Family Life and Maternity Care

The vacation policy of the Group is established according to the relevant laws and regulations of different operating bases. Employees are allowed to arrange leaves on their needs according to the policy. The Group protects the employment rights of our employees after a leave of absence for childcare. When an employee has a need for childcare, the employee can apply for a parental leave with or without pay in accordance with the law. After the period expires, they can apply for reinstatement or extension of the application according to the actual circumstances so as to meet the needs of personal and family care. In the other major business locations of the Group in 2021, a total of 15,743 female employees applied for maternity leave, and a total of 11,969 of which returned to work after maternity leave, with a retention rate of 76.0%. A total of 10,262 female employees had been employed for one full year after returning to work, with a retention rate of 73.3%.



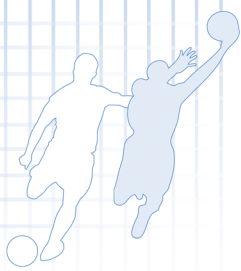
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Comprehensive Insurance and Retirement Plans

For the interests of the employees, the Group provides tailor-made insurance plans in different regions to protect the employees' livelihood and reduce the employees' burden of medical expenses. A pension scheme with appropriate contributions helps in attracting talents and maintaining the stability of the staff team, thus playing a supportive role to the employer's long-term financial and strategy planning. The Group has also provided pension fund contributions and benefits for employees in compliance with the laws and regulations of its operating bases across the globe so as to safeguard employees' retirements. The following table summarizes the data of the major production bases⁶:

Region		Mainland China	Vietnam	Indonesia		Bangladesh
Retirement System		Pension Insurance under Social Insurance	Pension under Social Insurance	Social Insurance		Retirement System
				Insurance for elderly	Retirement insurance	
Contribution Ratio	Yue Yuen	13.0%-19.0%	17.0%	3.7%	2.0%	Fully borne
	Employee	8.0%	8.0%	2.0%	1.0%	No contribution required

⁶ The production bases in Cambodia and Myanmar has yet to establish a retirement system.



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Competitive and Fair Remuneration Scheme

The Group recognizes its employees as the Group's greatest assets. In order to attract, motivate and retain talents, the Group offers attractive and competitive remuneration packages, and upholds the principle of equal pay for the same position regardless of gender, race, religion, political affiliation, sexual orientation or marital status of the employees. In terms of remuneration, the remuneration of an employee will be determined with reference to his/her educational background, experience, job duties as well as professional skills and technical capacities. The basis of reward depends on an employee's work attitude, demonstration of professional ability and overall performance. The Group also reviews the remuneration policies and system regularly to make sure our salary standards are competitive, and are linked to performance management for reward differentiation to facilitate the recruitment and retention of talents.

As an international enterprise, the Group will design remuneration systems compatible to the local management conditions for its overseas operating bases with reference to the local government decree, the salary levels in the industry as well as market conditions, in order to encourage local employees to work long-term and grow together with the Group. In addition to monthly work performance bonuses based on performance, we take a certain percentage of profits according to the annual performance of the Group as year-end bonus to reward the employees' contributions and work enthusiasm, so that the employees can share the operating results of the Company. The ratio of standard salary for grassroots employees to the local minimum salary in major operating bases are as follows:



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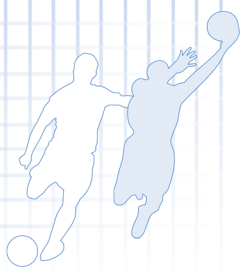
Vietnam	China, Indonesia, Cambodia, Bangladesh, Myanmar
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Introduction of the FLA Fair Compensation Project



The Global Living Wage Coalition (GLWC) on the definition and standard of living wage/fair remuneration: the remuneration received by employees during a standard working week in a given location should be sufficient to provide a decent standard of living for employees and their families. Elements of a decent standard of living include food, water, housing, education, medical care, transportation, clothing and other basic needs, and coping with unforeseen events.

As a responsible supplier member of the FLA, the Group is committed to the ongoing development of fair compensation to support the livelihood of our employees and their families by conducting remuneration survey on the Group in line with the FLA Code of Conduct and the GLWC's definition of fair compensation, and following the FLA's fair compensation research methodology. In addition to the audit mechanism to review the compliance status of working hours and remuneration in production plants, the Group also utilizes the FLA compensation data collection tool and Fair Compensation Dashboard to proactively monitor the remuneration structure of the Group's factories. Spot checks were conducted on 14% of the footwear production plants during the year, which includes factories in Vietnam, Indonesia and Cambodia. It was found that 100% of the sampled factories conform to the local basic salary and fair compensation standard.



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6.4 Respect for Labor Rights

The Group is committed to promoting the principle of fairness and human rights policies. The Group strongly believes that every employee has the right to work at a safe and equal environment. Through participation in the FLA, the Group is committed to abide by the “FLA Workplace Code of Conduct” and the “Principles of Fair Labor & Responsible Production” and its corresponding KPI, and to conduct annual independent assessments on the Group’s global Production sites in conjunction with the FLA SCI audit. The Group also continuously works with the FLA on international human rights issues in order to maintain compliance with human rights and labor standards. Through FLA’s annual SCI audit, on-site observations at production sites and head office visits, Pou Chen Group is unanimously agreed by the FLA board of directors to be qualified for FLA certification and has become the only footwear manufacturer in the world accredited by the FLA.

The FLA SCI assessment covers all footwear factories under the Group, which will follow the FLA audit notice to make improvements and give regular feedback on the action plan every year according to the recommended actions given in the audit report, and systematically and periodically accept human rights review and evaluation/supervision of NGO groups. All previous inspection reports on working conditions are published and available on the official FLA website (<http://www.fairlabor.org/transparency/workplace-monitoring-reports>).

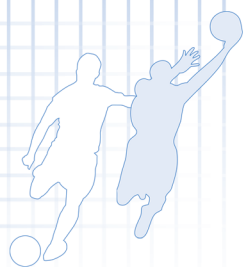
In September 2021, FLA entrusted a third-party audit unit to conduct a three-day compliance assessment at the Group’s factory in Sukabumi, Indonesia. Through document review, on-site visits and observations and interviews with employees and management, recommendations on legal and compliance were provided to the factory, which had actively and continuously improved the working conditions and working environment.



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Internal Evaluation Mechanism – Compliance KPI	
<p>Since 2012, the Group has established an internal evaluation mechanism, consisting three major modules of Human Resources Management (HRM), Labor conditions (Labor) and Environment, Safety and Health (ESH). The scope of the evaluation covers its production operating bases in China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar, and annual compliance assessments are conducted on the production units of Company's wholly-owned factories. The assessment criteria include the implementation status of human rights, environmental and safety management. Factories will then be classified in a hierarchical manner based on their compliance performance, so that the overall compliance status can be actively and effectively reviewed and managed.</p>	
Human Rights Risks Management – Human Resources Management (HRM)	Recruitment and appointment, education and training, employee development and promotion, termination/release of contract, working hours management, salaries and benefits.
Human Rights Risks Management – Labor Conditions (Labor)	Rewards, penalties and workplace conduct, complaint mechanism, non harassment and discrimination, internal communication, protection for special employees, freedom of association and collective bargaining, feedback tracking.
Environment, Safety and Health (ESH)	Safety and health, fire safety, environmental management, energy management.

The compliance KPI inspection of the Group's wholly-owned factories has been completed on schedule in 2021. We conducted the evaluation in accordance with the provisions on labor rights and human rights protection measures listed in the Group Code of Conduct, the FLA Workplace Code of Conduct and the Principles of Fair Labor and Responsible Sourcing, including recruitment and appointment, salaries and benefits, working hours and no harassment and discrimination. The evaluation method includes detailed review of relevant documents, spot checks on CCTV images in factory and employee interviews to achieve an objective, fair and comprehensive review.

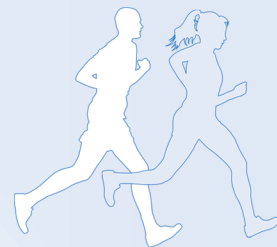


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Examples of improvements in human rights risk issues in 2021 are as follows:

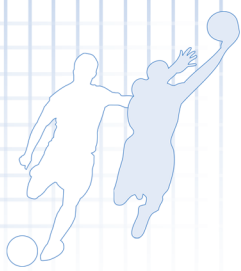
Date of Audit	Human Rights Risk Areas	Problems Found	Corrective Action Plan
2021.09.01	Rewards, penalties and workplace conduct	After reviewing the documents, it was found that a factory in Indonesia did not have a written policy on prohibition of forced labor as required by the regulations.	<ol style="list-style-type: none"> 1. In accordance with the Company's internal compliance regulations, all factories are required to have a formal policy with comprehensive procedure on prohibition of forced labor, which prohibits the employment of employees with forced labor or human trafficking risks. 2. After on-site inspection, it was confirmed that the factory did not employ the above-mentioned high risk employees. Through the follow-up of the improvement status, it was confirmed that the factory had completed the policy formulation and publication.
2021.09.16	Recruitment and appointment	After conducting an on-site document spot check, it was found that the term of the employment contract for a factory in Mainland China was incorrect.	<ol style="list-style-type: none"> 1. The factory corrected such mistake immediately after the on-site spot check and required the employee in charge to be more meticulous in their work and to avoid mistakes through cross-checking. 2. Reviewing all the employment contracts of the whole factory six months prior to the inspection to ensure the accuracy of the information.



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Date of Audit	Human Rights Risk Areas	Problems Found	Corrective Action Plan
2021.09.17	Complaint mechanism	After on-site inspection, it was found that a factory in Indonesia did not have a staff consultation room as required.	<ol style="list-style-type: none"> 1. The Company advocates diversified complaint channels and immediately reminded the factory to complete the establishment of the staff consultation room as soon as possible. In addition to the existing forums, emails and customer complaint app, etc., the Company also provides an exclusive and independent space for consultation and complaint to meet the needs of employees. 2. After follow-up improvement tracking, it was confirmed that the factory had established the staff consultation room.
2021.10.20	Freedom of association and collective bargaining	A Collective Bargaining Agreement (CBA) of a factory in Mainland China was signed but a copy was not provided to all employees in time.	After inspector's reminder, a copy of the Collective Bargaining Agreement was provided to and signed by all employees immediately to ensure that they had received and understood the contents of the Collective Bargaining Agreement.

In 2021, we continued to improve the Group's standards of labor rights and human rights in our factories. At present, all the factories have implemented policies to protect child labor, underage workers and female employees, and there were no cases of forced labor or human trafficking. Meanwhile, factories actively provided relevant trainings to advocate on no harassment, no discrimination, prohibition of forced labor and freedom of association. The Group utilizes the Master Action Plan (MAP) platform to track the improvements of issues identified during the audits. Through root cause analysis, improvement plans and discussion with factories, immediate rectification and reviews are carried out. All 109 findings from the previous year have been followed up and concluded in 2021. The Group will continue to dedicate in implementing relevant regulations and spirits of the international standards advocated by the ILO and the FLA, providing a friendly working environment and a better relationship between employers and employees.



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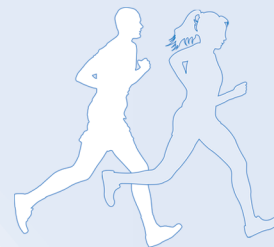
Responsible Recruitment

The Group upholds the principle of equal opportunity, values the diverse talent development, and provides job seekers and employees an equal chance of employment without distinction on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social status or ethnic minority, and relevant management principles are also embodied at aspects including hiring, compensation, benefits, advancement, discipline, termination, retirement, etc. The Company utilizes diversified channels for recruitment, and verified during the interview to confirm the job applicants' willingness to apply and the documents provided are correct, ensuring compliance with the requirements of local laws and regulations. Only those who meet the requirements will be recruited. Every employee is required to sign an employment contract when hired, clearly defining the rights, responsibilities and obligations of both employers and employees, and all employees have the right to terminate their employment with the factory. The conclusion, modification, dissolution and termination of relevant employment contracts all strictly abide by the relevant laws and policies.

Meanwhile, adhering to the spirit of human rights as advocated by international organization for the purpose of effectively terminating forced labor, the Group signed the Commitment to Responsible Recruitment jointly developed by FLA and American Apparel & Footwear Association (AAFA) in November 2019 for the continued day-to-day promotion and advocacy of human rights, which sets out that:

- 1 No worker is required to pay agency fees.
- 2 Workers retain control of their travel documents and have full freedom of movement.
- 3 All workers are informed of the basic terms of their employment before leaving home.

Based on such principles, the Group includes responsible recruitment practices in its business operations in accordance with relevant commitments, and ensures that there is no forced labor through its internal audit system.



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Respect for Human Rights

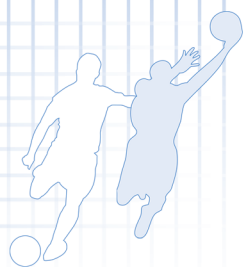
The Group complies with local laws and regulations, and follows the Universal Declaration of Human Rights and the FLA Workplace Code of Conduct to formulate the Group Code of Conduct. “Work Rules” also contains corresponding provisions, such as prohibition of employing child labor, no harassment and discrimination, no forced labor, freedom of association, health, safety and environment, salaries and benefits, working hours regulations, protection for special employees, etc. The Group is committed to implementing the principle of fairness and human rights policies.

Group Code of Conduct

Stemming from the commitment to corporate social responsibility, the Group always demonstrates rigorousness, openness and transparency in the compliance with the applicable laws and regulations of the countries of operation. If there is discrepancy or conflict between different standards, the higher one is adhered to. The Group:

- 1 is committed to respecting human rights and complying with the human right standards and principles expressed in the Universal Declaration of Human Rights and in the ILO’s Declaration on Fundamental Principles and Rights at Work;
- 2 develops its core standards for all employees performing duties by referring to the codes of conduct adopted by ILO, FLA, and various brand customers from time to time;
- 3 dedicates itself to continuous improvements in work environment and risk control through the detection of potential problems by internal and external audits; and
- 4 strives to further foster labor harmony and to build a high quality enterprise.

The Group Code of Conduct covers the following aspects, which will be reviewed and revised by the Group from time to time.



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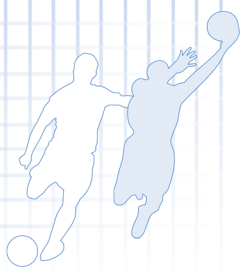
Employment Relationship	The Group shall adopt and adhere to rules and conditions of employment that respect employees and at a minimum, safeguard their rights under national and international labor and social security laws and regulations.
Anti-discrimination	No person shall be subject to any discrimination in employment, including hiring, compensation, benefits, advancement, discipline, termination, retirement, etc., on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social status or ethnic origin.
Harassment or Abuse	Every employee shall be treated with respect. No employee shall be subject to physical, sexual, psychological or verbal harassment or abuse.
Forced Labor	There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor. The employment of any labor involved in any form of human trafficking, whether by way of force, fraud, coercion or any form of involuntary servitude or slavery, shall be prohibited.
Child Labor	No person shall be employed below the legal age or under the age for completion of compulsory education, whichever is higher.
Freedom of Association and Collective Bargaining	The Group shall recognize and respect the right of employees to freedom of association and collective bargaining.
Health, Safety, and Environment	The Group shall provide a safe and healthy workplace setting to prevent accidents and injury jeopardizing health when employees engage in work-related tasks or the operation of the Group's facilities. The Group shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.



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Hours of Work	<p>The Group shall not require employees to work more than the regular and overtime hours allowed by the law of the country where the employees are employed. Under normal circumstances, the regular work week shall not exceed 48 hours. The Group shall allow employees at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. The Group shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate as required by local laws or as agreed in the employment contract (whichever is higher). Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.</p>
Compensation	<p>Every employee has a right to compensation for regular work that is sufficient to meet the employees' basic needs and provide some discretionary income. The Group shall pay at least the minimum wage or the appropriate prevailing wage or the wage as agreed in the employment contract, whichever is the highest, comply with all legal requirements on wages as provided by local laws, and provide any fringe benefits required by laws or the employment contract. Where compensation does not meet employees' basic needs nor provide some discretionary income, the Group shall take appropriate actions that seek to progressively realize a level of compensation that does.</p>
Community Outreach and Partnership	<p>The Group dedicates itself to active participation in community charity activities, enhancement of the community development, and creation of a harmonious society.</p>



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Freedom of Association and Collective Bargaining

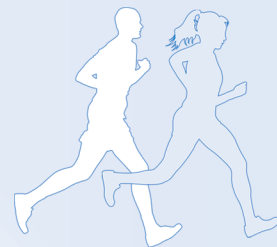
The Group upholds respect for employees' right to freedom of association and collective bargaining. We recognize the legal labor unions established by employees, support employees to form labor unions freely, respect their right to negotiate with the management and actively communicate and interact with labor unions. The Group's factory sites in Mainland China, Indonesia, Vietnam and Cambodia have all set up labor unions of the employees' free will to assist them in communicating with the Group on labor issues, including reviewing labor rights stated in the employee handbooks, stipulating relevant labor standards and engaging labor negotiation or events on delegation and other relevant affairs.

The factory sites in Bangladesh and Myanmar have also set up employee representative committees through elections according to local laws and regulations. The Worker Coordination Committee (WCC) was established at the Myanmar factory, and the Worker Participation Committee (WPC) was established at the Bangladesh factory site. As a consensus has been reached between the employer and employees, labor unions of each region may sign Collective Bargaining Agreements (CBA) with local branches of the Group in each region. The unions can also jointly hold relevant employee caring events and activities with the Group, enhancing the communications between the Group and employees and the employees' sense of identity. Collective Bargaining Agreements were made under agreement between the employer and employees at the Group's factory sites in Mainland China, Indonesia and Vietnam. The number of employees protected by the Collective Bargaining Agreements is 269,281 in total, accounting for approximately 92.6% of the total number of employees in the footwear manufacturing business.

According to the Group's internal regulations, the factory's side and the labor union should convene a meeting between the management and the labor union at least once every quarter; and the factory's side should take the initiative to discuss with the labor union on issues regarding employees' welfare and rights to obtain consensus from the labor union.

Minimum Notice Periods Regarding Operational Changes

The Group strives to build a harmonious employer-employee relationship, and the minimum notice periods regarding operational changes is given according to local labor laws. With the approval of the local competent authority, the local labor unions of the major production bases shall sign the Collective Bargaining Agreements with the local branches of the Group, clearly specifying the minimum notice periods regarding the relevant employment conditions, rights and operational changes. All the signed documentation of Collective Bargaining Agreements shall be submitted to the local competent authority for filing.



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6.5 Prohibition of Child Labor and No Practice of Forced Labor

Prohibition of Child Labor

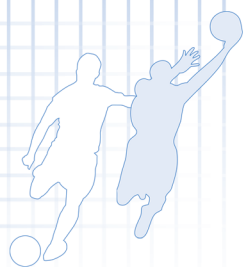
No person shall be employed by the Group under the age of 15 or under the age for completion of compulsory education, whichever is stricter, in accordance with the Group's Code of Conduct, the International Labour Organization (ILO) Convention No. 138 and government regulations. Relevant young labors (underage employees) are documented and reported (depending on laws and requirements), and the Group formulates relevant protection policies to ensure that their working hours and job positions comply with the laws and regulations.

At the time of interview, the Group will request the job applicants to produce valid identification document for the verification of actual age of the applicants. Where a mistakenly-employed case is discovered, the person in question will be suspended from work immediately and sent to the original residing address for the supervision by the parents or guardians, and the Group will be responsible for paying the necessary transportation and accommodation expenses, as well as the wages for the actual work period. According to the internal compliance mechanism, there was no incident of child labor at the Group's operating bases in 2021.

No Practice of Forced Labor

The Group does not employ any laborers who are subjected to coercion, imprisonment or illegal contracts, including prison laborers, indentured labor, bonded labor or other forms of forced labor, and does not employ any labors who are involved in any form of human trafficking, whether by way of force, fraud, coercion or any form of involuntary labor or slavery. Meanwhile, the Group does not require the employees to pay any recruitment fees to ensure that employees have freedom of movement, keeping their own identity or immigration documents. The contracts signed by employees are written in their mother tongue to clearly inform employees of their basic terms and conditions of employment. The day-to-day management mechanism ensures that all work is voluntary and that employees have the right to work overtime and to leave their positions freely with reasonable notice given. According to the internal compliance mechanism, there was no incident of forced labor in 2021.

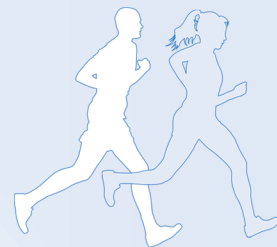
The Group strictly abides by the relevant laws and regulations of the countries where its factories are located as well as the code of the Company and requirements under brand agreements. Employees are paid on time and properly, and pay slips are provided in the local language, so that employees can understand the comprehensive information of the pay slips, where all lawful deductions are clearly stated. If overtime work is required, the Group must obtain the employee's consent, and overtime work and overtime payment shall be both in compliance with local laws and regulations. The Group also respects the rest time of its employees and grants rest days in accordance with local laws and regulations. Also, to maintain the physical and mental balance of the employees, computerized attendance systems are put in place to effectively manage the working hours and resting dates of the employees. During working hours, employees are allowed to move freely within the factory areas except for certain controlled areas.



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Possible personnel issues arising from the COVID-19 pandemic and its relevant contingency measures	
The Group also extensively collects opinions from all walks of life and consults FLA human rights experts and scholars on better practices through occasional meetings to lower the risk of any possible problems or accidents. Relevant human rights and labor rights actions conducted by the Group in response to the COVID-19 pandemic are as follows:	
Prohibition of Child Labor	<ul style="list-style-type: none"> Avoid the use of child labor as a result of the reduction or absence of healthy adult workers caused by the COVID-19 pandemic.
Salaries and Benefits	<ul style="list-style-type: none"> Employees who are unable to work due to illness, medical treatment or quarantine, are paid in accordance with local laws and regulations. Avoid salary deductions without the knowledge and consent of employees for testing and/or treatment of COVID-19 or other diseases.
No Forced Labor	<ul style="list-style-type: none"> Ensure that the employees' identity documents, travel documents and/or other documents are not withheld, and that employees' right to freedom of movement is not restricted due to pandemic prevention.
Complaint Mechanism	<ul style="list-style-type: none"> Ensure that all employees are aware of the various complaint channels, and provide immediate response and necessary compensation to any issues or complaints including the COVID-19 pandemic through an effective complaint mechanism.
Training and Promotion	<ul style="list-style-type: none"> Provide employees with correct concepts of pandemic prevention and promote responsible use of social media, focusing on not falling into panic and avoiding prejudice or discrimination, and at the same time, reinforce the promotion of personal hygiene practices and maintain a safe social distance.



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6.6 Employer – Employee Communication and Grievance Mechanisms

The Group encourages communication between the management and the employees. We have established various channels to collect the feedback of the employees based on their usage behavior. By consolidating the inputs from complaint channels of various regions, we establish a systematic record-keeping system and analyze each enquiry made by employees. Through continuous annual internal and external employee relationship activities, it is expected that internal cohesiveness and organizational identification can be gradually enhanced to ensure a harmonious employer-employee relationship.

“Voice of the Employee”: Smooth Communication Channel for Employees – Face-to-Face Conversation/Complaint Communication Mechanism

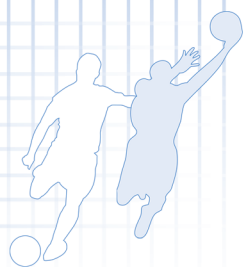
The Group has provided a variety of employee interaction channels since the 1990s, including telephones/hotlines, social media or mobile app, short message service (SMS), suggestion boxes, email boxes, employee forums/heart bridge communication meetings/management communication meetings, internal and external referrals, direct communication/interviews, consultation/life guidance and counseling office and labor union and factory self-inspections. As of 2019, a majority of factories under the Group are able to host at least one employee forum a month. In 2021, in response to the COVID-19 pandemic and pursuant to specifications on social gathering and mass gathering, 259 employee forums were held during the year, and the total number of employee forums held were reduced by 30.4% as compared to 2020, which was mainly attributable to the shutdown of operation in some factories, with a total of approximately 8,664 employees who participated in the forum.

**Indonesia – Labor Union
Communication Meetings**



**Vietnam –
Employee Forum**



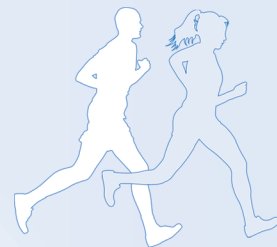


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During the employee forum held at each factory, employees are free to express their opinions and propose suggestions. Factory supervisors are required to attend all of the meetings. In addition to expressing their appreciation for the employees' hard work, and spreading important information of the Group at the meeting, they also have to listen and immediately handle the problems raised by employees. By doing so, the supervisors not only set themselves as an example to other managerial staff of the factory and mark the significance of the opinions of employees, but also help bridge the gap of trust and communication between the management and employees.

In 2021, the Group's Employee Relationship Management System (ERMS) recorded a total of 3,616 cases of complaint and consultation, of which 99.5% of the cases were concluded within 2 months. The issues of concerns to the employees were primarily related to topics of internal communication, living environment, and social security and provident fund.

Source of Voice of the Employee Cases	Subtotal
Labor Union	51
Factory Self-inspections	3
Internal Referrals	33
Short Message Service (SMS)	296
External Referrals (Brand Customers, Government, Third-Party Referrals)	1
Direct Communication/Interviews	59
Social Media or Mobile app	1,731
Employee Forums/Heart Bridge Communication Meetings/Management Communication Meetings	984
Suggestion Boxes	17
Email	15
Telephones/Hotlines	249
Life Guidance/Counseling Office	177
Total	3,616



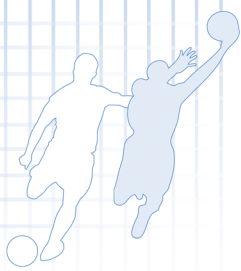
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Handling Mechanism for Complaints of Employees

According to the Group's Complaints and Consultations Management Procedures, the processing results shall be reported to the complainants and relevant reporting units in a timely manner, in any event not exceeding 10 working days. If the case involves management misconduct or violation of work standards including a sensitive issue such as sexual harassment, inappropriate language and discrimination, it may be delayed depending on the processing situation, but in any event not exceeding two months.

Since the Group operates globally, it is never easy to understand or communicate in different cultural contexts. To ensure fair and impartial handling of cases at the operating sites, an internal document, "Discipline/Engagement Committee Measures", was duly passed in 2017, and since 2018, the Discipline/Engagement Committee mechanism had been launched regularly or irregularly on a case-by-case basis.

When a complaint case is received, a meeting convened by the Engagement Committee or Discipline Committee will be called according to the nature of the case, and an investigation team and a convening committee will be established for the case. The members of these two teams should not be duplicated unless it is necessary. In 2019, the management measures for the Engagement Committee were further revised, with emphasis on the cultural perspectives of local employees and the perspective of the Group's local sustainable operation, and local employees were appointed as chairmen. Meetings are conducted on a monthly basis, to discuss and decide on the complaint cases as well as to review the handling status of internal complaint cases, with an aim of settling complaints in a fair and impartial manner. Meanwhile, the Group adheres to the anti-retaliation principle. Any acts of retaliation by any departments or individuals for whatever reason will not be tolerated, and can be reflected and reported through various channels.



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Handling of Major Management Attitude and Workplace Misconduct

In 2021, the ERMS recorded a total of 3,616 cases of complaint and consultation, with 22 cases of major management attitudes and workplace misconduct, including 13 cases of speech and behavior misconduct caused by emotional agitation of the management during production, and nine cases of conflicts among employees, all of which were properly handled. Two of the cases were sexual harassment cases, which after investigation, the Group had taken appropriate role adjustments and relevant disciplinary actions, and had continuously showed care for the victims.

Compared with 2020, the number of cases of major management attitudes and workplace misconduct in 2021 decreased by 31.4%. 94.2% of total cases were concluded within 10 working days, and 99.5% of the cases were concluded within 2 months. There are currently 31 outstanding cases, most of which are cases occurred in December that require time to investigate and handle. According to the internal compliance mechanism, there have been no cases of retaliation on complaint cases in 2021.

Information Exchange Platforms

With regards to the prevalence and convenience of digital information, the Company established information exchange platforms at respective major production and operation bases to provide local activity updates and information exchanges, allowing employees to receive latest news of the Group, upcoming employee events, cultural information, life knowledge, and other news promptly.



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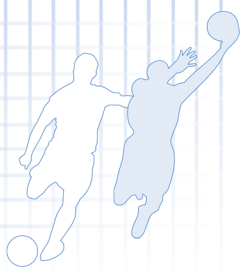
6.7 Occupational Safety and Health Management

The Group's occupational safety and health management is based on the "Group Code of Conduct", which aims "to provide a safe and healthy workplace setting to prevent accidents and injury jeopardizing health when employees engage in work-related tasks or the operation of the Group's facilities". To fulfill the commitment of providing a safe and healthy working environment to the employees, the Group has gradually established a standardized safety and health management system with the establishment of organizations, horizontal cross-division cooperation and top-down execution. In the event that an employee suffers a major illness, the medical rescue mechanism and emergency rescue measures in the factory will be activated to handle. The percentage of number of occupational injuries and losses caused by occupational injuries during the year as compared with the previous year is as follows:

Number of Occupational Injuries	Losses caused by Occupational Injuries
-29.3%	-50.4%

Each of the factories and administrative centers of the Group has set up an "Environmental, Energy, and Safety and Health Committee" (abbreviated as the "ESH Committee") and holds regular meetings to review relevant management issues related to safety and health in a fixed organizational structure. The chairman shall be the highest supervisor of each unit or an agent appointed by him, and members of the Factory ESH Committee shall be appointed or selected from among the officers and employees of each unit and shall consist of at least four members with at least half of the labor force represented. The ESH committee currently accounts for about 80.0% of the actual staff on site. Members represent unit staff on the committee and participate in discussions and provide suggestions for improvement on environmental, safety and health (ESH) related issues as appropriate. Through the ESH committee, the management will continue to pay attention to and track related issues.

The Factory ESH Committee meets monthly and the Administration Center ESH Committee meets quarterly (January, April, July, October), and a temporarily meeting will be held when necessary. The following 12 topics are discussed at the ESH Committee meeting: (1). Government decree, customer requirements, additions/amendments to company specification; (2). ESH inspection/risk inventory/audit results (including project inspection, on-site supervisor safety inspection, ESH-MPA assessment, external audits, etc.); (3). ESH education and training plan and execution status; (4). Preventive measures for electrical, equipment and chemical hazards; (5). Results of the work environment and pollution emission testing and countermeasures; (6). Health management and promotion matters (7). Contractor safety and health issues; (8). Environmental and energy issues; (9). ESH incident review; (10). ESH improvement proposals/grievances/disputes/conflicts; (11). ESH project plan; and (12). Other ESH related matters. The participation of ESH Committee members, the 12 topics discussed in the meeting, the implementation of the meeting, the sign-in sheet and the provision of minutes of the completed sign-in sheet are all included in the evaluation of the annual audit management mechanism.



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Occupational Safety and Health Management System

The main concern and policy of occupational safety and health is to reduce the occurrence of occupational hazards and diseases among employees, and to maintain a good and safe working environment together with employees. With respect to occupational safety and health management, in addition to compliance with the corresponding local laws and regulations in the country where the Group's factory is located and customers' requirements, the Group has also followed international standards of the occupational safety and health management system (ISO 45001 Occupational Health and Safety Management System), and the "FLA Workplace Standards" initiated by the FLA, and established a series of management directives for all departments to follow, so as to prevent hazards through systematic and effective management.

In 2021, footwear production plants implemented the occupational safety and health management system, with 51.6% of the total number of plants passing the external inspections reached. The Group has a total of 1,893 personnel dedicated to occupational safety and health management, supervision and maintenance of the Group's daily operations among all the operating bases, of which 314 are dedicated occupational safety and health management personnel and 1,579 are ESH personnel.

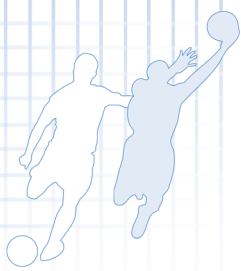
The footwear manufacturing factories at the Group's operating sites follow occupational safety and health management system, and establish hazard identification and risk assessment control procedures to effectively identify workplace hazards and reduce the occurrence of employee health hazards and accidents. According to the local laws and regulations, the Group determines the risk level of high-risk hazards from the hazards identified in the factory, and the risks raised by employees through complaint channels or proposed improvement plans, and draws up relevant risk control plans for unacceptable risk issues, and takes them as the axis of the Group's occupational safety and health implementation project, such as machinery safety, fire control, and environmental protection and energy saving policies. The occupational safety and health issues raised by employees through various complaint channels (internal and external referrals, SMS, seminars/communication meetings, suggestion boxes, email, telephones/hotlines, etc.) will be recorded and tracked, and the Factory ESH Committee will conduct monthly improvement tracking. The Group adheres to the anti-retaliation principle to protect the rights of the complainants.



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For the management of occupational disasters, the management procedures of occupational hazard investigation are standardized according to the existing regulations of the Group's "Abnormal Incident Management Regulations" and systematically managed with the "Abnormal Incident Management System" to ensure that incident reporting, tracking and confirmation are put into effect. In June 2020, we initiated the "Accident Investigation and Handling Mechanism" to formulate an investigation and handling system for moderate and serious occupational accidents in the Group. Through instant discussion meetings between the incident unit, the administration center, the business department and the safety and health management personnel of the head office, we will consolidate the accident investigation and reporting mechanism, identify the incident causes, and clarify the segregation of powers and responsibilities between the incident units and the relevant units to enable them to perform their respective duties. The information of the instant discussion meetings will be transmitted to the safety and health management personnel of each operating site through the internal SD PUBLIC mailbox and ESH Committee. Assistance is provided by safety and health management personnel from various regions to confirm the effect and level of rectifications and to push forward the hardware improvement and software management measures in accordance with the hazard index analysis of respective regions, of which the implementation progress and the effectiveness of improvement are subsequently followed up by the Factory ESH Committee monthly and the Administration Center and Headquarter ESH Committee quarterly. The statistics for the Accident Investigation and Handling Mechanism in 2021 are as follows:

Region	Cases of Accident Investigation
Mainland China	17
Indonesia	23
Vietnam	12
Cambodia	3
Bangladesh	0
Myanmar	0
Total	55



Chapter 6 Employment and Labor Practices

Promotion of Corporate Safety Culture

The Company regards employees as the most valuable asset of an enterprise. The Company controls and manages safety risks, provides employees with a safe and friendly workplace environment that is physically and mentally sound, and gradually promotes the three-in-one chain of fundamental development, ESH partners and a top-down system, encouraging all employees to participate in the identification and improvement of hazards, enhancing the safety awareness of all employees in identifying hazards and developing proactive safety habits.

In terms of the ESH self-management system, our factories have established a dedicated ESH unit and personnel to implement ESH management on a day-to-day basis by adopting the principle of standardized operation and informing the authorized personnel of relevant violations for immediate processing through regular inspections. In addition to the dedicated ESH personnel and the overall public works system, ESH Partner is selected at each production line to raise safety awareness of the partner, increase exposure to potential risks and reduce the occurrence of accidents. In 2020, the ESH Partner was launched in Indonesia, and after summarizing the feedback, it was extended worldwide in 2021. ESH Partner aims to strengthen the awareness of hazards and proper safety attitude of all employees, so that they can have the correct safety behavior and respond to problems in a timely manner, creating a safe environment and developing safety awareness.

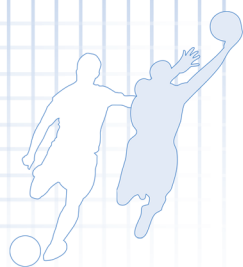
The chief executives of the Company's management also demonstrate their attention and commitment to ESH work, showing their concerns for the health of their employees. In 2021, the superior supervisor conducted on-site inspection from time to time, and the deficiencies discovered can be more effectively improved. At the same time, through one-to-many safety promotion and accident reminders, the Company can effectively set the tone from the top and reduce the occurrence of the same accidents.



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The domestic and international sustainability management measures in 2021 are as follows:

Training for Professional Safety and Health Management Personnel	<p>Since 2016, the Group has conducted its own training for professional safety and health management personnel and established ESH School, where regular in-house training and tests continue to strengthen the professional knowledge and practical operation of the relevant personnel. The Group also strives to implement other statutory or better than statutory regular training courses, covering new personnel/ in-service personnel safety and health education training, special worker training (chemicals, statutory machinery and equipment, special gases, etc.), first aid personnel training, fire-fighting training, etc. The Group has also established training centers in Vietnam and Mainland China to compile employees' training history and to collect information on employees' training needs through online/paper surveys and employee interviews as a reference for planning future training courses next year to refine the skills and knowledge required by employees in the workplace. Due to the global outbreak of COVID-19 pandemic, this year's educational training was only provided to high-risk machinery operator/maintenance personnel, ESH restricted (equipment/PPE) procurement personnel/inspector to avoid public gathering.</p> <p>Statistics for Training Courses and Number of People Involved in 2021 Safety and Health Management Seed Personnel:</p> <table border="1"> <thead> <tr> <th>Categories</th><th>Number of people trained</th></tr> </thead> <tbody> <tr> <td>High-risk machinery operator</td><td>29,793</td></tr> <tr> <td>High-risk machinery maintenance personnel</td><td>4,924</td></tr> <tr> <td>ESH restricted (equipment/PPE) procurement personnel/inspector</td><td>59</td></tr> <tr> <td>Total</td><td>34,776</td></tr> </tbody> </table>	Categories	Number of people trained	High-risk machinery operator	29,793	High-risk machinery maintenance personnel	4,924	ESH restricted (equipment/PPE) procurement personnel/inspector	59	Total	34,776
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Total	34,776										



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<p>ESH Restricted Equipment and Safety Management</p>	<p>According to the results of the Group's hazard identification and risk assessment, the hazards caused by machinery and equipment are the primary risk to the Group. Therefore, machinery safety management is the primary objective of the Group's risk management, and the source management of key machinery and equipment procurement and acceptance mechanism management are increased year by year according to the risk classification of machinery and equipment every year to improve the safety of existing machines. Since 2020, the key task of occupational safety and health has been to strengthen "machine safety" and "management measures". In the area of "machine safety", the first batch of newly purchased machinery and equipment source and acceptance control was implemented by the Company in 2015. In 2021, the eighth batch of controlled equipment included three types of machinery, and a total of 42 types of controlled machinery and equipment (including shoe-making and chemical equipment: cutting machine, thermal media oil machine, shaping/bottom/hot press machine, kneader/intensive mixer, oil press machine) were accumulated from 2015 to 2021. In terms of the improvement of existing machines, the Group had pushed forward the rectification of existing machinery and equipment in 2018, which lasted until 2021, and 18 types of existing equipment safety improvements had been completed, and the improvement had been remarkable. The number of work-related injuries caused by machinery and equipment in 2021 has been reduced by 23.9%, as compared to that in 2020.</p>
<p>Audit Management Mechanism</p>	<p>Through the SD-KPI audit, early preparation of responses to regional risks can be done, and the overall project actions can be established. Due to the COVID-19 pandemic in 2021, emphasis was placed on the fundamental development of ESH personnel as well as the ESH Partner and ESH personnel joint on-site inspection of risks. Through producing risk map for each factory area, the supervisor can then review the top high-risk areas to make follow-up improvements, self-implementing the internal ESH of the factory.</p>



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Occupational Health Service and Promotion

The Group is committed to promoting a healthy life to employees and helping employees to change their living habits to achieve an ideal state of health. In addition to regular employee health checkups and hierarchical management in accordance with laws and regulations, it also provides general health checkups to employees in Mainland China that is better than the laws and regulations. Although there are no relevant laws and regulations in Myanmar, the Group still provides special health checkups for special workers. The information of employee health examination is kept confidential and is not readily available to anyone other than the employee himself, the sustainable development (SD) unit and the human resources unit. In addition to health checkups, the Group also organizes annual health promotion activities, and actively addresses workplace-related health risks through various stress-relieving methods such as drawing, essay writing, seminars, massage, muscle-building and fat-loss classes, and medical consultation, as well as organizing annual sports events for employees such as soccer games, road races, tug-of-war competitions, etc. to strengthen employees' workplace health. Although affected by the COVID-19 pandemic in 2021, in which various regions were unable to organize health promotion activities in accordance with the existing annual plans, the Group still strives to assist employees in living a healthy life within the restrictions on public gathering.

Analysis of Health Checkups for Employees in Various Regions of the Group in 2021 is as follows:

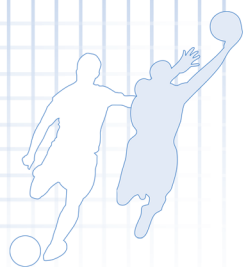
Country	General Health Checkup	Special Hazardous Operations Health Checkup	Total Checkups
Mainland China ⁷	1,521	8,083	9,604
Indonesia	56,671	27,207	83,878
Vietnam ⁸	52,211	40,139	92,350
Cambodia ⁹	0	0	0
Bangladesh	316	223	539
Myanmar ¹⁰	0	119	119
Total	111,518	75,963	187,481

⁷ General health checkup in Mainland China: The Company's welfare available for supervisors. Health checkup for special hazardous operations in Mainland China: According to laws and regulations, such checkup shall cover new, current and resigned employees.

⁸ Vietnamese regulations have stipulated that health checkup shall be performed to employees once every 6 months.

⁹ The hospital in Cambodia did not conduct any health checkup in 2021 due to the pandemic.

¹⁰ Myanmar Government does not have laws and regulations related to employee health checkup. The health checkup for special hazardous operations are welfare benefits provided by the company for special workers.



Chapter 6 Employment and Labor Practices

In order to strengthen the health management of our employees, the Group has set up medical facilities in each of our overseas operating bases to service our employees. In addition to the stationing of a professional medical team, it also has basic medical facilities and equipment to provide timely and light treatment of injuries and professional medical consultation to keep our employees healthy. Meanwhile, in response to the COVID-19 pandemic, the Group has coordinated with the government in organizing corporate COVID-19 vaccination, and has worked with local medical units to provide in-house vaccinations to our employees.

Safety and Health Indicators

The Group has established the “Abnormal Incident Management System” for internal information occupational hazard management, and the domestic and international tracking of safety and health management performance indicators, including the number of occupational injuries, total days lost, disabling frequency rate (FR) and disabling severity rate (SR) and so on.

According to the 2021 statistics for occupational hazards management, the total number of occupational injuries was 201. Total days lost due to work-related injury were 9,500 calculated based on the days lost due to disabling injury (excluding traffic accidents). The total number of occupational injuries decreased by 23.9% and the amount of losses due to occupational injuries dropped by 50.4%, which corresponds to the Group’s target in 2020: reducing the total number of occupational injuries by 20%, exhibiting a sharp downward trend. In response to fatal occupational hazards that occurred, an analysis and review of the actual causes of the occupational hazards will be conducted, and safety committee meetings will be held in each factory to promote and prevent the recurrence of the same incidents. The number of work-related fatalities are as follows (excluding traffic accidents):

	2021	2020	2019
The number of work-related fatalities (excluding traffic accidents)	1 ¹¹	0	1

¹¹ The causes of the fatal occupational accident in Cambodia in 2021:

The ground wire and casing of the machine were electrified due to the fact that the employee involved did not comply with the power connection specification of the machine in the factory, did not notify dedicated machine repair/ maintenance personnel to plug in the machine, and did not insert in the correct plug and socket that were marked and indicated in the factory. The inserting of plugs into incompatible sockets caused the earth wire and the chassis of the machine to be electrified, resulting in the electrocution and death of the employee when he touched the machine.



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With a further view to the statistics, excluding deaths due to occupational hazards, there is a significant downward trend from the overall and regional FR and SR. This is mainly attributable to the “ESH Restricted Equipment and Safety Management” policy implemented by the Group, which can be reflected from the number of occupational injuries caused by machinery and equipment being significantly reduced by 20% as compared with 2020. However, the number of occupational injuries caused by machinery and equipment are still the primary target of the Group’s continuous improvement. The Company will continue to strengthen its investigation and analysis of the cause of occupational hazards, improving from the root causes, driving the machine safety management and implementing day-to-day safety and health management based on the Group’s policies.

The 2021 statistics for occupational hazards management¹² are as follows (excluding traffic accidents).

Country	Number of occupational injuries			Ratio of days lost due to work-related injury (approximate)		Disabling frequency rate			Disabling severity rate		
	Total	Male	Female	Male	Female	Total ¹³	Male ¹⁴	Female ¹⁵	Total ¹⁶	Male ¹⁷	Female ¹⁸
Group	201	85	116	76.6	23.4	0.42	0.78	0.32	20	68	6
Mainland China	31	18	13	43.3	56.7	0.50	1.28	0.27	16	31	12
Indonesia	61	21	40	61.7	38.3	0.37	0.51	0.33	3	7	2
Vietnam	90	31	59	24.1	75.9	0.41	0.71	0.33	8	10	8
Cambodia	4	2	2	99.5	0.5	0.35	0.26	0.58	535	768	10
Bangladesh	11	11	0	100.0	0.0	1.46	9.17	0.00	12	73	0
Myanmar	4	2	2	78.7	21.3	0.40	1.28	0.24	24	119	6

¹² The source of statistical data comes from the Group’s internal information “management system for abnormal incidents”, tallying occupational hazards with one or more days lost, and the total working hours is calculated by multiplying the working days and working hours with the number of staff for each unit. The total working hours is 476,230,683 hours.

¹³ Disabling Frequency Rate (Total) = Disabling frequency number (Region) x 1,000,000/Total working hours in the region

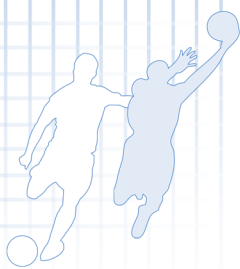
¹⁴ Disabling Frequency Rate (Male) = Disabling frequency number (Male) x 1,000,000/Total working hours in the region (Male)

¹⁵ Disabling Frequency Rate (Female) = Disabling frequency number (Female) x 1,000,000/Total working hours in the region (Female)

¹⁶ Disabling Severity Rate (Total) = Total number of days lost (Region) x 1,000,000/ Total working hours in the region

¹⁷ Disabling Severity Rate (Male) = Total number of days lost (Male) x 1,000,000/ Total working hours in the region (Male)

¹⁸ Disabling Severity Rate (Female) = Total number of days lost (Female) x 1,000,000/Total working hours in the region (Female)



Chapter 6

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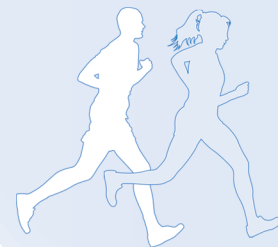
Occupational Disease Risk Prevention

For the occupational disease risk prevention and management, the Group adopts the principle of prior management of high-risk job positions. The assessment of high-risk positions is carried out in two aspects, including the identification of relevant high-risk job types and positions defined by the national laws and regulations in the area where the factory is located, and the hazard assessment with the exposure factors (both physical and chemical) of the operation process, so as to identify the high-risk working groups that need special attention, such as high-noise operation area – roughing area, organic solvent operation area – screen printing area, etc.

As for internal management, the first priority is pre-employment hazard factor training, workplace environmental management, and employee occupational health checkups. In order to provide employees with a safe, hygienic and healthy working environment, the Group conducts regular environmental monitoring of the workplace in accordance with local laws and regulations, including chemical exposure, hearing, lighting, etc. The Company carries out engineering improvements in areas with abnormal measurement results and provide appropriate personal protective equipment. At the same time, an annual plan is prepared every year for internal measurement, and internal measurement training courses are provided to strengthen the professional ability of inspector, enhancing the prevention management performance of early detection of abnormal areas and carrying out reasonable improvement.

According to the internal management and control mechanism, the Group had no deaths due to occupational disease in 2021, and there were 5 cases of occupational disease in Vietnam related to occupational hearing loss. The Company has conducted job transfers in accordance with local laws and regulations, and continues to track and interview the related employees from time to time to show its concern for their adaptation situation after job transfers. For employees in the same job positions, the Company will continue to provide personal protective equipment and training, and adopt the concept of area-based prevention and control to limit the areas of high noise exposure.

On the other hand, the Group also arranges knowledge promotion of the reasons and prevention for occupational hazards in high-risk positions to reinforce employees' understanding of preventive management measures, such as the use of personal protective equipment. The Group also sets up medical units or collaborates with local hospitals in major production areas to hold regular health seminar or promote general health knowledge.

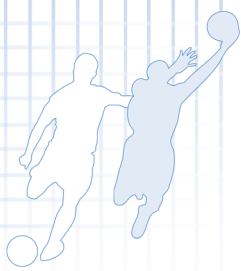


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Occupational disease prevention adheres to the principle of preemptive prevention and continuous care, and gradually implements the tracking mechanism. The Group will arrange occupational health inspections and other measures for high-risk workers. If abnormal inspection results are found, the Group will arrange follow-up medical examinations and keep track of the case in accordance with the management procedure. The performance of relevant medical examinations and the results of follow-up medical examinations for those with abnormal inspection results will be tracked every month, so that abnormal cases can be detected early and appropriate assistance can be given. If the results of the follow-up medical examinations are still abnormal and involve employees in occupational disease identification, they will first be transferred to positions without any risk exposure, and the final confirmation of the position will be made after the occupational disease identification result is available. The application process for the relevant occupational disease identification is in compliance with the law, and if employees themselves apply for identification to their local government agencies, necessary employment information of employee will also be provided in accordance with local laws and regulations. According to the control methods of occupational diseases in various regions, the filing and closing of cases are tracked, and the tracking of job transfer is implemented, and the inspection of the operating environment and the provision of personal protective equipment for high occupational risk positions are carried out.

Pandemic Prevention

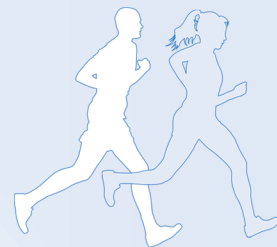
Faced with the impact of the COVID-19 pandemic and its continuous spread, in order to mitigate the various challenges brought about by the pandemic, in addition to following the pandemic prevention measures regulated by the local governments, the Group also adopted a corporate-initiated pandemic prevention approach by setting up a “Regional Pandemic Prevention Command System” at the end of 2019, holding daily meetings to keep track on the domestic and international COVID-19 pandemic situation, formulating supporting measures and consolidating pandemic prevention materials in a timely manner. The main focus of the Group’s pandemic prevention measures for 2021 was to cooperate with the pandemic prevention guidelines of the local governments of its operating bases, including daily monitoring of changes in the pandemic, daily temperature measurement, regular environment disinfection, establishment and preparation of pandemic prevention materials, hygiene education and promotion of pandemic prevention measures, strengthening of access control at the factory and office premises, and encouraging and promoting vaccination of employees, in the hope of ensuring the health and safety of all employees.



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The total COVID-19 vaccination coverage rate of all operating bases in 2021: First dose 94.87%; Second dose 89.86%. In view of the volatile pandemic situation around the world, the Group continues to prioritize the health and safety of employees and pandemic prevention. In 2022, the Company will continue its existing pandemic prevention SOP, continuously carrying out adjustment and relentlessly strengthening various pandemic prevention measures to cope with the pandemic development. The Group will then focus on the user-friendliness of SOP, which involves the normalization of pandemic prevention measures from the user's point of view. In addition to adjusting measures according to local conditions, consistency is still required for regional works to show our care and warmth. During the COVID-19 pandemic, the Group's six major principles for continuous operation based on national policies and its pandemic prevention guidelines and supporting measures are as follows:

- 1 Great Teamwork: Keep abreast of the development of pandemic
- 2 Material Storage Capacity: Enhance the capacity of pandemic prevention material
- 3 Professional and Efficient Solution: Standardization/consistency of operations
- 4 Gaining Stakeholders' Trust through Communication: Strengthen stakeholders' trust
- 5 Humanitarian CSR: Show care through counseling/giving back to the local community
- 6 Looking forward: Stay alert/strengthen the adaptiveness to changes

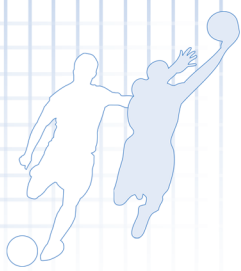


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Damage Prevention and Control Management

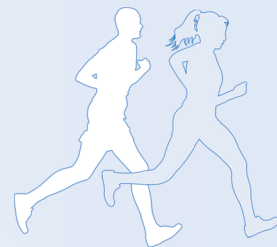
To ensure the safety of the workplace and the protection of the Group's properties, the Group actively strengthens the promotion of the concept and management of damage prevention and control. In view of the serious fire accidents that took place in the factory areas in the past, priorities in promoting measures for damage prevention and control management are given to two major directions of management, including the optimization of fire safety management and fire safety construction of buildings in the factories.

- 1 Fire safety management: The Group adopts multiple paths to actively promote fire safety work. We have invested improvement funds and implemented relevant management mechanism towards various aspects like fire prevention at the sources, containment of disasters, and emergency response and rescue, so as to reduce the risks of fire hazards.
- 2 Improvement of fire-fighting equipment: It is specified that factories should be equipped with fire-fighting equipment and plant safety design. A unified management mechanism has been established for the design, construction, inspection and acceptance, maintenance and repair of fire-fighting equipment.
- 3 Enhancement of fire-fighting team's capability: A total of 14 fire-fighting teams have been formed in major production bases across Vietnam, Indonesia, Mainland China, Myanmar, Cambodia, etc. A unified standard and day-to-day duties and training for fire-fighters have been established. The abilities of the fire-fighting teams are verified on an annual basis.
- 4 Execution of fire safety inspections: Fire safety self-inspections are carried out monthly by the factories. The administrative centers in various regions carry out regular inspections and audits quarterly. Inspections are carried out specifically on power management, power switches/sockets, motors, high-temperature machineries, fire-using procedures, fire compartment, fire-fighting equipment, dust collectors, etc. Controls and inspections of night time power management are specifically strengthened to avoid potential fire hazards.
- 5 Strengthening of emergency response capability: Standard specifications have been established and the emergency response teams are trained and drilled regularly. Joint fire prevention drills are also organized jointly with external governmental fire-fighting units from time to time to cultivate joint emergency rescue competencies.



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- 6 Management of repair and maintenance vendors for fire-fighting equipment: Develop a standard form of fire prevention equipment maintenance contract and inspection checklist, so as to verify the abilities of the repair and maintenance vendors, and to improve the quality of the maintenance work. Vendors of poor qualities are eliminated by audit and inspections which are carried out from time to time.
- 7 Implementation of inspections by infra-red scanning: A system in which electrical equipment are scanned regularly through infra-red thermal imaging devices has been set up. Most of the factories are equipped with infra-red thermal imaging instruments. Appropriate personnel are selected from professional electricians to attend professional training, and regular inspections by infra-red scanning of electric equipment are performed as required. The factories inspect on all electric equipment using infra-red thermal imaging scanning. Detected problems such as equipment overload, abnormal electric components, elevated temperature, short-circuits, unbalanced three-phases, etc. will be directed to the responsible department for discontinue of operation and maintenance of the equipment.
- 8 Specifications for damage prevention and control: To effectively reduce various operational risks in the factories, in the future, the Group will carry out comprehensive risks assessments on risks other than fire hazards, such as earthquakes, windstorms and floods. Appropriate improvements will be implemented for projects with material potential risks. Standards for damage prevention and control of factories have been established to ensure that there is effective assessment and prevention of various potential operational interruptions.



Chapter 7

Environmental Protection

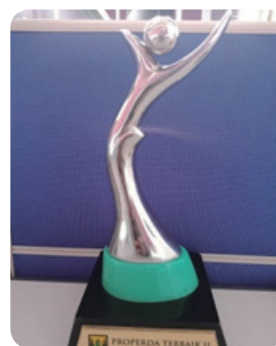
Key Performance

CSR Corporate Social Responsibility Award – Nikomas Factory, Indonesia



1,222.76 MWh
Solar Power Generation

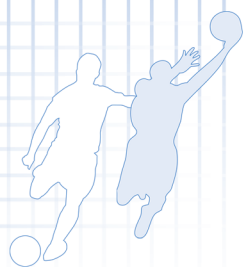
Four factories in Indonesia have been awarded the Indonesia National Environmental Protection Blue Medal Award, the highest national recognition of environmental protection evaluation, for three consecutive years



73,996 MWh
Green Energy Certificate
REC Procurement

As the global pandemic continues to spread around the world and disasters caused by climate change continues to intensify, ESG has gradually become the guideline for the Group's sustainable management, incorporating environmental sustainability into its operational strategies and production processes, taking into account the progress of profitability, employee care and sustainable development of the society as well as the environment to create a long-term competitive advantage and establish a foundation for the sustainable development of enterprises.

The Group's footwear manufacturing business does not involve major environmental contamination risk, but the Group has still established a set of management policies, mechanisms and measures on environmental protection and natural resources conservation to help ensure the sustainable development and operation of the Group. The Group strives to enhance the efficiency in the usage of energy, water and materials, to reduce the use of natural resources and to comply with international standards, which include conducting greenhouse gas inventory, proper treatment of effluent and air emissions, reduction, classification and recycling of wastes, and consultations on energy conservation, carbon reduction in factories with high energy consumption levels and other measures. Compliance with local environmental protection emission regulations and environmental protection management requirement are necessary management matters for manufacturing. In view of the increasingly stringent local regulations, the Group has placed special emphasis on regular checks of regional environmental compliance risks and the identification of high-risk events for project management and improvement tracking in terms of environmental management. In 2021, there was no incident of serious environmental pollution caused by accidents such as oil leakage or fuel leakage in the Group's production and operation plants. The disposal of wastes was in full compliance with the relevant storage and transportation standards, with no incident of leakage, and no fines or charges were imposed due to violation of environmental regulations.



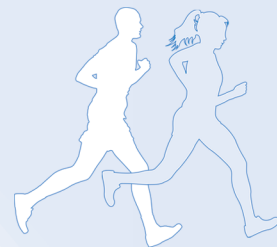
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Environmental Protection

The Group's four corporate factories (Nikomas, GSI-1, GSI-2 and PYI) in Indonesia were awarded the "National Environmental Protection Blue Medal Award" by the Ministry of Environment and Forestry of Indonesia for three consecutive years (2019-2021). The PT.Nikomas factory in Serang, Indonesia was awarded the 2021 "CSR Corporate Social Responsibility Award" by Banten Province. The selection indicators included areas such as pandemic prevention work, religion, occupational safety management, operation of labor union, environmental management and social responsibility.

We have set the following environmental targets for our footwear manufacturing business:

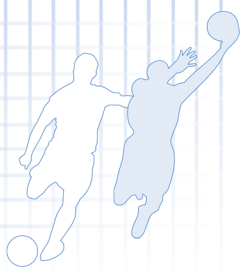
Projects	Targets	Working Plan
Emissions Reduction	Setting the year 2019 as the baseline year, with the goal of 0% increase in carbon emission in 2025 through the two-pronged approach of energy conservation and green energy	<ol style="list-style-type: none"> 1. Invest in green energy (e.g. solar power): install solar power generation system to increase the consumption of renewable energy 2. Continuously purchase renewable energy: conduct green power construction in Vietnam/Mainland China, implement green power certificate market, investigate and research on the system, and acquaint ourselves with the laws and regulations and the official certification system of green energy in Indonesia
Waste Reduction	Digitalisation of waste disposal data	Establish a digital platform to enhance the access management and flow control of wastes and reduce human error.
	Zero operational waste to landfill (to reduce methane emission)	Achieve 100% zero waste to landfill for our PCN, PCaG factories.
	Searching for a viable project to reuse shoe wastes	Implement a shoe wastes recycling project: midsole recycling project (RPE technology research and development)



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Projects	Targets	Working Plan
Improvement of Energy Usage Efficiency	<p>Implementing the following five principles:</p> <ul style="list-style-type: none"> • No waste of energy • High operating efficiency • Short recovery period • Low energy cost • Minimal environmental impact 	<p>Focus on continuous energy saving and introduce related measures:</p> <ul style="list-style-type: none"> • Annual implementation of factory technological and energy saving projects • Factory ventilation improvement • Sourcing Management • Annual energy-saving promotion plan • Setting a leakage rate target and optimization plan • Content planning of knowledge documents on the energy-saving Knowledge Management (KM) Platform
Improvement of Water Usage Efficiency	Achieving full compliance at the water management level and assessing opportunities for improvement of water usage efficiency	<ul style="list-style-type: none"> • Continuously monitor and improve the rainwater and sewage diversion in factories • Improve the processing efficiency of discharged water and meet the standard requirement of Zero Discharge of Hazardous Chemicals (ZDHC)
	Assessing opportunities for improvement of water usage efficiency	<ul style="list-style-type: none"> • Plan the digital water information platform and data management system and complete the water balance map for the factory areas during the period from 2021 to 2023 • Facilitate projects on improving the effluent recycle rate during the second half of 2022



Chapter 7

Environmental Protection

7.1 Effective Use of Resources

Use and Procurement of Raw Materials and Packaging Materials for Footwear Manufacturing

The selection of raw materials is an important factor in the manufacture of quality and affordable products. The Group provides product manufacturing services for international quality brands and attaches importance to any customer requirements for product quality. From product development and design to manufacturing, raw materials are selected in strict compliance with the relevant international products and brand customer material regulations, the Restricted Substance List (RSL), and the ZDHC standard requirements, and at the same time, the Group actively adopts materials that conform to the requirements of brand customers for environmentally sustainable materials. For the procurement management of raw materials, the Group not only requires material suppliers to sign commitment documents for zero use of prohibited and restricted substances and provide relevant material inspection reports, but also conducts sample tests on specific materials to ensure that the quality meets the requirements.

The raw materials of the footwear manufacturing industry can be largely categorized into upper materials and sole materials. The upper materials consist of fabrics (woven fabrics/non-woven fabrics), synthetic leather, natural leather and related accessories. Sole materials primarily include chemical raw materials such as EVA (ethylene/vinyl acetate copolymer) resin, PU (polyurethane) resin and rubber. All relevant materials must conform to the standards set by brand customers, such as passing the relevant tests of third-party physical property testing agencies and shall not appear in the lists of prohibited and restricted substances. In recent years, the Group has been actively working with its partners to explore the application of various environmentally friendly materials in footwear.

In 2021, the Group purchased a total of approximately 20,850,000 tons of raw materials for footwear manufacturing, of which 15,370,000 tons were non-renewable materials and approximately 5,480,000 tons were renewable materials. In 2021, the Group procured approximately 200,000,000 units (2020: 230,000,000 units) of shoe boxes, including inner and outer boxes, weighing a total of approximately 51,640 tons (2020: 61,483 tons). A box for each pair of shoes weighs an average of 0.00026 tons (2020: 0.00027 tons).



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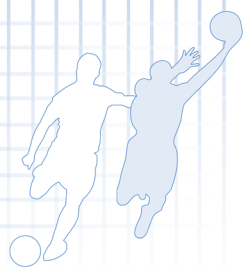
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Energy Usage and Audit

In line with the international community's active advocacy of climate change risk adaptation, the Group has set periodic energy management targets with reference to the Science-based Target Initiatives (SBTi), actively expanding various energy saving and carbon reduction initiatives, formulating energy conservation measures and energy inventory system in line with the relevant energy requirements of customers' local regulatory authorities, as well as reporting and reviewing the performance results of energy consumption and energy conservation initiative at the Company's operation and management meeting every year.

The Group's energy management history and goals are as follows:

Years	Management Goals
2016-2020	The first stage of the overall energy conservation plan was set with an overall management goal of reducing the energy intensity in 2020 by 8.0% as compared to which in 2016.
2021-2025	The second stage of five-year management goal (2021-2025) was set with the year 2019 being the baseline year, with the expectation of reaching the goal of 0% increase in carbon dioxide emission in 2025 by continuously promoting energy conservation and expanding the use of green energy.
2026-2030	Following the footsteps of brand customers, a further commitment was set to reduce greenhouse gas emission by 46.2% in 2030 as compared with 2019. Such target setting has been validated by the WRI (World Resources Institute) and is in line with the standard established by the SBTi.



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Expanding Green Energy Application – Solar Energy Construction and Green Power Certificate

In 2021, the Group commenced the construction of solar power generation system in its factories in Southeast Asia. Since the construction of rooftop solar system in Vietnam, the system construction of 2 factories have been completed, with a total solar power capacity reaching 2.3 MW, and the total solar energy consumption in 2021 was 1,222.8 MWh, which translates into 440.6 metric tons of CO₂e greenhouse gas emissions. The Group still has more construction plans under evaluation, and is purchasing green power certificate (i-REC) in production bases in Mainland China and Vietnam. The accumulated purchases of certificates reached 73,996 MWh in 2021. The Group also actively participate in the green power procurement program in Vietnam, continuing to enhance the Group's international and brand reputation in the green energy sector and ensuring the Group's sustainable development in energy usage. In 2021, purchase of green power certificate offset 34,173.4 metric tons of CO₂e carbon emissions.

Country	Solar Energy Consumption (MWh)	Reduction of Greenhouse Gas (metric tons CO ₂ e)	Green Power Certificate (i-REC) (MWh)	Greenhouse Gas Emissions Offsets (metric tons CO ₂ e)
Mainland China	–	–	28,565	17,804.6
Vietnam	1,222.8	440.6	45,431	16,368.8





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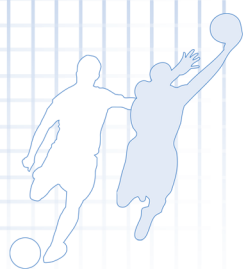
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Energy management was included in the Group's internal management performance evaluation, and on-site audits were conducted at factories in Vietnam, Mainland China, Indonesia, Cambodia, Bangladesh and Myanmar. The audit included the establishment of energy-conservation task force, on-site management of compressed air leaks and steam leaks, equipment operation efficiency and maintenance requirements in order to progressively carry out energy inventory and effective management. The types of energy consumed in the Group's footwear manufacturing business (excluding leather factory and mould factory) in 2021 included electricity, fossil fuels, biofuels, natural gas and liquefied petroleum gas. The use of biofuels involves the fuel for steam thermal energy supplied by external vendors. The total energy consumption of Yue Yuen in 2021 was 3,830.2 terajoules, of which the energy consumption ratio of electricity was 77.5%.

The energy consumption statistics in 2021 are shown in the following table:

Electricity Types		Unit	2021	2020 ¹⁹	2019 ¹⁹
Energy Consumption	Electricity	MWh	824,109.5	1,120,370.7	1,085,230.8
	Solar Energy Construction (Green Power)	MWh	1,222.8	0	0
	Green Power Certificate REC (Green Power)	MWh	73,996.0	0	0
Energy Consumption	Electricity	terajoules	2,967.3	4,034.1	3,907.5
	Solar Energy Construction (Green Power)	terajoules	4.4	0	0
	Green Power Certificate REC (Green Power)	terajoules	266.4	0	0

¹⁹ In order to increase the comparability of the data, we make adjustments to the statistics of 2020 and 2019, and deduct relevant data from non-shoemaking factories.



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The consumption of different types of energy and the average energy consumption per pair of shoes are shown in the following table:

Energy Type			Unit	2021	2020	2019
Fuels	Fossil Fuel ²⁰	Heavy oil/diesel/petrol/ other fuels (non-renewable)	kl	2,337.0	4,198.6	6,225.4
		Natural gas ²¹ /Liquefied petroleum gas (non-renewable)	thousand m ³	23.1	0.0	180.2
	Biofuels ²²	Rice husk/Palm shell (renewable)	metric tons	5.0	6.0	8.5
Fuels Consumption	Fossil Fuel	Heavy oil/diesel/petrol/ other fuels (non-renewable)	terajoules	79.6	143.3	214.0
		Natural gas/Liquefied petroleum gas (non-renewable)	terajoules	25.1	4.6	65.1
	Biofuels	Rice husk/Palm shell (renewable)	terajoules	758.2	901.9	1,280.3
Energy consumption density ²³			million joules/ pair of shoes	10.26-16.9 ²⁴	10.27-22.6	8.32-14.53

²⁰ The calorific value of fossil fuels is chosen because it is not easy to obtain the calorific value of each country. Therefore, the calorific value of energy products in the Energy Statistics Manual published by the Bureau of Energy, Ministry of Economic Affairs of Taiwan and the IPCC 2006 annual publication are used as the representative calorific value.

²¹ The amount of natural gas is estimated by using the purchased steam volume (produced by natural gas boilers), assuming a boiler steam pressure of 10.0 kgf/cm², a boiler efficiency of 85.0% and a natural gas fuel calorific value of 8,000.0kcal/kg, which is calculated thermodynamically to give a 0.0978 steam to biofuels consumption ratio.

²² The amount of biofuels is estimated by using the purchased steam volume (produced by the biofuels boiler), assuming a boiler steam pressure of 10.0kgf/cm², a boiler efficiency of 85.0% and a solid biomass fuel calorific value of 3,600.0kcal/kg, which is calculated thermodynamically to give a 0.2173 steam to biofuels consumption ratio.

²³ Energy intensity is obtained by region and presented as a range of energy intensity. The average energy consumption per shoe is estimated for the three main production bases in Mainland China, Indonesia and Vietnam only.

²⁴ In 2021, the announced total sales of shoes of Yue Yuen for the year was approximately 211.0 million pairs of finished shoes as the basis for calculation, and the average energy consumption per shoe was based on the annual electricity + on-site solar power generation in 2021.

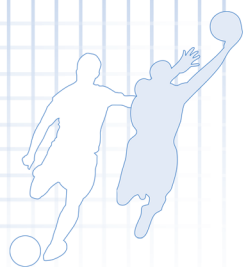


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The lower fuel energy consumption in 2021 as compared to 2020 was attributable to the spread of COVID-19 worldwide. The severity of the pandemic prompted many countries to initiate major actions such as travel lockdowns, restrictions on business activities, bans on gatherings and quarantine measures. The suspension of international tournaments and football matches around the world had a considerable impact on the operation of footwear manufacturing business, continuing the pandemic situation from the previous year. The Vietnamese government ordered a shutdown of production from July to mid-October due to COVID-19 in 2021, which affected the operation of the Group in Vietnam. However, by follow-up and review through international teleconferences, the Group continued to exchange energy-saving technologies and experiences with its employees at various production bases. The sustainable energy management initiatives are as follows:

Source Management	Air Compressor Leaking Rate Improvement	Energy Technology Management Knowledge Base KM
Initiating the eighth batch of ESH restricted energy-saving equipment procurement in 2021, including: lasting machine/die spotting machine/dyeing drum/milling drum/pelletizer/colloidal particle cooling machine/hydraulic press. In 2021, the cumulative energy savings from the procurement of new energy-saving equipment to replace old machinery reached 7,124,184.58 MJ.	Continuous implementation of inventory and improvement initiatives of air compressor system leakage in the factory. Promoting the routine measurement of the efficiency of air compressors and establishing a system to replace energy-consuming air compressing equipment. In 2021, the leaking rate of the Group's overall air compressor system dropped to below 15%.	Establishing a platform for sharing energy conservation and carbon reduction technologies in 2021, on which technologies can be shared among different business units.



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Water Resources Management and Utilization

Based on the World Wide Fund for Nature (WWF) Water Risk Filter (WRF) indicator, the water risk level in the countries where the Group's overseas production bases are located is assessed, and identified that all the Group's overseas footwear manufacturing bases are currently located in areas with limited risk of water stress. The WRF scores for each operating region are as follows²⁵:

	Mainland China	Indonesia	Vietnam	Bangladesh	Myanmar	Cambodia
Overall Waters Risk (Score)	2.8	2.3	3.1	3.1	2.8	2.8
Water Scarcity	2.4	1.3	2.1	2.5	1.9	2.1
Degree of Drought	2.4	1.0	1.0	1.0	1.2	1.0
Flood Probability	3.0	2.7	4.6	4.9	3.4	4.0
Water Pressure Baseline	2.7	1.2	1.5	1.2	1.1	1.1

Footwear manufacturing process involves low water consumption. Most of the water resources used in factory areas are for the daily use of employees, and only a small part is used for the soles manufacturing process. The source of water supply for the Group's major footwear production bases is mainly from local municipal water supply, river and lake water, and the factory areas are equipped with water purification treatment facilities and reverse osmosis (RO) water purification system equipment as needed. The total water usage of the Group's footwear production bases in 2021 was approximately 14,084.4 million liters (2020: 16,609.9 million liters) measured by water meters, and the water consumption density was approximately 66.7 liters (2020: 68.0 liters) per pair of shoes. The Group's water supply source and water usage are within the local government's permitted range, thus have minimal impact on the local water supply.

²⁵ WRF risk degree descriptions: 1: No risks or very limited risks; 2: Limited risks (low risk); 3: Contains risks (moderate risk); 4: High risks; 5: Very high risks.



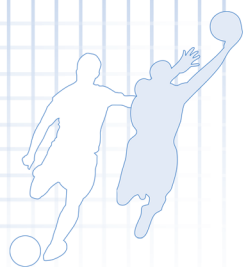
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Region Unit: (million liters)	Total Water Intake	Fresh Water		Groundwater	Water Purchase
		Municipal Water Supply Volume	Other Water Surface Water (River/Lake)		
Mainland China	7,087.0	7,087.0	0	0	0
Vietnam	2,410.5	1,956.4	454.1	0	0
Indonesia	4,242.9	276.3	3,521.6	357.2	87.8
Cambodia	143.1	0	0	143.1	0
Bangladesh	89.4	89.4	0	0	0
Myanmar	111.5	0	0	111.5	0
Total	14,084.4	9,409.1	3,975.7	611.8	87.8

For the management of the safe use of water resources, the laboratories at the district administrative centers perform monthly sample testing of water quality every month, and release the results of water quality testing to all factories. External parties are also engaged in water quality tests on a regular basis, which will be reported to the local authorities as required by laws to ensure the water in all factories is in compliance with the local water quality standards. The following is the Group's risk assessment on water resources:

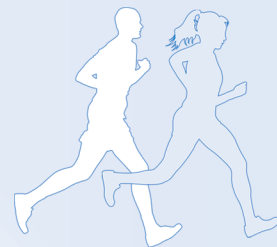
Risk category	Assessment		
	factor	Possible risk/opportunity	Response
Policy and regulation	Regulatory standards	<ul style="list-style-type: none"> Tightening of wastewater quality/quantity discharge regulations. Imposing water consumption fees, sewage fees or environmental protection taxes. Increasing the requirement ratio of effluent recycling. Limiting the amount of water discharge permitted. 	<ul style="list-style-type: none"> Strengthen the treatment efficiency of water treatment plants, and plan for additional advanced treatment technology units where necessary to enhance water treatment capacity and reduce pollutant emissions. Actively evaluate the target processes for reuse of treated water and improve the reuse rate of water resources.



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Risk category	Assessment		Response
	factor	Possible risk/opportunity	
Technology/Market	Customer requirements	<ul style="list-style-type: none"> Investment in new technologies for water treatment. Customers, investors and other stakeholders require companies to provide green products with low water pollution (including materials using low water pollution processes). 	<ul style="list-style-type: none"> Continue to collect and evaluate new water treatment technology solutions and their applicability. Cooperate actively with manufacturers that have passed customer standard verification in line with customer needs.
Corporate reputation	Major event announcements	<ul style="list-style-type: none"> The discharge water quality is not in compliance. 	<ul style="list-style-type: none"> Strengthen the daily self-monitoring mechanism, detect the risk of exceeding the standard at any time and rectify such risk immediately.
Immediate loss	The frequency of disasters caused by drastic climate change. Financial damage and recovery costs.	<ul style="list-style-type: none"> Increasing intensity and frequency of extreme weather conditions (typhoon, heavy rain, snowstorm, flood, etc.) may result in employee being unable to work, damage to plant facilities and disruption of energy resources and materials supply. The water source is subject to variation due to deteriorating environmental conditions, which results in the increase of water resources treatment costs. 	<ul style="list-style-type: none"> Establish an abnormal event notification and response mechanism, including a response mechanism for abnormal events caused by climate risks. Incorporate climate risk into the consideration of the site selection assessment and construction design of new plants. The treatment capacity of the water treatment plants has been improved, and advanced treatment technology units are planned to be added when necessary.
Long term risk	WRF	<ul style="list-style-type: none"> Flooding risk and drought risk may result in risks of damage to plant facilities, water resource shortage and poor water quality. 	<ul style="list-style-type: none"> Continue to pay attention to international water resources risks and regional early warning information to provide decision-making reference for operators.



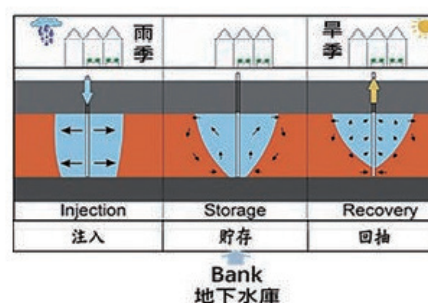
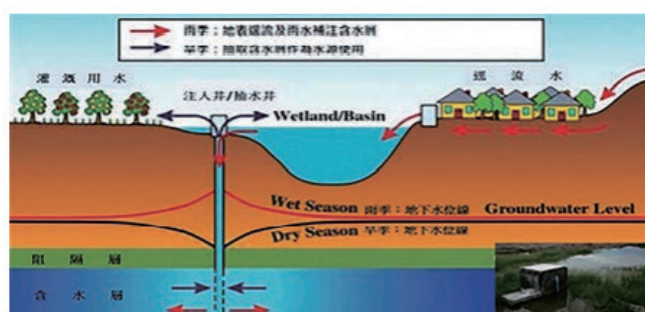
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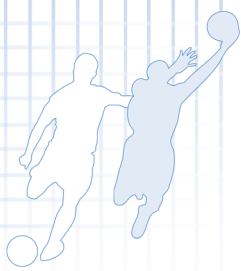
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Project on Sustainable Operation and Management of Groundwater Resources

The Group's production base in Cambodia has established a plant in Kampot to coordinate with the economic development policy of the Cambodian government. The manufacturing process and operation of the Kampot plant requires approximately 4,000 tons of water every day. As there is no local water supply and the construction for long-distance cross-region water diversion is not an environment-friendly solution, the advanced Aquifer Storage and Recovery (ASR) technology in Europe and the U.S. was adopted when planning the large-scale artificial lakes as permitted by the original investment plan. Surface water is collected using the ASR technology and naturally infiltrates into the aquifer, which is considered as the "groundwater reservoir". When needed, the water in such aquifer is extracted, and the underground aquifer will be recharged by natural infiltration from the artificial lakes, so as to achieve conservation of natural resources and sustainable operation. The overall development plan has been approved by the Central Government of Cambodia with multi-ministry environmental assessment and review. Currently, the plant has completed the construction of civil engineering facilities for the large-scale artificial lake, and has launched the measures to implement sustainable management and protection of groundwater resources. This project is the first case of a mid-to-large water resources management plan utilizing ASR by non-governmental organizations in Cambodia region, Vietnam region, Taiwan region and Mainland China region, etc.

The 2018 ASR technical feasibility assessment confirmed that the ASR technology was applicable due to the hydrogeological characteristics of the Kampot factory area. After passing the inter-departmental environmental assessment review, the creation of the ASR artificial lake and the EIA clearance of the factory was completed in 2020. In 2021, the effectiveness of groundwater replenishment was reviewed in an on-site ASR monitoring well, which satisfied the simulation needs of artificial replenishment of the underground aquifer by natural infiltration, and the actual recharge coefficient was estimated to be approximately $2.05\text{--}3.95 \times 10^{-4} \text{cm/sec}$. In 2021, the actual natural recharge was in excellent condition, which is in line with the goal of sustainable management of ASR groundwater resources in the EIA plan.



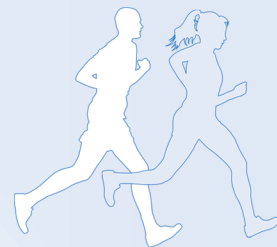


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7.2 Climate Change and Improvement Measures of Greenhouse Gas and Carbon Emission

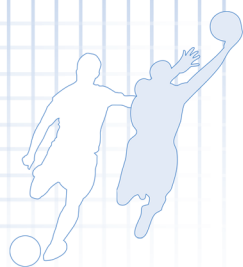
The Group pays constant attention to the international community's trend of sustainable development. The Group responds to the call of the United Nations Framework Convention on Climate Change 26th Conference of the Parties, UNFCCC COP26 held in Glasgow, the United Kingdom in November 2021, which focuses on achieving net-zero emissions targets by the middle of this century, and the Paris Agreement, which has a goal to keep the increase of global temperature within 2°C and to pursue efforts to limit the increase to 1.5°C. It also responds to the United Nations 2030 Sustainable Development Agenda – Sustainable Development Goals, which states that measures must be taken to cope with global climate change and its impacts, as well as the expected demand for international green manufacturing. The Group will actively adopt relevant measures to ensure a sustainable production model that mitigates and responds to the operational risks and impacts caused by climate change. We will identify the potential risks associated with climate change based on the interaction between the organization's daily operations, services and the environment, assess and determine the impacts brought by such risks, and determine the relevant responses and management approaches. The Group's sustainable development department has identified the following risks and opportunities:



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Risk/opportunity category		Risks associated with climate change	Risk response plan
Risks	Transition	Some areas in mainland China had implemented power rationing measures during the Reporting Period, and under the policies of “dual control of energy consumption” and “emission reduction”, power rationing may happen again in the future. If there is a continuous power outage and production reduction, it will affect production and shipments and lead to a decline in production line revenue.	<ul style="list-style-type: none"> • Production schedule adjustment and plant ventilation design/ equipment adjustment • Addition/rental of emergency generator sets • Assessing the feasibility of waste cracking power generation in factory area
		To achieve the target of carbon neutrality, the uncertainty caused by policies implemented by various countries, such as trade and environmental carbon tax and the increased cost of greenhouse gas emissions, includes the potential financial impact from failure to meet the national greenhouse gas reduction and renewable energy use targets, which may result in the Group having to pay fines or purchase carbon credits from other companies. For example, the European Union will implement the Carbon Border Adjustment Mechanism (CBAM) from 2023.	<ul style="list-style-type: none"> • Advance the enterprise internal carbon pricing mechanism to assess the cost of carbon tax and transfer strategy
		Product carbon emission disclosure	<ul style="list-style-type: none"> • Promote energy consumption and carbon emission monitoring and statistics in footwear factories • Promote product carbon footprint inventory
	Physical	Production disruption caused by extreme weather conditions, such as heavy rain, snowstorm, typhoon, flood, etc.	<ul style="list-style-type: none"> • Disaster prevention measures • Production and labor force planning management
		An increase in investment on ventilation and cooling facilities of plants due to the increase in average temperature	<ul style="list-style-type: none"> • Adjustment on ventilation design/ facilities of plants • New plant design
		Some factories are at risk of flooding due to the increase in sea level	<ul style="list-style-type: none"> • Risk response planning of production bases

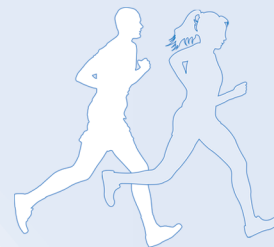


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Risk/opportunity category		Risks associated with climate change	Risk response plan
Opportunities	Energy Source	Achieving a low carbon energy transition, including: <ul style="list-style-type: none"> • Installing solar photovoltaic facilities • Replacing fossil fuels with clean energy • Replacement of high energy consumption equipment • Investing in carbon capture technology/demethanization technology 	<ul style="list-style-type: none"> • Gradual planning of solar photovoltaic facilities installation • Purchase of green power certificate • Air compressor leakage control project • Energy saving assessment project for high energy consumption equipment • High-efficiency motor replacement project
	Resource Utilization Efficiency	Improvement on the manufacturing process to offer low carbon products or services	<ul style="list-style-type: none"> • Usage of green materials/recycled materials • High performance buildings (low carbon/green buildings) • Energy conservation measures • Water conservation measures
		Waste treatment must adopt the 'circular economy' model to reduce methane emissions	<ul style="list-style-type: none"> • Zero waste to landfill; • Reduce the rate of waste incineration; • Identify opportunities to reuse wastes and reduce waste disposals

Greenhouse gas inventory and carbon reduction management have become the essential management issues for the Group's production and manufacturing operations. In addition to compliance with relevant laws and regulations at the production bases in various regions, results have also been achieved by the Group through energy-saving projects initiated by individual factories and gradual replacement of high pollutant/high carbon emission fossil fuel to help achieve energy-saving and carbon emission reduction at the production bases. The Group's policy focuses on two main areas of climate change management and enhancing its adaptive capabilities on climate change:

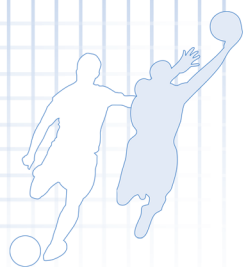


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Climate change management – Energy-related strategies

- *Setting emission targets:* The Group has set periodic energy conservation and carbon reduction targets in accordance with the Group's development. Currently, the year 2019 was set as the baseline year, with the expectation of reaching the goal of "0% increase in carbon emission" in 2025 by continuously promoting energy conservation and expanding the use of green energy.
- *Low carbon manufacturing:* Conducting energy saving procurement management of equipment at source, and continuously applying the most optimal technology in manufacturing process to reduce greenhouse gas emissions;
- *Improving energy efficiency:* Promoting energy conservation projects at every plant based on the principle of no waste of energy, high operating efficiency, short recovery period, low energy cost and minimal environmental impact. Planning new energy conservation measures for the year and actively implementing energy saving initiatives to enhance the efficiency of energy usage;
- *Increasing the application of renewable energy:* Promoting green energy projects, and continuously purchasing renewable energy and installing solar power generation system to increase the consumption of renewable energy;
- *Improving ventilation:* Due to climate change, the weather is getting hotter. To provide a suitable working environment, the working environment has been improved through equipment maintenance, addition of fans/cooling equipment and adjusting the ventilation design, thereby reducing the impact of high temperature on employees;
- Monitoring greenhouse gas emissions in the industrial chain, establishing and implementing medium and long term carbon reduction targets to help mitigate the greenhouse effect;
- Tracking and monitoring the usage of resources in the Group's factory area and offices, and incorporating them into internal management policies to establish appropriate carbon emissions management programs;
- Factors such as the impact of climate change on business operations are considered in the whole life cycle of project construction management (including design, procurement, construction and operation stages), and encouraging the use of low carbon and energy efficient installations and materials to achieve the goal of reducing carbon emissions and improve the resource efficiency of business operation;
- Encouraging employees, suppliers and customers to reduce carbon emissions in their operations and daily activities, including actively promoting recycling and raising their awareness of environmental protection; and
- Increasing the usage of video conferencing to reduce the need for business travel, comprehensive reducing other indirect greenhouse gas emissions.



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Enhancing adaptive capabilities on climate change

- In the decision-making process, the impact of climate change on the business has been considered in view of the characteristics of the footwear industry, and climate change-related risks have been incorporated into our risk management and internal control system to identify the Group's vulnerability to the potential impacts of climate change;
- In the planning of new projects and facilities, climate change has become one of the indicators to be considered in order to prevent or minimize the damage and harm caused to the Group's existing assets or business operations by climate change, and to actively seize the opportunities presented by climate change;
- In the risk assessment of our project, we also examine the potential climate related risks and seek strategies and measures for low carbon and adaptation to climate change;
- Comprehensively study and explore the feasibility of applying renewable and low carbon energy technology in the factory area, and gradually reduce the use of fossil fuels in operation; and
- Communicate and contact key stakeholders (such as suppliers, employee/labor union, etc.) through internal and external communication platforms and trainings to disseminate information on the impact of climate change and the Group's climate change strategy, so as to jointly enhance our ability to resist climate change.

As a leading footwear manufacturer, Yue Yuen is faced with the introduction of manufacturing processes such as footwear automation and technology shoemaking, which may result in the increase in energy consumption and decrease in manpower. Faced with the global climate change risks and the international trend and challenge of reducing greenhouse gas emissions, in addition to constantly enhancing various green and innovative initiatives as well as procuring renewable energy, the cooperation of the overall industry and its upstream and downstream supply chain is also needed to continuously improve sustainable and innovative manufacturing processes and carbon reduction performance, continuously working towards the vision of achieving net-zero emissions. In 2021, the Group has been invited by its brand customer to set an SBTi target. The Group is committed to reduce absolute Scopes 1 and 2 greenhouse gas emissions by 46.2% in 2030 with the year 2019 being the baseline year. Such target setting has been validated by the WRI and is in line with the SBTi target setting methodology.

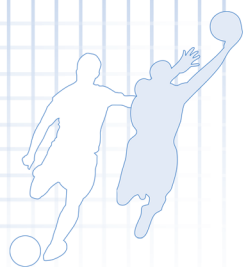


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Scope 1 Total direct energy greenhouse gas emissions	Greenhouse gas types do not include hydrofluorocarbons that are regulated by the Montreal Protocol, e.g. R-22, etc.
Scope 2 Total indirect energy greenhouse gas emissions	Biomass fuel is separately calculated and is excluded from the total emissions.

The greenhouse gas emission generated by footwear manufacturing, such as carbon dioxide, methane and nitrous oxide, are produced mainly by the use of electricity and burning of fossil fuels. In addition, a small portion of methane comes from the discharge of septic tanks. As for hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulfur hexafluoride (SF6), currently only a small amount of SF6 is used as the insulation filling gas in high voltage power distribution equipment. According to suppliers' data, the probability of daily usage leakage is very low, and as such the carbon emission caused by dissipation is calculated only when the equipment is refilled, and will be regarded as zero (0) when not filled. Approximately more than 85% of the Group's energy comes from electricity. The main goal of carbon reduction is to reduce the greenhouse gas emission of electricity by expanding green energy and improving energy efficiency.

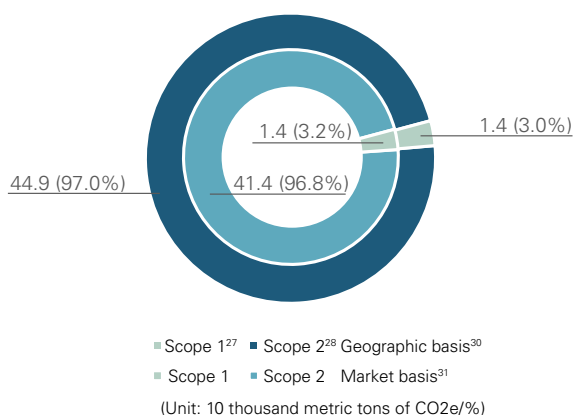


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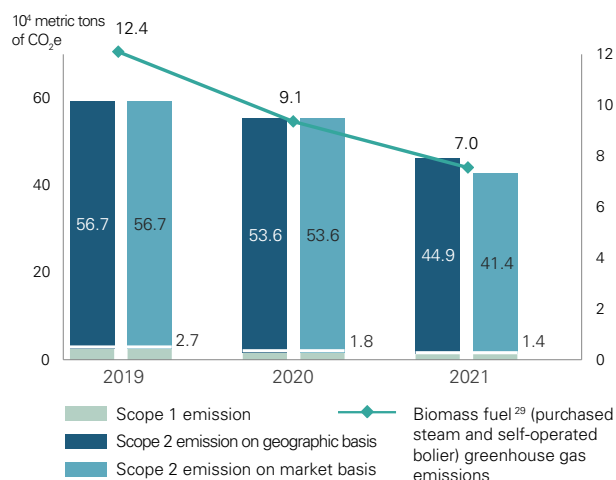
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For the Group's footwear manufacturing plants, the total carbon emission in greenhouse gas Scope 1 and Scope 2 was approximately 463 thousand metric tons of carbon dioxide emission equivalent after self-examination in 2021. Among which, the Scope 1 carbon emission was approximately 14 thousand metric tons of carbon dioxide emission equivalent, accounting for 3.0%, and the Scope 2 carbon emission was approximately 449 thousand metric tons of carbon dioxide emission equivalent, accounting for 97.0%. Due to the differences between the shoe-type production process and the carbon emission factors in different regions, factories of the Group's main production and operation bases (Mainland China/Vietnam/Indonesia) in 2021 has a carbon emission intensity between 1.7-3.0 kg CO₂/pr. A third party verification of ISO 14064-1 greenhouse gas was conducted for two factories in Indonesia in 2021. The following table shows the Group's greenhouse gas emissions²⁶:

Total emissions and emission rates of Scopes 1 and 2 in 2021



Historical trend of greenhouse gas emissions



²⁶ Refer to ISO 14064-1 (2006) specification for quantification and reporting guidance of greenhouse gas emissions and removals at the organization level. The year 2019 was set as the baseline year, and data is collected to an operational control basis. In order to increase the comparability of the data, we make adjustments to the statistics of 2020 and 2019, and deduct relevant data from non-shoemaking factories.

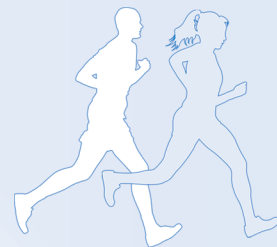
²⁷ Greenhouse gas types do not include hydrofluorocarbons that are regulated by the Montreal Protocol, e.g. R-22, etc.

²⁸ The emission factors for electricity are calculated according to the emission factors released by different areas provided by brand customers worldwide.

²⁹ The amount of biomass fuel is projected using amount of steam purchased (generated by biomass fuel boiler), with pressure of steam generated by boiler as 10.0 kgf/cm³, given the boiler efficiency=85.0%, and adoption of heating value of solid biofuel as 3,600.0 kcal/kg, calculated via thermodynamics. The ratio of steam to biomass fuel consumption is 0.2173.

³⁰ Carbon emissions on geographic basis = Carbon emissions from electricity consumption

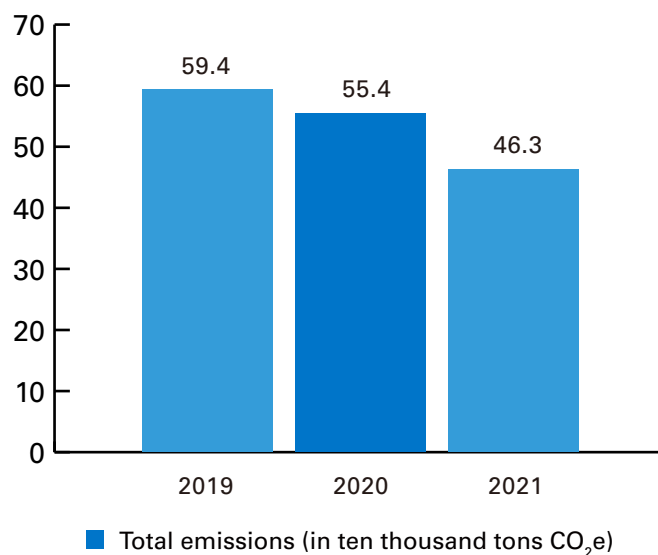
³¹ Carbon emissions on market basis = Carbon emissions from electricity consumption - REC Green Power Certificate carbon emissions



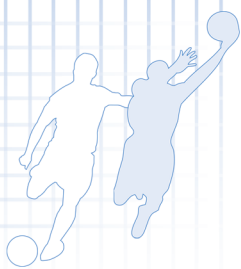
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Environmental Protection

Total greenhouse gas emissions in 2019-2021



For examination on Scope 3 of greenhouse gas, the total greenhouse gas emissions from the downstream transportation of the Company's finished footwear goods was approximately 6,315.7 metric tons of carbon dioxide equivalent after self-examination; the self-examination result for employee travel by air in 2021 was approximately 1,444.9 metric tons of carbon dioxide equivalent.



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Principle of Calculation:

- Scope 3: The total greenhouse gas emission of the downstream transportation of the Group's finished shoes is calculated using the Distance-Based method:
the total greenhouse gas emission of the downstream transportation of the Group's finished shoes = cargo gross weight (tonnes) × cargo transportation distance (km) × emission factors of transportation vehicle types (kg CO₂e/tonne-km)
- Scope 3: The total greenhouse gas emission from air travel of the Group headquarter is calculated using the Distance-Based method:
the total greenhouse gas emission from air travel (ton CO₂e) = aerial navigation distance (passenger-km) × emission factors of aerial navigation (kgCO₂e/passenger-km)/1000.
The aerial navigation distance between cities is mainly calculated based on ICAO, Carbon Emission Calculator: <https://www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>
For example: From TPE (Taipei Taoyuan Airport) to SGN (Vietnam Ho Chi Minh Airport) the aerial navigation distance of a single trip is 2,205 km.

Departure Airport	Arrival Airport	Aerial Navigation Distance (KM)
Taipei Taoyuan Airport (TPE)	Vietnam Ho Chi Minh Airport (SGN)	2,205.0
Vietnam Ho Chi Minh Airport (SGN)	Taipei Taoyuan Airport (TPE)	2,205.0



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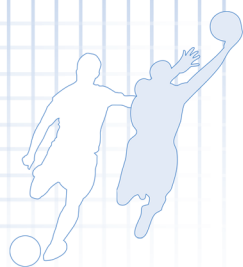
7.3 Pollution Prevention and Control

Environmental Management Policy

By adhering to the principle of maintaining a balance between environmental protection and production, the Group is committed to the following environmental protection measures:

- 1 Adopt effective environmental management system, implement environmental pollution prevention and impact management, and continue to improve so as to promote sustainability of environmental resources.
- 2 Comply with relevant environmental laws and regulations and other requirements, and develop and implement relevant standard operating procedures.
- 3 Optimize production processes, promote clean production, reduce pollutants emission, implement pollution control and management, and perform regular tests and inspections.
- 4 Reduce the use of hazardous substances, promote industrial waste reduction, recycle resources, save energy and reduce carbon emission in order to enhance the Group's environmental protection performance.
- 5 Strengthen education and training and enhance staff awareness of environmental protection so as to thoroughly carry out environmental protection responsibility.

In the practical operation management, the Group has established guidelines relating to environmental protection as implementation standards for all production bases. According to ISO 14001 environmental management system and local environmental protection regulations, we have established the self-management system for the factories. The management goal for the medium and long term is to endeavor to accomplish clean production and to reduce the emission amount of environmental pollutants. In 2021, 57.1% of our footwear production bases have implemented the ISO 14001: 2015 management system.



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Sewage Discharge and Recycle of Effluent

Most of the sewage of the footwear factories comes from water used by employees for domestic use, and small amount of sewage comes from the cleaning, painting and spraying operations of the soles manufacturing process. Chemical coagulation pre-treatment equipment has been set up in all factories especially for the treatment of industrial sewage before it is channeled to a sewage treatment work of the factories for secondary biodegradation and advanced purification treatment.

There is a dedicated water quality laboratory for large scale sewage treatment work to perform the testing and monitoring of water quality. We also regularly entrust inspection agencies approved by competent local authorities to conduct water sampling and testing of the effluent according to laws. The sewage is properly discharged through legally permitted means. Effluent from stand-alone factories are discharged to the receiving water bodies designated by the local authorities specified in the environmental assessment document according to laws and regulations, while those from factories located in industrial development parks are discharged to municipal sewage treatment works or the sewage treatment works in the industrial areas according to laws and regulations. There is no direct discharge into nearby water bodies. Some factories are also equipped with detention ponds to receive the processed water from sewage treatment which works as a water supply source for subsequent reuse in the factories as well as in the parks where employees can relax after work.

The total amount of effluent of footwear factories under the Group was 4,587.5 million liters (2020: 5,506.2 million liters) in 2021, and the recycling rate of treated water was 33.1% (2020: 19.0%) on average, representing a significant increase as compared to 2020. The amount of effluent by regions in 2021 is as follows:

	Total volume of monthly processed water (WWTP) (million liters)	Total discharge volume (million liters)	Volume of discharged water reuse in factories (million liters)	Water recycling rate (%)
China	1,552,172.3	1,377,480.3	183,233.5	11.8%
Vietnam	4,499,389.0	874,415.0	2,332,266.0	51.8%
Indonesia	2,469,262.2	2,037,589.9	262,594.4	10.6%
Cambodia	394,817.0	176,289.0	185,539.0	47.0%
Bangladesh	71,500.8	71,500.8	0.0	0.0%
Myanmar	132,845.0	50,204.0	57,571.0	43.3%
Total (m ³)	9,119,986.3	4,587,479.0	3,021,203.9	33.1%
Total (million liters)	9,120.0	4,587.5	3,021.2	33.1%



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Air Pollution Prevention and Control Management

Currently, the main sources of air pollution produced by production bases are volatile organic compounds, fuel boiler gas, and gas emitted from the emergency electricity generation room and kitchen. With respect to the prevention of air pollution, the Group has formulated the “Guidelines on Air Pollution Control Management”. The first guiding principle is to keep the emission in line with the local emission standards. The next guiding principle is the introduction of pollution assessment on production processes with the aim of proper handling of the pollution in accordance with the regulatory requirements. Prevention and control facilities have been set up and air pollution emission testing has been carried out to ensure that the emission meets the emission standards stipulated by local laws and regulations to reduce the impact on the environment.

For the management of volatile organic gases (VOC) emissions, the Group has complied with the environmental assessment requirements stipulated by the competent authorities in every production bases and has set up necessary and effective collection and treatment facilities. For the production bases in Mainland China, in addition to establishing facilities for comprehensive treatment and purification, the Group has gradually installed online monitoring facilities to tighten its management on air pollutant emission, so as to assume the corporate responsibility of improving air quality in the local areas.

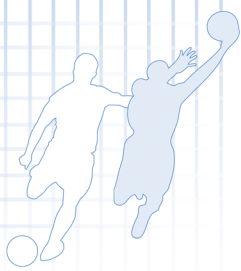
The Company has biomass fuel boilers in Mainland China, Vietnam and Indonesia, which are equipped with pollution control equipment to reduce their impact on the environment. The following are the air pollutant emission data for the three key production regions in 2021:

Country	Particulate (kg/year)	SO ₂ (kg/year)	NO _x (kg/year)	VOC (kg/year)
Mainland China ³²	2,665.9	12.5	5,668.2	2,741.5
Vietnam ³³	98,255.9	17,609.9	182,933.7	0
Indonesia ³⁴	340.2	119.7	5,604.7	0
Total	101,262.0	17,742.1	194,206.6	2,741.5

³² Data reported to officials

³³ Continuous automatic monitoring data of boiler exhaust pipes

³⁴ Calculation from emission test report of boiler exhaust pipes



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Waste Management

Wastes in the factories are mainly classified into four categories, including: general wastes (household wastes), general industrial wastes (industrial wastes), statutory hazardous wastes (hazardous wastes), and recyclable wastes (reusable wastes). A local qualified disposal service provider is engaged for household wastes and industrial wastes disposal. Hazardous wastes and reusable wastes are centralized in the recycling material control center within the factory area, where classification, measurement and reporting are performed. As for the hazardous wastes, the Group follows local laws and regulations of the operation to identify and classify the hazardous wastes, establish dedicated temporary storage area and appoint dedicated staff to manage. Local recycling companies that have hazardous waste disposal operation licenses are engaged to handle subsequent delivery and processing. The Group does not carry out any waste disposals which involve transnational transportation. Vendors are identified to help with the handling of reusable wastes for recycling or reuse as appropriate.

In view of the fact that input errors or omissions are likely to occur during the process of data entry for weight compilation at the time of waste storage, to effectively improve the accuracy of the data, certain factories of the Group have introduced and promoted an electronic waste management system in which electronic scales are connected to the system's database directly. Weighing of wastes can be directly carried out and barcode labels with relevant information can be generated directly when the wastes are transported out of the operation workshops, which are then affixed to the waste packaging bags. From the production bases to the storage center and the final clearance, removal and disposal of the wastes, barcode scanning is used to control the management of wastes at all stages to avoid manual input errors and to enhance the connection between the waste data and the production bases, and to effectively manage and track the types and information of the generated wastes. The electronic management system will also be gradually extended to the online production information board in the future to display the real-time status of waste generation in the factories. As a data management tool for waste reduction, such electronic management system will also facilitate waste reduction and recycling assessments and studies for different types of shoes through the use of the data for different types of wastes. At the same time, the Group is also actively considering various ways to recycle the shoe wastes generated by the footwear factories. At present, there are also relevant on-going researches of implementation or technical testing projects conducted in the factories:



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- Testing and usage of natural renewable materials – EVA shoe materials made from biomass alcohol used in footwear mass production (Promoting the project in conjunction with brand customers).
- Increase in the usage ratio of recycled EVA waste as an alternative to raw materials in footwear factories to reduce the amount of EVA waste produced (quality technology project)
- Assist customers in developing the formulae and processes to recycle discarded tennis balls and utilize them in the production of finished shoes' outsole.
- Scraps from wire and cable production and defective products are recycled into midsole EVA material.
- Recycling experimentation with manufacturers to convert wastes into fuel rods, soundproof mats, carpets, plastic mats, etc.

In 2021, the total volumes of wastes handled were: 26,631.9 metric tons in Indonesia, 26,923.4 metric tons in Vietnam, 7,381.1 metric tons in Mainland China, 802.2 metric tons in Cambodia, 977.5 metric tons in Myanmar and 1,383.3 metric tons in Bangladesh. The cleaning and handling of wastes in all countries were carried out in accordance with the local government's handling regulations, and assigned to local compliant service providers with periodic confirmation of handling process to ensure that the wastes were properly handled.

Total weight (metric tons)										
Region/ Year	Hazardous wastes		Industrial wastes		Recyclable wastes		Household wastes		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Mainland China	872.0	428.0	3,221.3	6,307.5	1,673.7	1,077.1	1,614.1	865.9	7,381.1	8,678.5
Vietnam	2,466.9	3,435.8	16,362.2	22,624.1	4,532.1	27,771.8	3,562.2	4,524.0	26,923.4	58,355.6
Indonesia	2,023.9	1,753.8	15,115.7	14,843.9	2,696.4	635.5	6,795.9	6,081.2	26,631.9	23,314.4
Cambodia	37.8	19.4	466.8	0	111.8	0	185.8	140.0	802.2	159.4
Bangladesh	18.7	19.4	319.6	193.8	379.1	153.3	666.0	11.2	1,383.3	391.0
Myanmar	122.8	154.2	187.0	241.8	0.0	0	667.7	643.4	977.5	1,039.4
Total	5,542.1	5,810.6	35,672.6	44,211.1	9,393.1	29,637.7	13,491.7	12,265.7	64,099.4	91,938.3



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During the Reporting Period, we set the following goals on supply chain management and moral integrity and anti-corruption:

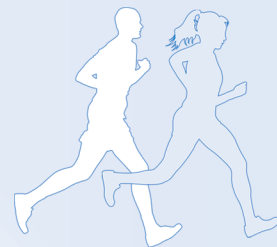
Items	Objectives	Work Plans	Results and Progress
Supply Chain Management	100% Identifying compliance risks	<ol style="list-style-type: none"> 100% completion on the addition of SD compliance selection criteria 100% completion on the regular evaluation of suppliers and offering consultations and improvement. 100% identifying high-risk suppliers and providing Global Supply Chain Management (GSCM) department to implement and strengthen the supplier selection mechanism. 	In good progress
Moral Integrity and Anti-corruption	Providing annual anti-corruption trainings to members of the Group	<ol style="list-style-type: none"> Anti-corruption training courses conducted by the Hong Kong Special Administration Region Independent Commission Against Corruption for the directors of the Group. Holding "honest transactions and protection of the Group's interests" online induction courses for members of the Group. 	In good progress

8.1 Customer Service, Product Safety and Quality Management

Customer Service

The Group has established long-term cooperation relations with multiple international eminent brands. It provides fast and innovative services to brand customers with professionalism and dedication and offers design and production services to customers according to their needs. Dedicated technical research and development centers were set up for customers, with strictly separated production areas and zoned processing operation areas so that the brand customers' privacy and trade secrets are protected. As such, we are able to become the best skilled production partner for the brand customers, and establish deep trusts between the brand customers and the Group.

As for employees, they are obliged to protect the confidential information and intellectual property rights through the implementation of the Group's "Ethical Corporate Management Best Practice Principles", the signing of the "Confidentiality Undertaking" by the employees and regular educational trainings on trade secrets, information security, competition prohibitions and so on. The Group also requires the suppliers to sign confidentiality agreements or confidentiality terms and the appended product safety undertakings, and strictly abide by the confidentiality provisions and provisions of the undertakings. The Group also conducts educational trainings for suppliers on issues such as trade secret protection and information security. The Group conducts assessments on the suppliers from time to time and assessment results are one of the bases of the Group in evaluating suppliers. In the event of any breach discovered in the protection of trade secrets, privacy or intellectual property rights, the Group will immediately stop the breach, review the mechanism and take improvement measures.



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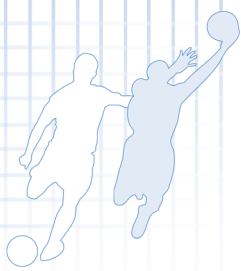
In 2021, the Group did not receive any complaint cases of customer privacy infringement.

The Group respects the intellectual property rights of brand customers. The brand customers' intellectual property rights (such as trade marks) are only applied to products according to the scopes authorized by the brand customers. Meanwhile, the Group will continue to enhance the production optimization capabilities in various regions and continue to enhance the maximum flexibility in production configuration in line with the requirements of orders from brand customers and changes in the industry environment.

In recent years, the Group has continuously invested in automation, technology innovation, process improvement and shoe materials development, and cultivated professionals in key technologies and processes. By establishing modular production lines, it has continuously improved the stability, speed and flexibility of production with a view to shorten turnaround time, keep abreast of the market and quickly respond to brand customers, thereby enhancing the Group's competitiveness and long-term value.

In view of the increasing uncertainties in the global economy, as an original equipment manufacturer of footwear products, the Group continues to promote the effective integration and optimization of supply chain resources, and gradually improves the sustainable supply chain system in line with the industry development trend and brand marketing strategies, in addition to prudent cost control and implementation of lean management to continuously increase production efficiency, with the objectives of improving material quality, rapid response to the market and green management. Meanwhile, with innovative thinking, the Group continues to seek and explore new opportunities in the industry chain through the shoe materials selection system so as to create more added values.

The Group continually improves its service quality and responds immediately to brand customers' needs in terms of delivery lead time, quality and price, so to strengthen the relationship with the brand customers and their reliance on the Group's product development capability and quality service.



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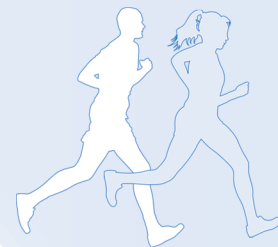
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Product Safety and Quality Management

The Group is committed to providing customers with safe products of high quality and places high importance on any customer demand for product quality. The Group will continue to improve its five core competitive advantages of “innovation, speed, flexibility, quality, sustainability”, as well as continue to develop cutting-edge technologies and modularize its existing production lines, so that it can provide customers with more flexible and diversified customized products in small quantities. From product development to production, the Group follows international legal requirements and complies with the brand customers’ lists of prohibited and restricted substances and the ZDHC Foundation’s standards in the selection of raw materials, which can only be put into production after the formulation of standardized production process. Through a comprehensive process and quality control strategy, the Group continues to provide customers with stable and consistently high-quality products that are consistent with the principles of eco-friendliness and human health.

All footwear products on the production lines at the stage of design development, including material selection, manufacturing process execution, use of adhesive and packaging materials, etc, will only be scheduled for formal production on the production lines after they have undergone health and safety hazard assessment and confirmation. In mass production process, all materials must go through sampling tests before warehousing to prevent inappropriate materials from being used in footwear production. All finished shoes must, before packaging, go through scanning and inspection by specialists or metal detection devices to ensure there is no metal scrap or sharp objects remaining. The packaging for all qualified finished shoes is carried out under the supervision of trained staff with the employment of seals to record shipments so as to prevent any placing of dangerous items into the packages during delivery.

In order to meet our brand customers’ requirements, our overall production processes (including production, packaging, labeling, etc.) are subject to their monitoring and auditing. Immediate actions are taken and results are reverted to brand customers when they raise any suggestions for improvements.



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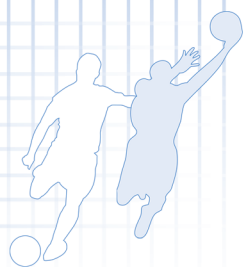
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Product Service

As the products manufactured and supplied by the Group are not directly sold to consumers, the Group has no direct access to consumer information. As such, in respect of product recycling, there is no mechanism in place for the return of defective products or the recycling of packaging materials. Nevertheless, the Group has kept close business relationship with our brand customers and will work with the brand customers to carry out the return of products if required. All of our products need to pass high standard quality testing by the brand customers, and the Group follows the brand customers' requirements and the exporting countries' laws and regulations to provide a reasonable packaging and detailed product information labeling which includes product size, material, ingredients, instructions, etc. As such, not only can the consumers obtain related product information and service through the brand customers, but they can also identify the production plant through the factory code on the product information label, and contact the relevant production plant to inquire about product related issues. Since the Group does not sell products to consumers directly, there is no need for the Group to promote the products by advertising. The advertising of products is conducted by brand customers according to their operating strategies and applicable laws.

Lean Production and Manufacturing Enhancement

The Group continues to carry out streamlining of operation process and apply various kinds of electronic systems and management tools, in order to enhance the production optimization capabilities of the production bases in various regions. The Group has also improved its product development capability, and strengthened its factory automation and production efficiency, through research and development of customized digital tools, process improvements, integration of hardware and software systems and the establishment of a shoe manufacturing knowledge database. At the same time, we have continued to introduce new production models and new manufacturing technologies, improve the automated production process and extend further in the application of industry 4.0. Through the integration of the Internet of Things, all production facilities of production bases in various regions are incorporated into the Internet of Things early warning system for maintenance, to ensure the facilities can deliver the highest production capacity with consistent product qualities. The objective is to achieve continuous operation of the production line and full digitalization, with the ultimate goal being the establishment of intelligent production plants with smart, flexible production, distributed manufacturing and quick response, and the production of products which are in line with not only the manufacturer's philosophy but also the consumers' needs.



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8.2 Supply Chain Management, Assessment and Development

Adhering to the Group's long-standing business philosophy, we understand that mutual growth with suppliers is the key factor in the implementation of sustainable supply chain management. In recent years, through integration of resources and cooperation in know-how and technology, the Group connects the upper, middle and lower streams of the footwear manufacturing industry to continuously establish a complete supply chain system of the Group. By focusing on local and flexible supply, we expect to shorten our delivery time and respond quickly to the market demand, thereby enhancing brand reputation and customer satisfaction. On the other hand, we also work together with our brand customers and partners on the issues of application of innovative materials and environmental sustainability.

The main suppliers of the Group comprise of: material suppliers, shoe equipment suppliers, engineering contractors and service contractors. In 2021, there were no significant changes in the location of our suppliers of materials/shoe equipment, supply chain structure and supplier relationships as compared to the previous year, while service contractors were subject to necessary adjustments or changes depending on their contract terms. To conform with the brand strategy and quickly respond to market demand, the Group adheres to the procurement principle of "develop locally and source nearby" and actively cooperates with local suppliers to reduce supply risks, operating costs and carbon emissions caused by long-distance transportation. The Group's footwear production bases include Mainland China, Vietnam, Indonesia, Cambodia, Myanmar and Bangladesh, and the proportion of domestic purchases in various countries is as follows:

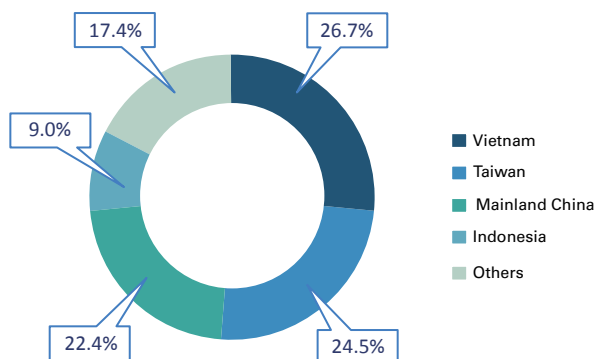
Country	Vietnam	Indonesia	Mainland China	Myanmar	Cambodia	Bangladesh
Shoe materials	63.9%	57.9%	46.5%	35.2%	10.2%	13.5%
Mechanical equipment	22.2%	15.8%	72.7%	11.4%	16.6%	0.4%



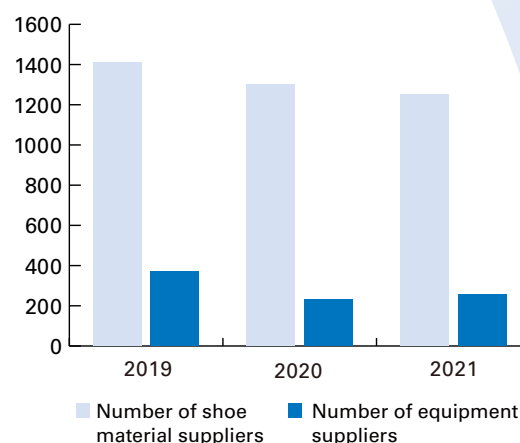
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Regional distribution of registered suppliers



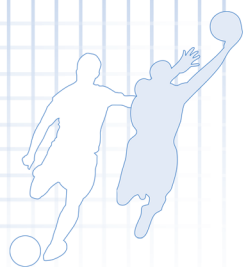
Number of suppliers with which the Group has traded for the past 3 years



To maintain close interaction and sustain an excellent working relationship with our suppliers, we have invited suppliers to participate in the traceability and transparency initiative since 2021, which has received positive feedbacks from a total of 54 suppliers. Their name, country of location/address, employee composition and labor union information are disclosed on the open and transparent supply chain data platform Open Apparel Registry (OAR).

Supplier Management Policy and Measures

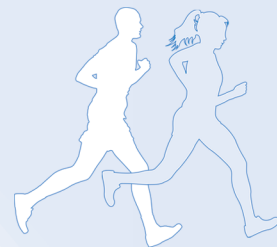
The Group regards integrity and compliance as the cornerstone of cooperation with its suppliers. All suppliers must abide by local laws and contract commitments, as well as taking labor rights, health and safety, and environmental compliance as one of primary considerations. Through the supplier audit and selection mechanism, partner suppliers are selected and the overall performance will be evaluated, counseled, and tracked regularly to not only boost the supply chain efficiency but also seek out excellent partners and competitive products to create opportunities that benefit mutually.



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Contract and Commitment	Audit Mechanism	Selection Mechanism
<ul style="list-style-type: none"> • Non-Disclosure Agreement • Product Security Undertakings • Undertaking of Ethics and Integrity • Undertaking under the Supplier Customs Compliance Regulations • Statement and Undertaking of Non-Infringement • Undertaking for Green Supply Chain Requirements 	<ul style="list-style-type: none"> • Passing the audit is a mandatory condition before becoming a partner supplier • In accordance with ISO9001, Supplier Quality Management is driven by 11 audit criteria • In accordance with ISO14001, Supplier Sustainable Development Management is driven by 12 audit criteria in 3 categories 	<p>Nominate and approve qualified suppliers and weed out disqualified and high-risk suppliers through the decision-making mechanism of the committee</p>
Performance Assessment	Counseling and Communication	Supplier Development
<p>Periodically evaluate and grade supplier's performance with the matrix of quality, cost, delivery, service, innovation, and sustainability</p>	<ul style="list-style-type: none"> • Provide guidance and support suppliers on Quality Management system such as MUNSELL FM100 application, RSL, and ISO9001 certification, etc. • Provide guidance and support suppliers on issues such as environmental protection, healthy and safety, and fire safety to comply with local laws. Roll out energy saving and waste reduction programs • Communicate the Group's policies to suppliers 	<ul style="list-style-type: none"> • Host Vendor Fair • Introduce competitive products from suppliers to brand customers and the Group's business units • Establish sustainable Supply Chain Management system



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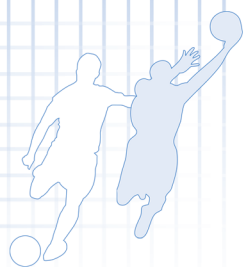
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Supply Chain Management

To assist brand customers in developing unique and innovative products of high quality, and to perform the Group's responsibilities as citizens of the planet Earth, the Group focuses primarily on aspects of quality and sustainable development management with respect to management of raw material and mechanical equipment suppliers. The Group sets various quality and sustainable development indicators, regularly evaluates suppliers and implements management mechanisms. Except for suppliers appointed by brand customers or those supplying specific items (such suppliers must follow the international social and environmental practices and standards stipulated by brand customers, including those on labor issues), the Group selects new suppliers of raw materials and mechanical equipment by applying environmental standards. New suppliers must fill in a self-assessment form which covers assessment items including environmental management, fire safety, safety and health, code of conduct of the company, etc.

The Group also regularly conducts random site visits to new suppliers every year. After collecting the self-assessment forms and conducting sample site visits, the Group will decide whether to include them as the Group's suppliers. Professional teams will subsequently carry out quality assessments and evaluation of sustainable development indicators to ensure that the relevant suppliers have systematic quality control capabilities, and that a supplier sustainable development management system will be established. In addition, the Group conducts regular reviews quarterly or half-yearly with the relevant suppliers according to the characteristics of different supplied items, so as to ensure the continued maintenance of quality standards and compliance with legal requirements of the production and supply of daily raw materials and mechanical equipment, which are critical to quality assurance for the brand customers and prompt adaptation to the trend of sustainable development.

In 2021, the Group regularly promoted the "Group Code of Conduct" to the suppliers, including but not limited to lawful employment of workers, prohibition of child labor and forced labor and prohibition of violence, harassments and abuses, etc., with an aim to comply with the labor issues of concern to the international community together.



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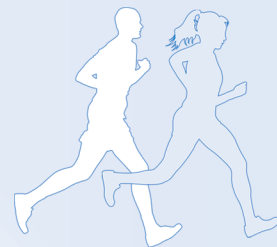
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Suppliers Quality Management Assessment Highlights in 2021

We actively implement supply chain management initiatives, setting up dedicated units and personnel, conducting internal and external training to obtain professional qualifications in various fields, such as ISO9001, RSL, ISO14001, ISO45001, SA8000 and other auditor qualifications, as well as performing risk assessment and audit verification on suppliers' quality, environmental, safety, health and human rights management to verify the compliance with laws of suppliers and establish long-term and efficient cooperation relations.

Except for customer's designated or specific material suppliers, the Group selects new suppliers in accordance with ISO 9001:2015 quality standards, ISO14001: 2015 environmental standards and the human rights standards in the Group's friendly workplace guidelines, and adopts management indicators that comply with local environmental protection and labor and human rights regulations and other preventive measures. All of the new suppliers are selected in accordance with these standards. In 2021, the Group had replaced site visits with document review or in conjunction with remote video audit due to the COVID-19 pandemic.

Assessment Process for New Suppliers		
Complete the self-assessment form	<ul style="list-style-type: none">• Quality Management• Environmental, Safety and Health Management• Human Rights Management	
Assessment	<ul style="list-style-type: none">• Document Review• In conjunction with remote online assessment	
Passing	<ul style="list-style-type: none">• Inclusion of regular management mechanism	
Performance results for the year		
	Assessed	Passed
Complete the self-assessment form	7	7
Assessment	13	8
Engineering contractors	14	10



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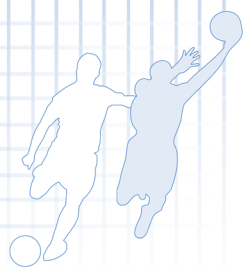
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In addition to the continuation of the selection criteria in assessing new suppliers, we also integrate specifications of the brand customer. In terms of the operation of sustainable development management for existing suppliers, we distinguish between regular written assessments, annual reviews and consultation (through remote video), as well as on-site assessments with and without warning based on the importance of the partnerships with suppliers. The auditing methods cover written confirmation of legal documents, policy documents, implementation records, site visits, dormitory inspections, CCTV inspections, communication with management as well as sample group or individual interviews in non-production areas based on the size of the supplier, in order to gain a comprehensive understanding of the current situation of each supplier and to initiate communication and consultation on non-compliance issues. In addition, in order to encourage suppliers with excellent performance to promote circular economy, we also collect and recognize highlight projects of suppliers including but not limited to green design, green production, green procurement, green marketing, green products and green recycling.

Standards for Regular Supplier Management and Consultation Mechanisms

In terms of quality management, inquiry forms were used to understand the suppliers' operation conditions, quality management systems, supply capabilities, service qualities and delivery capabilities, etc. To effectively manage suppliers and ensure that procurement quality can meet the requirements of the Company and the brands, the Company requires suppliers to adopt improvement measures after supplier assessments based on the principles of "Plan, Do, Check, Act" (PDCA). The objective is to enhance the suppliers' control on quality to reduce the costs of quality failures, and to ensure that the quality control of all incoming materials of each factory are in line with requirements of the brands. In addition, suppliers are required to meet 100% of the standards for Restricted Substances Lists (RSL) of various cooperating brands, to carry out the audits of RSL (the auditing of RSL management specifications or systems of suppliers, as well as undertakings and warranties in RSL, and test result lists and reports on RSL).

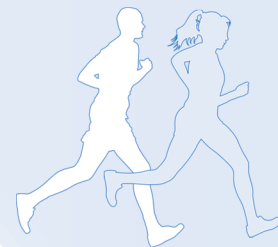
In terms of environmental, safety, health and human rights management, raw materials and machinery equipment suppliers were assessed first by documentation review through examining whether their environmental assessments, pollutant discharge permits and pollution prevention measures were operating properly, whether their contracts, wages and working hours complied with the law, whether there were risks of forced labor and whether they had established a complaint management mechanism, and other human rights management items, and were then verified with remote video audit to check whether there were risks in terms of safety and health, environmental protection and fire safety at the site. In the case of engineering contractor suppliers, we also examined whether their business licenses, environmental, safety and health-related qualifications, personnel certificates as well as occupational safety and health and environmental protection management plans met the requirements of the law.



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Quality Management	ESH Management	Human Rights Management
<ul style="list-style-type: none"> • Incoming Quality Control • Supplier Management • Manufacturing Process Control • Quality System • Finished Product and Shipment Inspection • Laboratory Management • Non-conformity Product Control • Education and Training • Storage and Delivery • Customer Service • Document and Record Control • Environment and Labeling 	<p>Environment Management</p> <ul style="list-style-type: none"> • Environmental Protection Management System • Permit for Air Pollutant Emissions • Permit for Sewage Discharge • Hazardous Wastes Disposal <p>Fire Safety</p> <ul style="list-style-type: none"> • Fire Safety Inspection • Fire Safety Equipment Maintenance and Repairs • Inspection of Fire Safety Facilities • Fire Evacuation Drill <p>Safety and Health</p> <ul style="list-style-type: none"> • Occupational Safety and Health Management System • Operation Environment Monitoring • Personnel in Safety and Health, First Aid, Dangerous Machinery and Equipment Operator • Management of Dangerous Machineries and Facilities 	<p>Compliance Practice</p> <ul style="list-style-type: none"> • Recruitment and Appointment • Working Hours • Remuneration and Benefits • Complaint Mechanism • Anti-discrimination <p>Management Attitude</p> <ul style="list-style-type: none"> • Freedom of Association • Prohibition of Forced Labour • Protection of Employees with Special Needs • Migrant Worker Management <p>Other Support</p> <ul style="list-style-type: none"> • Dormitory Inspection • Employee Interviews



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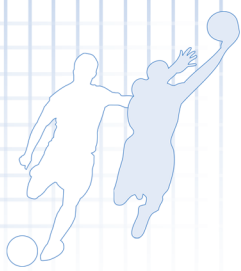
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Results of Supplier Assessments of 2021

We have continued to commit to the compliance risk identification and training programs of our suppliers. In combination with regular written assessment mechanism, we have been proactively searching for cases in which suppliers have been penalized by local authorities for environmental, safety and health or labor-related issues and filing them since 2019. The material risk of supplier management evaluation is defined as the compliance of local regulations and environmental protection permits. In 2021, a total of 277 suppliers were enquired and 9 of which were identified as having been penalized for non-compliance within the past year, and we proactively tracked and followed up on non-compliance cases. No supplier with material risks was found in 2021.

The selection of suppliers to be evaluated is based on the Group's procurement strategy, together with the supplier management center or the customer's concern to propose the list of suppliers to be evaluated for the current year. As suppliers vary in size, management capability and level of cooperation, we will help suppliers who fail to meet our sustainability management standards to improve. If the suppliers fail to improve within the deadline, the percentage of procurement will be reduced accordingly to establish a quality supply chain management system. In 2021, there were no suppliers whose percentage of procurement were reduced due to failure in improving their standards.

The common major deficiencies of the suppliers include safety and health, such as malfunctioning or removal of safety protection devices of mechanical equipment; environmental protection, such as irregularities in the temporary storage management of hazardous wastes; fire safety, such as irregularities in safety protection measures for electric cabinets; energy management, such as failure of short circulation of ventilation and cooling; and human rights management, such as the lack of an established complaint system. We will assign designated personnel to assist and coach the suppliers to improve and summarize excellent implementation projects as an improvement model. During the year, we assisted a total of 20 suppliers in improving their complaint process and suggestion box management system.



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Suppliers Development

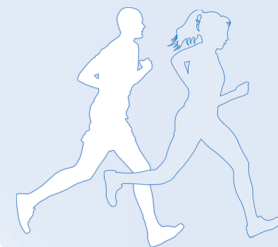
We consider our suppliers working partners and value the interaction and communication with them. We assist and coach the suppliers in strengthening product qualities and sustainable development management, so as to improve the suppliers' competitiveness and increase the value of the overall supply chain. In the area of quality management, document inspections and training courses were conducted on RS management for 6 overseas suppliers in 2021, which included RSL management system validation, SDS document management, RSL test reports of products, RSL undertaking introduction and MRSL management system, with an objective to fulfill our corporate responsibility. The Company has also conducted pre-audit review and consultation on the SGS ISO 9001:2015 quality management system for 1 domestic supplier to help strengthen the quality of suppliers.

In the area of sustainable development management, we have proposed different levels of projects based on partnerships with suppliers. In addition to holding supplier meetings with brand customers, training and promotions of compliance standards as well as training and promotions of publication of supplier friendly workplace guidelines, for key suppliers with close partnerships, we have introduced projects such as occupational risk reduction, establishment of a complaint mechanism and environmental risk control.

Establishing Supplier Friendly Workplace Guidelines and Supplier Compliance Conference

To gradually enhance the sustainable management of our partner suppliers, the Group's supplier friendly workplace guidelines were developed in 2020 with reference to the FLA, international standards and specification of brand customers, covering areas such as forced labor, child labor, discrimination, remuneration and benefits, working hours, freedom of association and collective bargaining, disciplinary action, recruitment and employment. In 2021, the guidelines were published on the official website in Traditional Chinese, Simplified Chinese, English, Vietnamese and Indonesian. The guidelines were promoted to suppliers, who were required to follow the guidelines and commit to respecting relevant labor standards and eliminating human trafficking, so to protect and promote the basic rights of suppliers' employees at work, and to spread the guidelines to their suppliers at the same time.

Due to the impact of COVID-19 pandemic, the training and promotions of the Group's supplier friendly workplace guidelines were conducted online. In some areas where the COVID-19 pandemic was under control, in conjunction with the influence of brand customers, suppliers were gathered together to promote compliance standards. Two sessions were attended by 31 suppliers to let suppliers fully understand the supplier friendly workplace guidelines developed by the Group.



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Environmental Protection Risk Management

In line with our mission to enhance the Group's sustainability value and create a model in sustainable development for the industry, we continue to follow closely on international environmental energy trends and provide various training materials or suggestions to help our suppliers grow together. In response to the 2021 Climate Summit, teaching materials on carbon reduction targets and practices of various countries were collected, consolidated and distributed to 277 suppliers. We will continue to work with suppliers on various issues of COP26 on a project basis in the follow-up to adapt to the rapid changes.

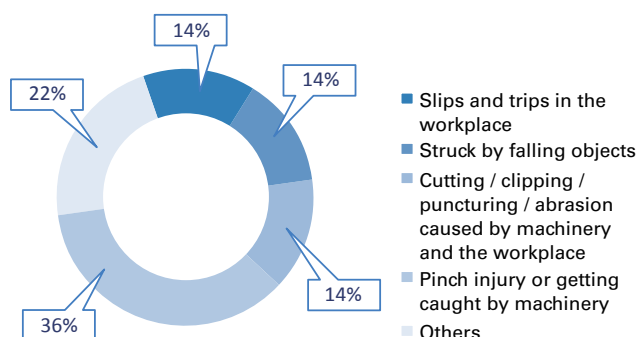
During the year, we have received a consultation request from a supplier for the break down of sewage management system caused by the resignation of sewage treatment plant operators. With the help of our Taiwan Class A sewage treatment qualification holder, we first initiated the operation process and abnormalities elimination procedure together with video streams to verify the implementation procedures and methods. After elimination of abnormalities, we continued to track and successfully helped the supplier to complete the project of sewage treatment process standardization.

Occupational Risk Reduction

Leveraging on the Group's team experience and expertise, the Group has continued to assist key suppliers in introducing high-risk machineries protection projects centered on the intrinsic safety of the machineries since 2020. In view of the common types of occupational risks (e.g. mechanical cutting, rolling and clipping), three new types of high-risk machineries and their corresponding safety protection device standards were added during the year, and 22 suppliers were instructed to take inventory and update the existing equipment. At the same time, suppliers were required to include all safety protection devices in the acceptance criteria for newly purchased equipment.

In addition, six key suppliers were given guidance on the actual causes of occupational hazards. The supplier's sustainability project personnel assisted in the analysis of occupational hazards, investigation of the actual causes and provision of hardware and management improvement suggestions, and requested such investigations to be carried out to similar incidents of occupational hazards. During the year, there were a total of 14 cases of occupational injuries, and 100% of the cases were tracked and improved.

Causes of occupational hazards by suppliers



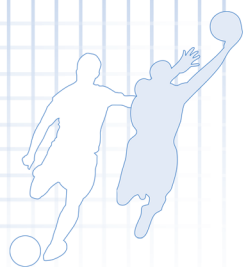
2021 statistics for occupational hazards of key suppliers

Disabling frequency rate (FR)	1.64
Disabling severity rate (SR)	44
Frequency-severity indicator (FSI)	0.27

FR = Number of Disabling Injuries X 1,000,000/
Total Working Hours Experienced

SR = Total Number of Working Days Lost X 1,000,000/
Total Working Hours Experienced

FSI = $\sqrt{((SR \times FR) / 1000)}$



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Establishment of Complaint Mechanism

In addition to disclosing the contact channels that the stakeholders can contact directly on the official website to the public, since the establishment of the advanced complaint mechanism in 2019, we continued to assist 6 key suppliers in establishing complaint management mechanism in 2020, covering case handling personnel capability enhancement, diversified complaint channels, complaint handling procedures and non-retaliation policies, with a total of 15 participants who attended two online training sessions. A total of 39 complaints were received during the year, covering issues such as human rights management, operating environment, safety and health, etc., and 100% of the cases have been handled, among which the more representative consultation cases are as follows:

Date	Description of Complaint	Suggestion for Improvement	Results
May 2021	An employee of a supplier asked whether it was possible to distribute two summer uniforms a year and reduce the distribution of one autumn uniform because of the long and hot summer period in Guangdong Province	Suppliers were asked to collect data on weather and temperature and environment conditions in the workshop for overall consideration and discussion.	After investigation, it was the case that the workshop was hot and stuffy during summer. The supplier has adopted its employee's suggestion and provides 2 summer uniforms a year and 3 winter uniforms for every 2 years based on their needs, and such initiative is well-received by the employees. The case is concluded.



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8.3 Moral Integrity and Anti-corruption

The Group maintains an “Ethical Corporate Management Best Practice Principles”, which requires the employees, during the course of business engagement, not to (whether directly or indirectly) provide, undertake, request or receive any improper benefits, or take any other actions which are in violation of integrity, illegal or dishonest behaviors which are in breach of fiduciary duties. Such behaviors to be prevented include criminal acts such as bribery, extortion, fraud, money laundering and other acts such as the provision of illegal political contributions, inappropriate charitable donation or sponsorship, provision or acceptance of unreasonable gifts, entertainments or other improper benefits, infringement of trade secrets, trademarks, patents, copyrights and other intellectual property rights, and engagement in acts of unfair competition, etc.

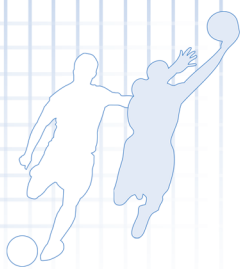
The Group’s “Work Rules” requires the employees to sign the “Code of Ethics and Integrity Pledge” and the “Confidentiality Undertaking” and to strictly adhere to the applicable laws and regulations relating to the above acts. If the Company discovers any event of corruption, necessary legal actions will be taken based on the significance of the circumstances and case details to protect the interests of the Company. In 2021, the Group was not aware of any case of corruption, bribery, extortion, fraud or money laundering brought against the Group or its employees.

In addition to requiring the suppliers to sign confidentiality agreements or relevant documents in respect of the trade secrets of brand customers, the Group also requires them to follow the Group’s principles on honest transactions. The suppliers are required to sign the “Undertaking of Ethics and Integrity”, or provide their declaration of probity or information on their moral integrity systems for the review by the Group. Except for special cases, suppliers are required to sign the “Undertaking of Ethics and Integrity” before any procurement can be carried out by the Group. Number of such suppliers worldwide that have signed the Undertaking of Ethics and Integrity:

*Actual number of suppliers	**Number of the suppliers completing the Undertaking	Completion rate
5,944	5,337	89.8%

* Actual number of suppliers: Number of suppliers the Group transacted with in 2021

** Number of the suppliers completing the Undertaking: Include signed, special exempted case, etc.



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Communication and Training

The Company discloses its business integrity policies on its internal website, annual report, the Company's website or other company documentation. The objective is to ensure that the employees of the Company, suppliers, customers or personnel of other organizations relevant to the business can clearly understand the Group's philosophy and standards on business integrity. The legal department of the Group has been regularly holding a series of educational campaigns and training sessions on moral integrity and anti-corruption and provides online induction courses for the Group's employees and new recruits in relation to "Honest transactions and protection of the Group's interests". It is hoped that the Group's philosophy and standards on ethical operation will be further promoted. During the Reporting Period, the Company invited the Independent Commission Against Corruption of the Hong Kong Special Administrative Region to conduct anti-corruption training course for the directors of the Company. Since 2020, the arrangement and planning for overseas courses had been suspended due to the pandemic, but there were completed and recorded courses in English which will be promoted when the pandemic situation overseas eases in the future.

Employees are required to explain the Group's ethical management policy and relevant regulations to business partners during business transactions. They must also explicitly refuse any direct or indirect offers, promises or requests of improper benefits in any form or on anyone's behalf. These include kickbacks, commissions, hospitality, facilitation payments and anything of value, or any other improper benefits provided or received through other means. At the same time, they are also required to sign the "Undertaking of Ethics and Integrity".

Complaints Reporting Principles and Communication Channels

If employees are unable to judge whether the performance of their duties would violate the policies and regulations on business integrity or have concerns over such performance, they may consult with their immediate supervisors or seek assistance from the Group's management, internal auditors or relevant units. In response to the comments and complaints from employees and stakeholders, the Group has established the following internal grievance and reporting channels. If any employee of the Group is suspected of violating the laws or committing dishonest and unethical acts, any person may provide the relevant information through the following channels:

- the direct supervisor of the employee;
- Human Resources Department at each factory;
- complaints mailbox at each factory, which is managed directly by the Human Resources Department

If the Company discovers any event of corruption, necessary legal actions will be taken based on the significance of the circumstances and case details to protect the interests of the Group.



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