



2022

**Environmental, Social &
Governance Report**

Stella International Holdings Limited

Stock Code: 1836

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PREFACE

LETTER FROM CEO

It is my honour to share with you our progress towards realising our vision of becoming a preeminent brand in the industry, and our steadfast commitment to sustainability and innovation.

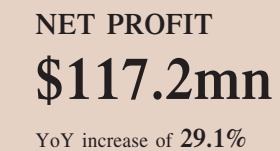
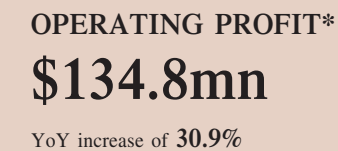
At Stella, we are convinced that our odyssey towards excellence commenced decades ago, and we have traversed tremendous ground since then. Our mission is to fabricate the finest footwear in the world, and we aspire to be more than just a shoe manufacturer. We endeavour to be the pinnacle of excellence in all facets of our business through harnessing the best people and the most agile approach. We have established a sense of unity among our employees, where everyone shares the same motivation and dedication to quality and craftsmanship. We are also bringing in smart technology to enhance our decision-making processes, streamline our operations, and augment the customer experience. Our “One Stella, Smart Stella” vision lays the foundation for us to set lofty goals for making a palpable difference in the communities where we operate.

We recognise the criticality of ESG integration and digital enhancement, as they have become increasingly important, especially in this post-pandemic volatile market. In 2022, we launched several pilot programmes, to reduce operational risks, improve workplace health and safety, and facilitate control of environmental impacts during operation. Everyone at Stella has a sense of shared responsibility in comprehending our strategies and participating in our initiatives. The imperative action is to envision individuals from diverse backgrounds and enhance capability at every level of management.

As we look ahead to the future, we aspire to further raise our standards for ESG and establish a solid foundation of infrastructure and business context to propel us towards our vision of being a digitalised, environmentally responsible, and socially conscious business.

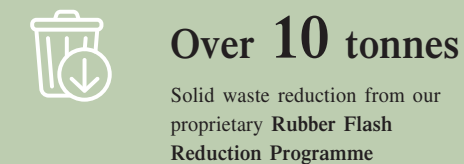
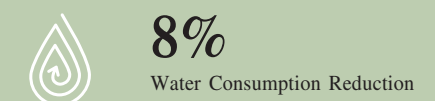
Chi Lo-Jen
Chief Executive Officer
16 March 2023

HIGHLIGHTS FOR 2022



Continued investment in
Indonesia
As part of capacity expansion
and diversification strategy

Further enhancement of
**Customer
Portfolio**



All financial figures are denominated in USD unless otherwise specified

* Reported operating profit is the Group's operating profit before changes in fair value of financial instruments

ESG STRATEGY

This report commemorates a remarkable year in the Environmental, Social, and Governance (ESG) and digital advancement journey of Stella International Holdings Limited and our subsidiaries (“Stella”, the “Group”, or “we/our”) in 2022. We incorporated ESG and digital ideas into our operations with the development of smart interfaces to synchronise ESG concepts with our strategic development. We are using smart technology to facilitate our operational management and production process, adopting sustainable energy to cope with the growing concern on climate risks and adjusting our people management approach to improve our overall ESG performance.

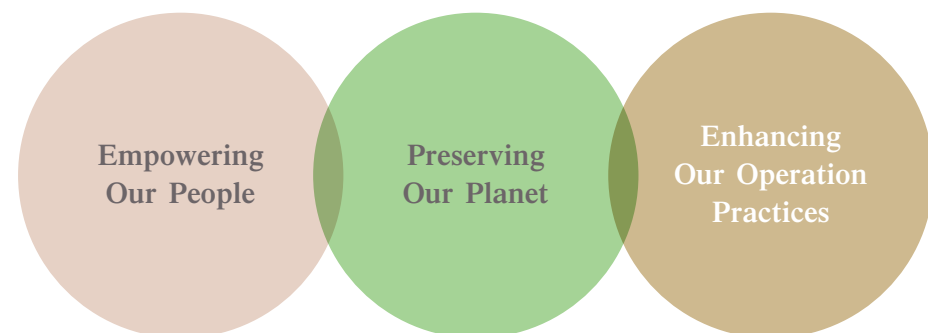
Our enthusiasm originated with the “**One Stella, Smart Stella**” sustainable blueprint to grow Stella based on the values of “caring, co-operation and innovation”. With this mindset, we are able to remain focused on producing excellent footwear in our quest for advancement and perfection to meet our consumers’ needs. Based on Stella’s prior year’s success, our confidence in our impact on the sustainable development of the industry is growing. With Smart Stella as the strategic core, and by continuously optimising the digital management tools developed, the scope for ESG management enhancement will be expanded. We are currently developing

an integrated ESG solution that addresses material issues associated with our supply chain and business practices.

Consumer expectations have reconfigured post-COVID, intensifying the need for companies to take decisive and meaningful ESG actions.

Stella, as a responsible corporate citizen, recognises the importance of ESG actions and has taken substantial measures to encourage sustainable and ethical business practices. In this vein, we are issuing a standalone ESG report that covers three core pillars:

Stella’s ESG core pillars →



This report underscores our commitment to advancing sustainable, socially responsible, and well-governed business practices. By making disclosure under these three pillars, we are able to provide a comprehensive overview of our ESG-related efforts and achievements, which can serve as a valuable reference for our stakeholders in examining our business practice.

The ESG challenges are vast and intertwined, spanning from people and the environment to operation and business ethics. Managing operations proactively across the value chain is vital for protecting the Group and sustaining our brand’s reputation. A number of digital tools for optimal management have been developed

in response to these challenges. We believe that these technologies will help us bridge the information gap between factory executives and top management and improve, the efficacy of Stella’s decision-making from top to bottom.

Stella appreciates our unique position in the footwear industry and as steward of our communities, we will continue to analyse potential challenges and strive to create long-term value in our operations. This report gives us the opportunity to revisit our sustainability journey in 2022 and outlines our intentions for achieving sustainable business practices in the next couple of years.

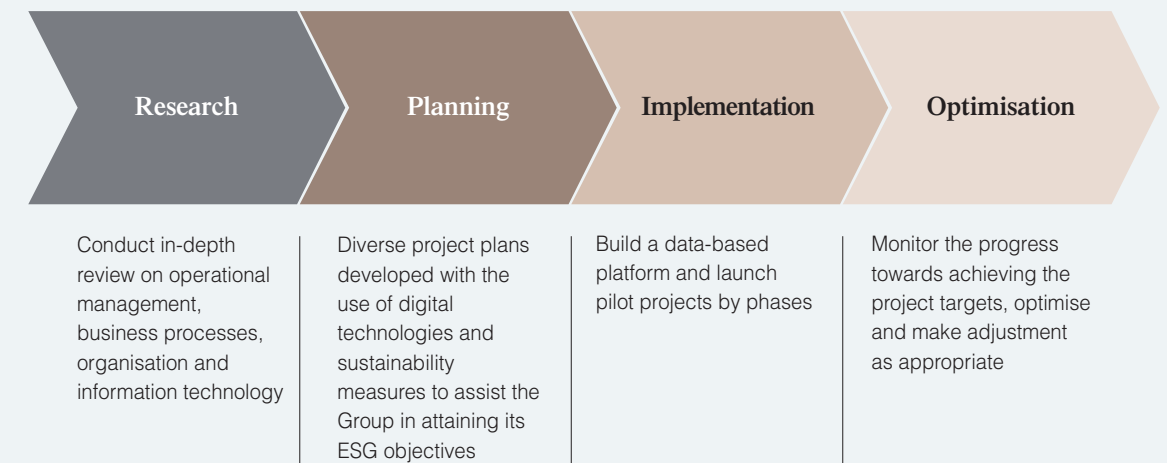
SMART STELLA INITIATIVE

Under the Smart Stella Initiative, 6 new programmes have been developed to help achieve the following 4 ESG objectives:

The 6 new programmes will be implemented by phases to embed ESG and digital advancement:

Stella's Core ESG Objectives

<p>1 GREEN AND LOW CARBON FACTORY VISION</p> <p>Advocating energy conservation and emission reduction, enhancing carbon emission management and moving towards a low carbon economy.</p>	<p>2 CREATING A DIVERSIFIED WORKPLACE</p> <p>Establishing a safe and healthy working environment and providing staffs with diversified learning and development opportunities.</p>
<p>3 STRENGTHENING SUPPLY CHAIN RESILIENCE</p> <p>Doing business with suppliers and customers with smart technology to reduce supply chain risk in the face of climate change.</p>	<p>4 SMART OPERATION</p> <p>Using digitalisation and automation to enhance production efficiency and effectiveness, and to achieve sustainable management and highly efficient use of resources.</p>



6 Smart Stella Programmes

<p>1</p> <p>OIC & Data Centre</p> <p>covered under section of PRODUCT CARBON FOOTPRINT AND CLIMATE CHANGE</p>	<p>2</p> <p>Asset Tracking System</p> <p>covered under section of PRODUCT CARBON FOOTPRINT AND CLIMATE CHANGE</p>	<p>3</p> <p>TVOC Monitors</p> <p>covered under section of HEALTH AND SAFETY</p>
<p>4</p> <p>Stella APP</p> <p>covered under section of CAREER DEVELOPMENT AND EDUCATION</p>	<p>5</p> <p>Internet of Equipment</p> <p>covered under section of PRODUCT QUALITY</p>	<p>6</p> <p>Smart Badge</p> <p>covered under section of EMPLOYEE MANAGEMENT</p>

SUSTAINABILITY GOVERNANCE

BOARD OVERSIGHT OF ESG ISSUES

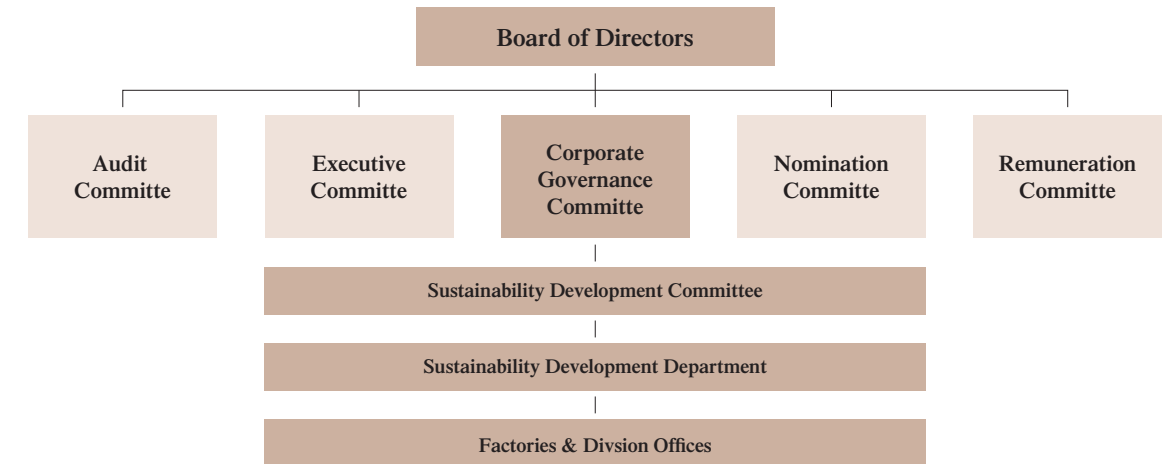
In order to better manage the Group's ESG challenges, we implemented a robust sustainability governance structure, which is supervised by the Board and executed by all Stella employees.

The Board provides governance and strategic direction on ESG-related issues to the Group. It monitors the implementation of ESG-related initiatives into the Group's strategic development, risk management procedures, and business management processes, as well as the regular assessment and monitoring of ESG-related targets. The Board entrusts the Corporate Governance Committee to monitor and evaluate the Group's ESG practices and policies in respect to ESG-related matters. The Corporate Governance Committee receives update on their concerns from the cross-departmental Sustainability Development Committee from time to time, whose role is to ensure the ESG-related initiatives have been formulated and executed properly to address the Corporate Governance Committee's concern.

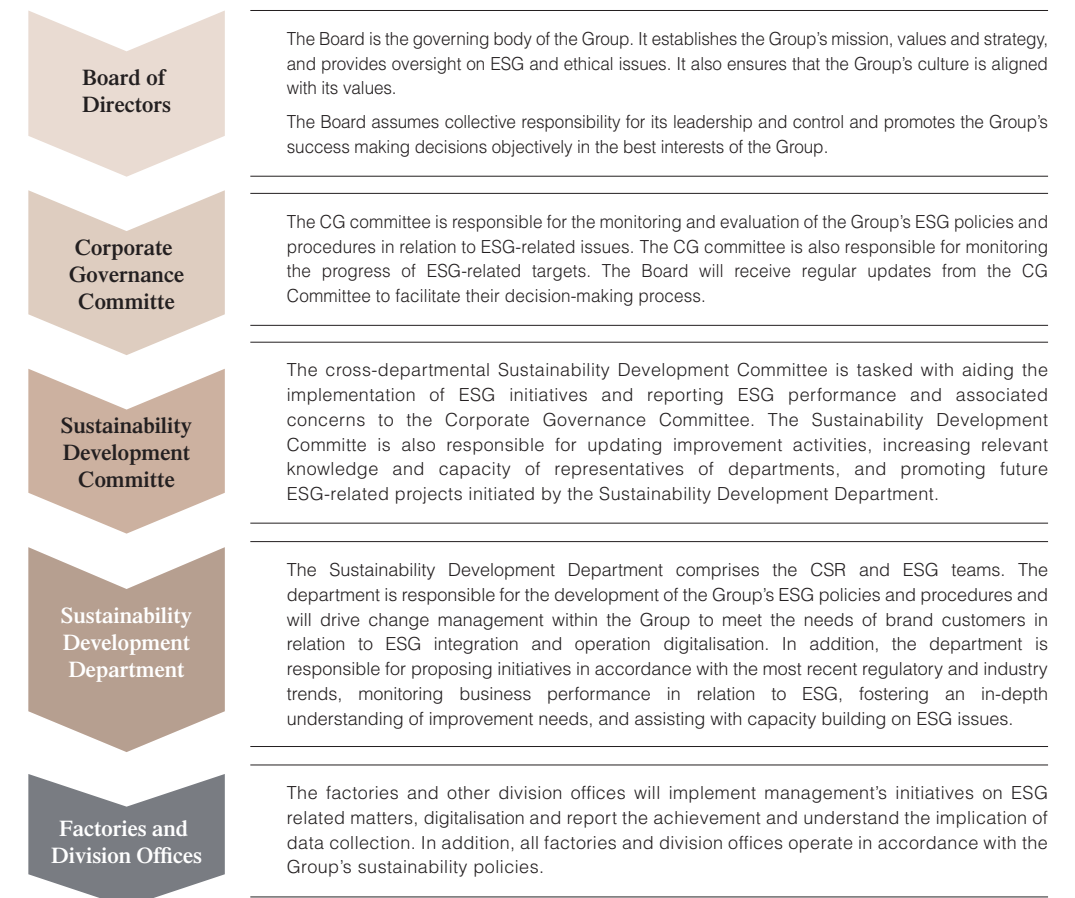
The Group develops and executes ESG measures in line with the assessed materiality of specific ESG issues, and these actions are disclosed in the ESG Report. Please refer to the MATERIAL ESG ISSUES section of this Report for information on the process and results of the materiality analysis, stakeholder engagement and peer benchmarking done during the Reporting Period.

Our **"One Stella, Smart Stella"** vision strives to solve the material issues identified by integrating topics ranging from people and the environment to operations and ethical concerns into all levels of our Group's decision-making processes.

COPORATE GOVERNANCE STRUCTURE



STELLA'S ESG GOVERNANCE



EMPOWERING OUR PEOPLE

Stella believes that passionate and committed employees are essential to the Group's sustainable growth. As a responsible employer, we strive to cultivate a dynamic, harmonious, and all-inclusive working environment where our employees feel appreciated and respected. We want to foster a long term and collaborative relationship with our employees and have devoted resources towards their welfare and career progression. We work beyond compliance requirements in the countries we operate in, and established mechanism to review and improve employees' welfares to ensure our employees can enjoy statutory benefits and other non-compensation welfares. During the Reporting Period, there was no non-compliance case in relation to labour laws and regulations¹ in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Highlights

Total Employees

42,507

Percentage of female employees:

79.9%

Loss of workdays due to industrial injuries:
YoY reduction of

22.6%

to 2,305 days

Percentage of trained employees:

98.0%

Average training hours by gender:

Male **5.7** Hours

Female **5.2** Hours

Employer awards:

1st
place

**Top Employer Award &
Best HR Practices Award**

in the Philippines for 2 consecutive years

Social Responsibility Management Manual:

prepared with reference to the **SA8000** standards and certification system

¹ The Group complies rules in accordance with the operation location includes Labor Law of the People's Republic of China, Provisions on Prohibition of Using Child Labor, Bangladesh EPZ Labor Act (2019), Bangladesh Labor Act (2006), Indonesia Labor Law-Act 13 (2003), Vietnam Labor Code (No. 45/2019/QH14).



EMPLOYEE MANAGEMENT

Employee Management

RECRUITMENT APPROACH

Stella prepared the internal Social Responsibility Management Manual with reference to the SA8000 certification standards. SA8000 is based on the principles of international human rights norms as described in International Labour Organisation Conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights, including health and safety, freedom of association, working hours and wage standards, the prohibition of child labour and the protection of minors, the prohibition of forced labour, the prohibition of discrimination, the prohibition of unfair punishment, and so forth.

Stella upholds the principles of equality, objectiveness, and focuses on diverse talent development. During the recruitment process, we treat all our candidates in an open and fair manner, providing equal opportunities for everyone regardless of age, gender or gender reassignment, sex or sexual orientation, marital or family status, disability, race (including ethnic origin or nationality), and religious or political beliefs. To ensure full compliance with the relevant laws and regulations, the recruitment procedure is guided by the Group's Hiring Policy & Procedures which are regularly reviewed and updated in accordance with the latest industry practices and regulatory updates.

STELLA'S EMPLOYEE MANAGEMENT PRINCIPLES



The Group engages in open recruitment and adheres to market-based employment practices. To recruit talents, we utilise both online and offline channels like university graduate recruitment programmes, online talent acquisition platform, internal recruitment, and head-hunter referrals, etc. To attract qualified candidates, we have implemented a referral programme and return-to-work programme

that awards suitable candidates with a referral incentive upon successful on-boarding.

Our support for work-life balance has been communicated to all new hires during orientation workshops. In the event of overtime work, we provide overtime compensation in accordance with applicable local labour regulations.

REMUNERATION AND PROMOTION

The Group seeks to provide competitive remuneration packages and clear career paths for our employees. A compensation structure is established based on job duties, knowledge and experiences to efficiently mobilise the work force and advance the Group's strategic objectives.

To build long-term relationships with employees, we launched the Share Option Scheme and Share Award Scheme to grant share options and to award equity shares to selected employees as incentives and rewards for their contribution to the Group, allowing them to profit from the Group's success. We also have a robust employee performance review and promotion system. The Rewards Management Measures will calculate an employee's compensation based on their attendance, experience, and work responsibilities, as well as their professional talents and technical abilities. To demonstrate our appreciation for the accomplishments and zeal of our employees, we offer promotions to those whose work ethic, professional skills, and overall performance are exemplary.

As a business operating on a regional scale, our remuneration system is continually evaluated in accordance with the local government decree, industry and regional standards, as well as market circumstances. In addition to basic salary, Stella has established a performance-based incentive pay structure that covers all employees, with the primary goal of recognising employees' performance and commitment to the Group, and of retaining and motivating skilled and experienced employees to work towards the Group's prospective growth and expansion.

HOLIDAYS, WELFARE AND BENEFITS

We cultivate a strong sense of belonging and engagement in our employees by providing a variety of benefits that go beyond the conventional wage and benefits package. Employees are entitled to paid annual leave, marriage leave, and maternity leave, as well as subsidies according to their ranks, positions and years of service. We also offer non-compensation benefits like pension and retirement benefits to preserve employees' interests. We participate in defined contribution retirement schemes organised by local government bodies² in the PRC, Vietnam, Indonesia and other countries

where we operate. Through providing pension contributions and retirement benefits, we express our dedication to supporting our employees even after their tenure with us has concluded.

During the Reporting Period, Stella continued to implement a number of initiatives to demonstrate our care to employees, reflecting the Group's philosophy of valuing our employees as key assets and fostering a positive and supportive workplace. The initiatives include:

- Transport allowance
- Meal allowance
- Housing allowance
- Overtime compensation
- Free vision test and eyeglasses for workers in need
- Health check-ups
- Subsidies for workers in need
- Birthday and holiday gifts
- Outstanding employee awards



² The retirement and pension related laws and regulations that might be relevant to the Group include the Labour Code 2019 of Vietnam, Social Insurance Scheme of the People's Republic of China, and Pension Fund Law of Indonesia.

SMART STELLA PROGRAMME

SMART BADGE

We consider the recently implemented Smart Badge to be the pivotal element in our endeavour to connect our workforce with the digital facet of our Group's business. The digital badge acts as a unique identifier for our employees, helping us to ensure a safe workplace for our employees and safeguard the intellectual property of our brand customers.

We utilise the Smart Badge to regulate employee access to various sections of the workplace and specific machinery. For instance, we divide our brand customers' production lines into different zones, to ensure that only authorised personnel have access to designated zones. At the same time, we use the Badge to forestall unauthorised access to machineries, ensuring that only properly trained employees can operate them, which helps prevent industrial accidents.



30%

of our employees in China already integrated into the digital network

During the Reporting Period, we issued more than 4,000 identification cards across four of our factories, paving the way for approximately 30% of our employees in China to integrate into the digital network that our Group is developing. The Smart Badge has allowed us to enhance our employee management capabilities, while simultaneously ensuring the safety and security of our employees and brand customers. In the near term, we intend to continue expanding the coverage both horizontally and vertically, encompassing employees across diverse geographical regions and working levels.

DIVERSITY AND INCLUSION

RESPECT FOR LABOUR RIGHTS

Stella strives to treat our employees with respect and care, we take our responsibility to take care of our people seriously and is committed to providing a supportive and inclusive workplace.

Apart from implementing employee-friendly initiatives to demonstrate our empathy to our people, we have also established formal procedures to support employees' freedom of association and collective agreement. Labour Unions established at factories according to local laws and regulations serve as one of the communication channels to bridge employees and the management. We maintain a close relationship with labour unions and view them as representatives of local employees.

The Group upholds respect for employees' right to freedom of association and recognise the legal labour unions established by employees. Employees are free to join labour unions. We respect their right to negotiate with, communicate and interact with the management. When consensus has been reached between the employer and employees, labour unions of those regions may sign Collective Bargaining Agreements (CBA) with local branches of the Group. The unions can also jointly hold relevant employee caring events and activities with the Group, enhancing the communications between the

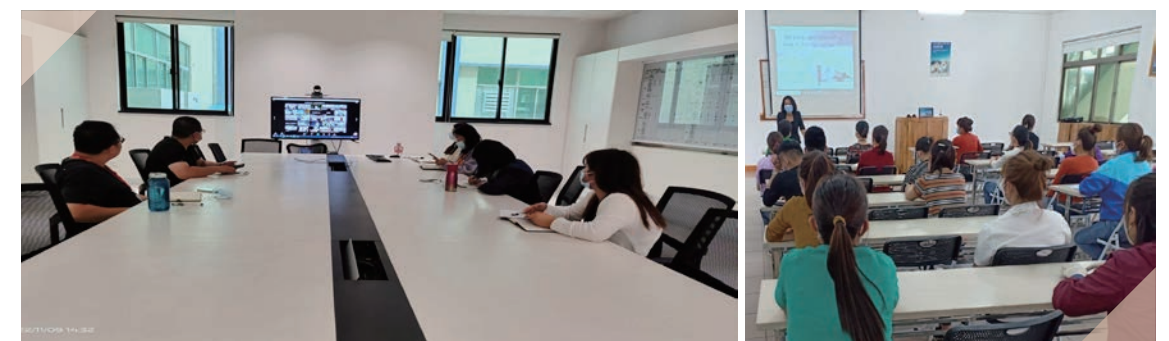
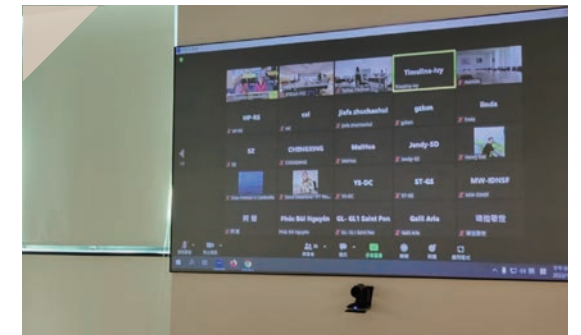
Group and employees. Collective Bargaining Agreements were made under agreement between the employer and employees at the Group's factory sites. The Group always take the initiative to discuss with labour unions on issues regarding employees' welfare and rights.

Employees are free to voice out their thoughts towards the Company through labour unions. For example, in case of dismissal of employment related to operational changes, we prioritise communication with both the affected employees and labour union. On top of full compliance with the local labour laws and regulations, we also provide support during the dismissal process, including assistance to alternative positions within the group. Compensation that is commensurate with an employee's length of service in accordance with legal requirements will also be provided. The Group strives to build a harmonious employer-employee relationship, and the minimum notice periods regarding operational changes are given according to local labour laws.

EQUAL OPPORTUNITIES, DIVERSIFICATION AND ANTI-DISCRIMINATION

The Group is an Equal Opportunity Employer in all our operational locations and is committed to comply with the principles outlined in conventions that protect women and employees, such as ILO Convention No. 190, No. 111, as well as the Committee on the Elimination of Discrimination against Women.

We treat all employees equally, irrespective of their gender, age, race, ethnicity, nationality, political status, creed, marital status, maternity status, sexual orientation, disability or any other factors that are irrelevant to their work competence. And as our society grapples with racial and gender injustice, at Stella, we take it upon ourselves to address such issues within the Group and our communities.



■ Anti-harassment training

Diversity and Inclusion

For example, the newly established Workplace Gender Equality Management Procedure in 2022 underscore our commitment to diversity and inclusion in the communities where we work and live. The procedure has clear guideline at workplace in relation to:

- Employment Opportunity
- Career Development
- Remuneration
- Anti-violence and the Prevention of sexual harassment
- Maternity Protection
- Health and safety
- Welfare
- Collective Engagement
- Employee Satisfaction Enhancement

We practice an inclusive hiring process for a diverse workforce by posting jobs with inclusive language and creating diverse interview panels. In 2022, women accounted for 80% of our global workforce and 41% of our leadership positions are taken up by our female employees. In addition, we also put our efforts on hiring and promoting employees into leadership positions to cultivate equal opportunities for all to excel in their careers. We encourage professional and personal development by providing training opportunities for our employees to equip them with professional skills and knowledge

Stella strictly prohibits all forms of sexual discrimination; we respect women's value in the workplace and strive for a harmonious relationship between employees. In addition, the Group has collaborated with brand customers to organise training that equip managers with knowledge on gender equality and management skills to maintain an inclusive and respectful workplace.



▪ Gender Equality Training

In 2022, women accounted for

80%
of our global workforce

41%
of our leadership positions

Diversity and Inclusion

on financial literacy, health and safety, time management and career advancement. During the Reporting Period, 100% of our general staff are trained, equivalent to 3.6 hours of average training hours, increasing by 57% from 2.3 hours in 2021.

During the Reporting Period

100%

of our general staff are trained, equivalent to 3.6 hours of average training hours, increased by 57% from 2.3 hours in 2021.



▪ Nursing Room in our factories

The Group strives to cater to our employees' different needs and value their physical and mental well-being. As part of this commitment, we provide nursing rooms in our factories to create a mother-friendly working environment. We also ensure that pregnant staff are not assigned tasks that could be harmful to their health, as well as exempting expectant mothers who are over seven months into pregnancy from night shifts or overtime.

As the majority of our employees are female, Stella also provides additional female-oriented

health check-up for our female employees in 2022. The scheme includes screening tests for breast and cervical cancer as it is one of the major concerns of female health.

Our staff can report discriminatory behaviour to the management through different channels covered in the Engagement and Communication section of this report. During the Reporting Period, we did not receive any substantiated claims of harassment or discrimination relating to pregnancy and maternity rights or gender discrimination in 2022.



▪ Additional health check-up arranged for female employees

RESPECT FOR CULTURE DIVERSITY

We respect and celebrate the multi-cultural and diverse backgrounds of our employees and promote an inclusive work environment. We seek to accommodate their needs and promote the different cultures. For instance, a prayer area is established in factories in Indonesia for employees who reside there. We also organised different activities to celebrate various cultural occasions with our employees. During the Dragon Boat Festival in China in 2022, Stella organised a departmental tug of war for a friendly match of strength and our

manufacturing plant in Bangladesh held an annual cricket match. The cricket match has become a highly anticipated event in the workforce, with the different departments coming together for a friendly competition. These activities promote a healthy and active lifestyle and allows employees from different departments to mingle. Both participants and spectators of these activities were able to interact outside of a work setting and foster strong relationships, as well as learn about the cultures of different ethnicities.

Celebrating cultural events with employees



■ Mooncake distribution in Mid-Autumn Festival



■ Tug of War competition in Dragon Boat Festival

The award presentation stage for 2022 was adorned with local decorative elements, reflecting Bangladesh's unique customs and traditions. Participants of the match were wearing uniforms, fostering inclusion, integration and cohesion among employees.

Respecting cultural and ethnical diversity



■ Opening ceremony



■ Exciting games and matches



■ Celebrating the win



■ Award presentation

ENGAGEMENT AND COMMUNICATION

SOCIAL ACTIVITIES

Stella understands the importance of the well-being of our employees. We organised various recreational activities with the aim of fostering our employees' sense of belonging and strengthening team spirit. Team building events where employees learn about teamwork and adaptability to changing circumstances were organised during the Reporting Period. Our employees enjoyed the exciting games and were able to build rapport with one another outside of the work environment.



One such example is the team-building exercises, which are intended to motivate workers to collaborate towards a common goal. The activities consist of a series of engaging games that challenge players to depend on one another, communicate effectively, and adjust to changing conditions as the games advance. This practice teaches employees essential lessons in cooperation, communication, and adaptation that can be applied to both their professional and personal lives. In addition, the activity gives a chance for employees to develop ties with their colleagues outside of the workplace.



■ Slogan contest

■ Cheering team

EMPLOYEE COMMUNICATION

Stella is devoted to enhancing dialogue between employee and management through active engagement and the communication channels that were put in place. We want to cultivate a speak-up culture where all employees feel included and that their opinions and concerns are valued, so that when employees face obstacles, disputes or unfair treatment at work, they will feel comfortable voicing it out through the available communication channels.

Employees are also encouraged to interact with us through social media, suggestion boxes, emails, employee forums, newsletters, etc. If employees prefer to contact top management directly, they can do so via the Chairman's mailbox.

A dedicated Employee Hotline has been established for employees to voice their concerns and grievances at work. Also, posters are displayed in our factories to make it easy for employees to learn about the Hotline.

In your daily work, if you've found:

- Violation of company system, laws and regulations
- Non-fairness, in-justice, and/or black-box operations
- Corruption & Bribery
- Security Risks

Please immediately report it through **Reporting Email** and/or **Reporting Hotline**.

Strict Confidentiality is guaranteed.

Reporting Email : Stella.Hotline@stella.com.hk
 Reporting Hotline : **+86 (769) 3893 8889 ext. 1836**
 *VOIP Dialing : **7 + 521 + 1836**

EMPLOYEE RELATIONSHIP

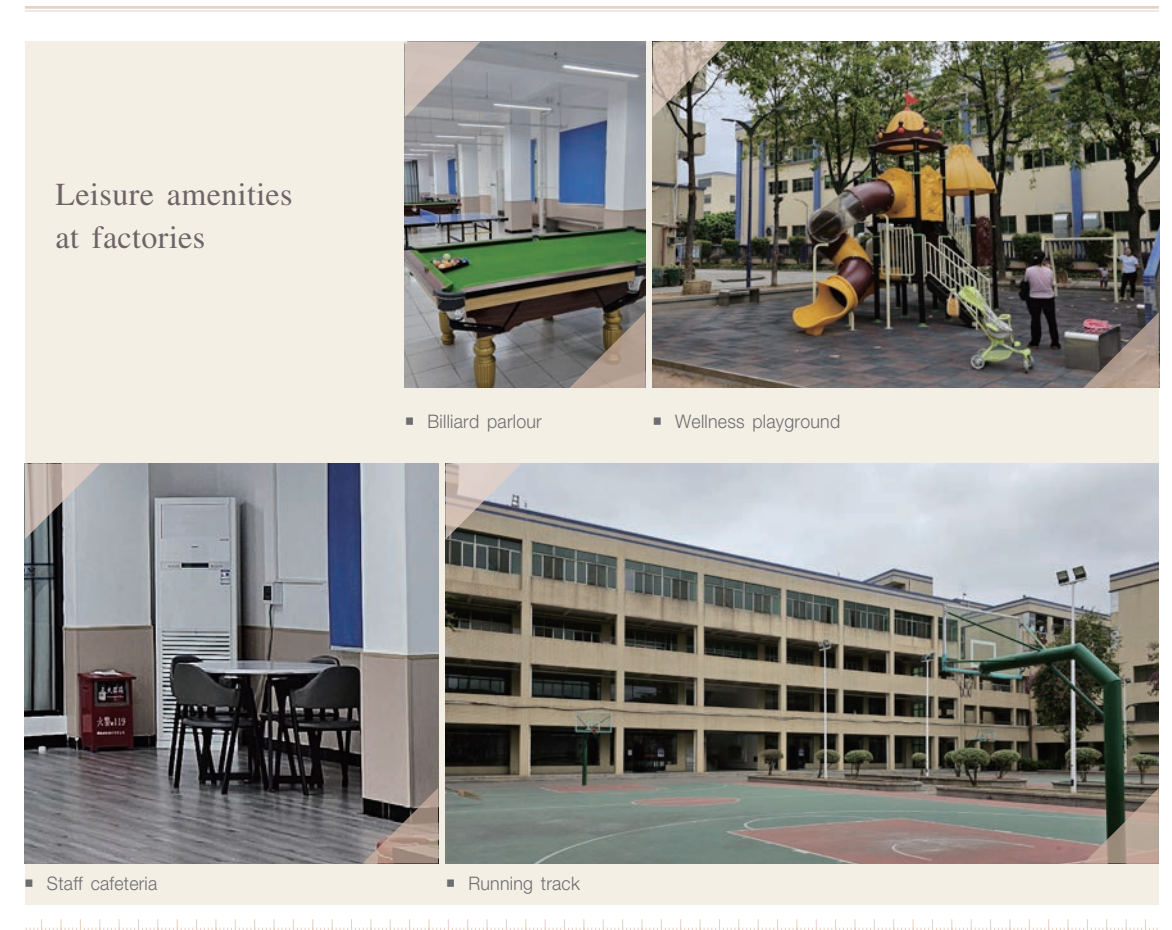
Employees are actively engaged from time to time through interviews and surveys. We leverage on the constructive suggestions provided by our employees to improve their workplace experience and enhance our employee management standards. We introduced Employee Satisfaction Survey in our factory to help improve employee engagement.

Through the findings of the Employee Satisfaction Survey, the Group can identify and address issues related to human resources as well as operational management. Our employees were mostly satisfied with the working experience we provided. Over the last 3 Reporting Years, there were no strikes nor lock-outs events happened over the past 3 years due to employee dissatisfaction.



The Group embraces the well-being of its employees and has created a comfortable and well-equipped working environment where employees can be productive and make meaningful contributions.

For instance, our factories are equipped with staff cafeterias that provide workers with a selection of nutritious and delectable meals. In addition, staff quarters are built with amenities such as playgrounds, billiard parlours, and other amenities, providing our employees with a pleasant place to stay.



By offering these facilities, the Group not only provides our employees with comfortable living environment, but also offers a feeling of community and camaraderie among them.

At Stella, we endeavour to build a close relationship with our employees, and to provide assistance in accordance with those needs. We conduct home visit activities to connect with our employees and communities. We visit disadvantaged employee families and gift household electric appliances such as fan and rice cooker for their necessities. We strive to enhance the overall life quality and sustainable development to the society through connecting with the families and communities of employees.

Engagement and Communication

External recognition for employee practices

Stella has received external recognition as employer of choice for two consecutive years. For example, our factory in Philippines has once again been awarded the Top Employer Award and the Best HR Practices Award by the Authority of the Freeport Area of Bataan (AFAB) for our efforts in maintaining a pleasant workplace. This motivates us to further improve our employment and labour processes to meet the varied demands of our workforce.



■ Employer award

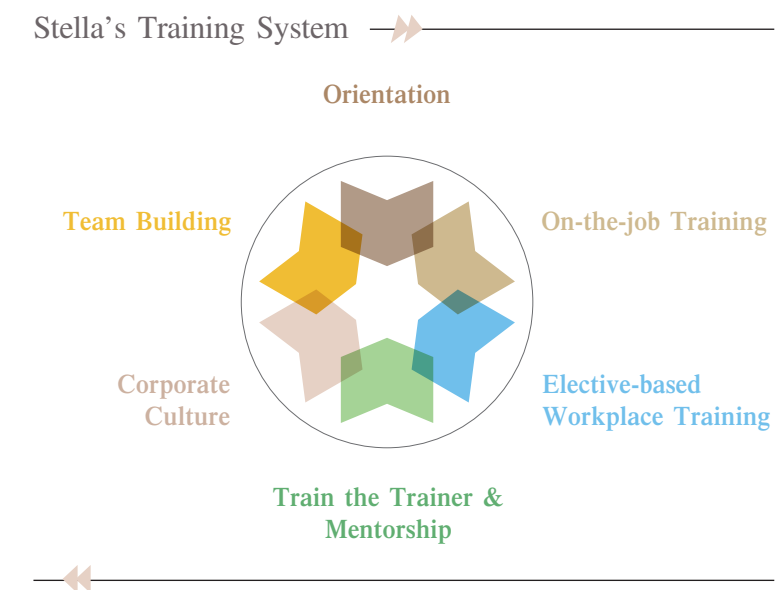


CAREER DEVELOPMENT AND EDUCATION

TRAINING SYSTEM AND STRUCTURE

Stella continues to drive employee development to empower our people to become purpose-driven, transformational leaders with the mind and skill sets to distinguish themselves in the marketplace and assist in delivering long-term value to our clients. We have established the Annual Training Plan which incorporates the Group's missions, vision, management strategy and goals, and this is provided to all employees, regardless of gender, race, rankings at work, etc.

The training plan covers the following areas: orientation training, on-the-job training, elective-based workplace training and mentoring and rotation. Our comprehensive range of training courses allows our employees to develop and hone their professional skills for career advancement. This will help them make positive contributions to the business and drive the Group's performance.



TRAINING MODEL OF STELLA

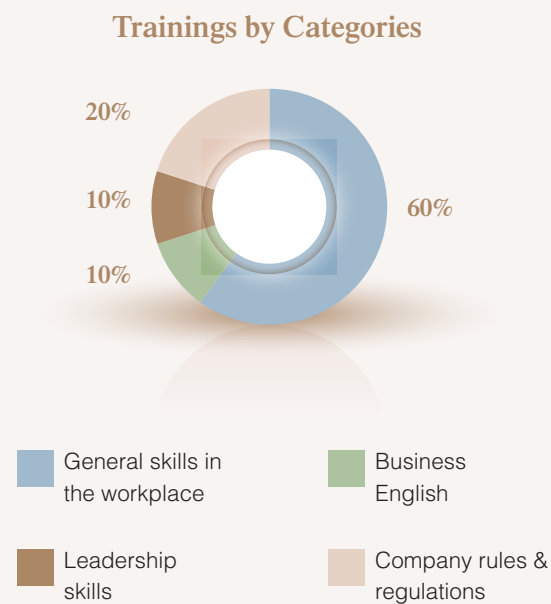
Orientation

As part of the on-boarding process, all new hires attend orientation course covering topics on corporate social responsibility and internal Code of Conduct. During the Reporting Period, we expanded the coverage to enable our employees to gain an in-depth understanding of corporate responsibility, ethical standard and other basic rules and

regulations at work before they formally start at their jobs. All employees are required to study the Employees' Handbook during orientation, which includes critical information such as policies and information on anti-bribery and anti-corruption. 100% of our new hires attended the orientation course during the Reporting Period.

On-the-job Training

Stella provides our staff with a comprehensive training plan that encompasses all aspects of professional development. We provide on-the-job knowledge training and business English classes to equip employees with the skills required for their job duties. Since the fourth quarter of 2022, all factories started arranging leadership training for our employees. The leadership training programme was developed based on the Stella Leadership Standard to bring clarity on what we expect from our leaders and help our employee to perform at their best.



The Group's leadership training and development programme focuses on situational leadership, which is built on the interplay between the competence and dedication of workers and the leader's supporting and directing actions. We intend to include the concepts of diagnosis, adaptability, and collaboration into the training context in order to familiarise future leaders with different leadership styles and allow them to effectively manage their subordinates. The leadership training is also supplemented by business scenario coaching to offer opportunities for participants to use their newly acquired abilities. The resources for leadership training are available to all of our staff. The programme is designed to align with our mission and vision, as well as our business strategies and objectives, and we aim to develop leaders and professionals through it. In addition to the leadership training programme, the Group's

training activities throughout the Reporting Period covered corporate ethical standards. Employees are trained on the importance of upholding high ethical standards and are encouraged to report any suspected ethical infractions.

Other areas of training covered technical aspects and workplace safety. Trainings on technical skills like chemical use, machinery operation and toxic chemical management, as well as workplace safety were also conducted during the Reporting Period. This allowed our employees to strengthen their professional and technical capabilities and gain practical knowledge to prevent injuries at workplace. During the Reporting Period, our employees, cross-functional management teams and the Board accumulated around 150,000 hours of training in total, an increase of over 55 % compared to 2021.

Total training hours increased by over

55% to 150,000 in 2022.

Trainings were provided to our employees, management teams and the Board on leadership, business ethics and topics relevant to their professional development.

Career Development and Education

Elective-based Workplace Trainings

To provide well-rounded professional development opportunities for our employees, in addition to the mandatory trainings stated above, optional courses on soft skills such as Business English and workplace communication are made available to our employees for their career development. These elective-based trainings are conducted by external professional tutors and employees may choose to attend courses of interest to them.



■ Employees being proactive in class



■ Employees being awarded the certificate



■ Business English class

The Business English course focuses on developing language skills necessary for effective communication in a professional setting. We aim to enable employees who complete the course to increase their confidence in professional interactions and boost their ability to effectively navigate the global business landscape.

We also organised presentation skills training sessions for employees. Those who attend this training will benefit from improved presentation skills, increased confidence in public speaking, and the ability to effectively communicate ideas and information to others.



Career Development and Education

Train the Trainer & Mentorship

At Stella, we believe the quality of our training as well as that of our trainees are important in helping unleash the potential of our employee. The Internal Trainer Programme was put in place to achieve this. Eligible staff who received the internal trainer qualification can organise and conduct training course for employees. Junior trainers who have conducted the required hours of training and obtained positive feedback from participants are eligible for promotion to advanced trainers. Trainers will receive awards based on results of the satisfaction survey. This provide incentives to trainers to continuously provide high quality training to fellow employees.

As part of succession planning, as well as promote staff retention and motivation, Stella has established the Future Leaders Development Programme. This allows aspiring leaders to train under mentorship with rotations to different functions and divisions. Selected employees will have the opportunity to develop managerial skillsets prior to their promotion to managers.



■ An Internal Trainer Award ceremony was also held to recognise outstanding trainers.

DIGITAL LEARNING PLATFORM

We plan to optimise a hybrid training model in the future to enhance the accessibility of our training courses and materials for all our employees. This would allow our employees and management the flexibility to learn at their own time and pace.

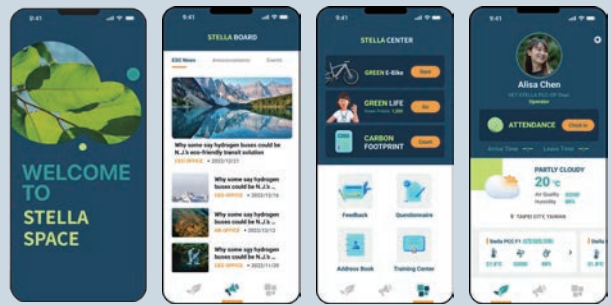
SMART STELLA PROGRAMME

STELLA APP


We consider the Stella APP to be a significant step in our digital transformation journey within the Group. We foresee that in the coming year, the APP will act as a training platform where training materials are disseminated and our employees will have unlimited access to instant learning tools. Employees will be able to customise their learning progress according to their own schedule and pace, while the Group can conveniently manage and track the training progress of our employees on the same platform.

Two-way Communication between the Group and Employees

The APP can serve as a unified employee engagement channel, allowing the Group to push forward online training materials and our employees to provide feedback. Communication platforms, such as email or WeChat, can also be integrated into the APP, allowing trainers and trainees to interact more efficiently.

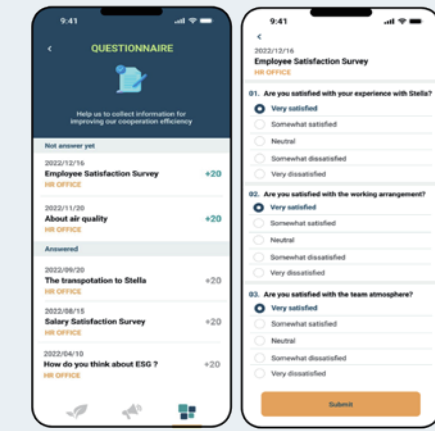


User Interface For Reference Only

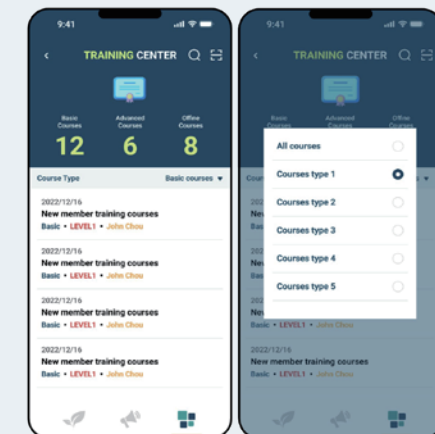


In the future, we want to introduce award badges and certificates for our training course to help our employees' ongoing education and self-improvement journey. To acquire a badge, the employee will need to complete the course and satisfy the relevant criteria. We will continue to engage employees on our course offerings and collect their feedbacks to enhance our employee development in the future. Their feedbacks will be considered as we update our learning and development strategies, training priorities and tools.

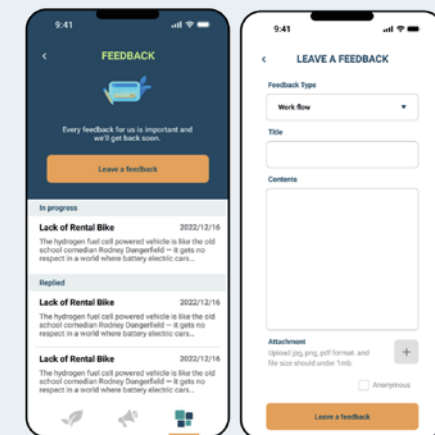
The Stella APP represents our commitment towards employees' continuous growth and development. We plan to continue to explore the functionality of Stella APP and establish a digitalised and sustainable ecosystem in our factories.



Survey/Questionnaire



Training Centre



Feedback

HEALTH AND SAFETY

HEALTH AND SAFETY MANAGEMENT STRUCTURE

Stella strives to create a safe and healthy working environment for employees. Our global Environmental, Health and Safety (“EHS”) management system oversees the Group’s policies and procedures aimed at safeguarding the health and safety of our employees and complying with all legally mandated standards. Two focus areas are underpinned for our ESH mechanism: employee health and workplace safety. During the Reporting Period, there was zero non-compliance case in relation to workplace health and safety laws and regulations.

Major factories of us are certified by ISO 45001 Occupational Health and Safety Management System. The quality of our products are verified against stringent standards established by our brand customers, covering concerned topics including chemical safety, raw material sourcing and health and safety. The Group established risk identification protocols and conducts regular risk assessments to identify workplace hazards effectively. For the hazards identified including food safety, machinery safety, fire control, and hazardous chemical contamination etc., we will take remedial actions and set up relevant risk control plans. For example, the area marked with risk will be labelled and closely monitored to protect the health and safety of our employees.

Every employee has a role to play in upholding our EHS standard. The Group holds regular EHS meetings to review and evaluate prevailing and potential health and safety risks at workplace with the participation of different stakeholders, including labour union representatives, members from upper management, CSR department, and operation managers. We undertake EHS trainings and communicate regularly with our employees to foster and maintain esprit de corps. Employees are encouraged to report possible workplace concerns via various reporting channels, including the whistleblowing channel, email, and employee hotline without fear of retaliation. The total lost days due to work injuries reduced by 22.6% year on year to 2,305 days in 2022. The efficacy of our health and safety management systems is analysed on an annual basis and is reviewed by our senior management team for future improvements.

During the Reporting Period, one of our employees suffered sudden cardiac arrest. The factory’s doctor promptly responded to the scene and contacted the emergency services immediately. However, despite the best efforts of the doctor and emergency services, it was reported that the employee passed away eventually. Further investigation revealed that the employee resumed work in accordance with doctor’s advice after

taking full medical leave. The employee did not communicate his discomfort to his supervisor during working hours. Although it was an isolated incident, we took it very seriously and conducted a thorough review of the incident. We have also developed and implemented remedial measures for factories to prevent similar incidents from occurring in the future:

- **Conducting a health check on factory employees as needed;**
- **Filing of complete medical record for tracking purposes; and**
- **Ensuring that the health conditions of employees with serious illnesses are constantly monitored and revisited.**

It is our top priority to ensure the safety and well-being of all our employees, and we remain committed to taking proactive measures to prevent incidents and maintain a safe working environment. We understand the importance of open communication between employees and supervisors, and we will strive to improve

communication channels to ensure that all employees feel comfortable discussing their health concerns with their supervisors. The Group will continue to improve our management system, machinery and equipment, and safety procedure to minimise occupational injuries in the future.

OCCUPATIONAL SAFETY

We make our best endeavours to enable all employees to work safely in accordance with the Occupation Health and Safety Procedure. We also instituted annual centralised audits at all of our plants worldwide, including the PRC, Vietnam, Bangladesh, Indonesia and the Philippines, to ensure all health and safety initiatives including the following measures are being implemented across all factories, including:

- Chemical:** Storage of chemicals should adhere to the guidelines outlined in the Material Safety Data Sheet (“MSDS”). For instance, chemicals should be temporarily stored in a place which commensurate with their danger level within a limited period of time; the storage capacity should not exceed one day and one night. Chemicals must be adequately controlled, from the managing staff to the security of warehouses.
- Preventive measures:** Put up substantial number of notice boards throughout our factories to reinforce awareness of workplace safety procedures; Installing protection devices (such as widened foot stand to avoid falling when moving goods, baffles to prevent hands from being engulfed, and protective covers and sensors to avoid clamping) on the machines.
- Fire:** Employees should be well aware of the Fire Management and Control Procedure and actively participate in fire safety education and training including regular fire drills. To guarantee the smooth flow of evacuation routes, safety exits, and the regular operation of fire extinguishing equipment, it is strictly prohibited to stack goods near fire hydrants, fire extinguishers, and manual alarms. Likewise, it is strictly prohibited to stack products on evacuation passageways.
- Personal protection:** Enforced the use of Personal Protective Equipment (PPE) to minimise the risk of occupational disease; We require all of our staff to wear personal protective equipment when working in noise sensitive areas for hearing protection.

The Group will continue the call for modernisation of production, including acquiring machinery and equipment that is ergonomic and user-friendly, to promote people-oriented management approach.

To ensure a solid implementation of the Group’s safety measures, we organise regular trainings, workshops, and health talks to enhance our employees’ awareness of workplace health and safety procedures and the Group’s standards. The mandatory training list covers the use of personal protective equipment, chemical management and fire safety. During the Reporting Period, we have offered sufficient occupational safety courses for all levels of employees.



PROMOTING A HEALTHY LIFE



■ Arranging PCR Test for employees in China

Throughout 2022, we continued to promote a variety of measures to safeguard the health of our employees throughout our value chain, such as conducting regular inspections of employee canteens to ensure food safety.

COVID-19 continues to be a major international concern in 2022, and thus Stella has been prioritising the health and well-being of our people during the pandemic. The Group has implemented a variety of healthcare-related initiatives. We set up a new set of hygiene and sanitation principles and

systems, including social distancing, regular sanitisation of workplace and staff quarters, distribution of free face masks, and mandatory daily temperature checks. Other notable back-of-house initiatives included the arrangement of on-site COVID-19 vaccination and testing that allows our employees to have quick access to vaccines and PCR tests. As a result, the employee vaccination rate at the Group's factories is higher than 90% by the end of 2022.



We also took extra steps to support our workers' mental health which may have been affected by the prolonged COVID-19 pandemic. For instance, we arranged a day trip to Chimelong Water Park for our staff and their families in China.

SMART STELLA PROGRAMME

TVOC MONITORING PROJECT

We make ongoing efforts to ensure a safe working environment for our employees and this includes air quality. As part of our measures to protect our employees' health, Stella started a pilot project in 2022 to install total volatile organic compounds (TVOC) sensors in two of our factories to monitor the emission of VOC. The real-time monitoring system will lay the groundwork for us to design strategies to enhance the in-door air quality at our factories and facilitate emissions control in accordance with the emission requirements established by local authorities and our environmental commitments.



Exposure to high levels of VOCs can cause a range of health problems. The installation of TVOC sensors reflects that Stella is taking proactive measure to further defend the health and safety of our factory employees. With the incorporation of an alert system, the TVOC monitor will also be able to inform the workers promptly if the TVOC concentration becomes excessive, enabling them to respond to potential hazards in a timely manner and reducing the risk of adverse health effects.



■ TVOC filter ■ TVOC monitor

The installation of TVOC monitors in our factories will enable real-time environmental monitoring and data analysis, allowing us to identify areas with higher levels of VOCs. With this information, we can prioritise the installation of additional TVOC filters in locations where the risk is higher. This multi-layered approach will not only help protect our employees from the potential

health hazards but also promote a safe working environment for our staff. By reducing the number of VOCs released into the environment, we can minimise our carbon footprint and the impact on the environment surrounding our production sites. This programme demonstrates Stella's commitment to both the health and safety of our employees and the preservation of our environment.

TWO LINES OF DEFENCE

TVOC monitor

Monitoring and analysing the concentrations of TVOC in factories

TVOC filter

Priority will be given to installing filters of specific areas according to the monitors' results

DAMAGE PREVENTION AND CONTROL MANAGEMENT

Emergency evacuation plans are developed at all factories according to the potential risks. Buildings are equipped with fire alarms and fire extinguishing tools, which are inspected and tested regularly, to provide protection against fire risk. The emergency exits and evacuation routes are clearly marked in every plant.

We conducted emergency drills, such as fire drills, on a regular basis to ensure employee safety in the event of an emergency or accident.



We also arranged first aid training on a regular basis to equip employees with useful survival skills. For example, first aid specialists were hired to conduct the training that includes the use of Automated External Defibrillator ("AED"), to increase our employee's knowledge on AED.



PRESERVING OUR PLANET

Stella's development and success require a variety of inputs, including energy for production lines and natural resources for supply chain. We recognise the interconnected, complex and unpredictable nature of climate change, and are committed to revamping our products through the lens of sustainability and circularity, to take product carbon footprint and climate change into account and reduce pollution from the utilisation of resources. We focused on sourcing for responsible raw materials, using fewer types and less quantities of contaminating chemicals and making products in a more environmentally friendly way. By embedding the same mindset into how we manage our product lifecycle, we seek to reduce environmental impact across our entire value chain, from manufacturing and distributing products to operating our offices, factories and selecting upstream suppliers.



PRODUCT CARBON FOOTPRINT AND CLIMATE CHANGE

Our ESG Strategy outlines our pledge to conduct business in an ethical and responsible way, requiring all departments to follow and ensure compliance with environmental laws⁴, regulations and specified expectations stipulated by our brand customers, at our operating locations. During the Reporting period, there was no non-compliance case in relation to environmental laws and regulations in all operating regions of our business.

GROUP ENVIRONMENTAL TARGETS

Aspects	Targets defined in 2021	Progress as of 2022
Greenhouse Gases Emissions	To achieve zero growth in absolute greenhouse gases emissions by 2025 To reduce greenhouse gases emissions intensity (scope 1 and 2) by 15% by 2025 from a 2021 base year	Achieved negative growth in absolute greenhouse gases emissions
Electricity Consumption	To reduce electricity consumption intensity by 15% by 2025 from a 2021 base year	Reduced electricity consumption intensity by 2%
Renewable Energy	To construct on-site renewable energy infrastructure up to 40MW scale by 2025, which is forecast to supply 15% of energy across all of our operations	Installed 10.85 MW scale of solar panel, supplying renewable energy equivalent to 4% of our total electricity consumed
Water Consumption	To reduce water consumption intensity by 15% by 2025 from a 2021 base year	Reduced water consumption intensity by 16%
Waste Generation	To reduce total waste generation intensity by 10% by 2025 from a 2021 base year	Increase in non-production related waste has resulted in an 8% rise in the intensity of total waste generation

Stella has defined goals to encourage energy conservation and emission reduction among our manufacturing plants and upstream suppliers. Through advocating green operations across our value chain, from upstream supplier to downstream customers, we firmly believe that we can play a pivotal role in battling climate change and meet the carbon reduction pledges.

⁴ Our Group has complied with the requirements as set out in local environmental protection laws and regulations (including but not limited to the Law of PRC on Environmental Protection (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the PRC on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Guangdong Regulations on Prevention and Control of Environmental Pollution by Solid Wastes (《廣東省固體廢物污染環境防治條例》) and the relevant environmental protection laws and regulations in Bangladesh, Indonesia, the Philippines and Vietnam).

Product Carbon Footprint and Climate Change

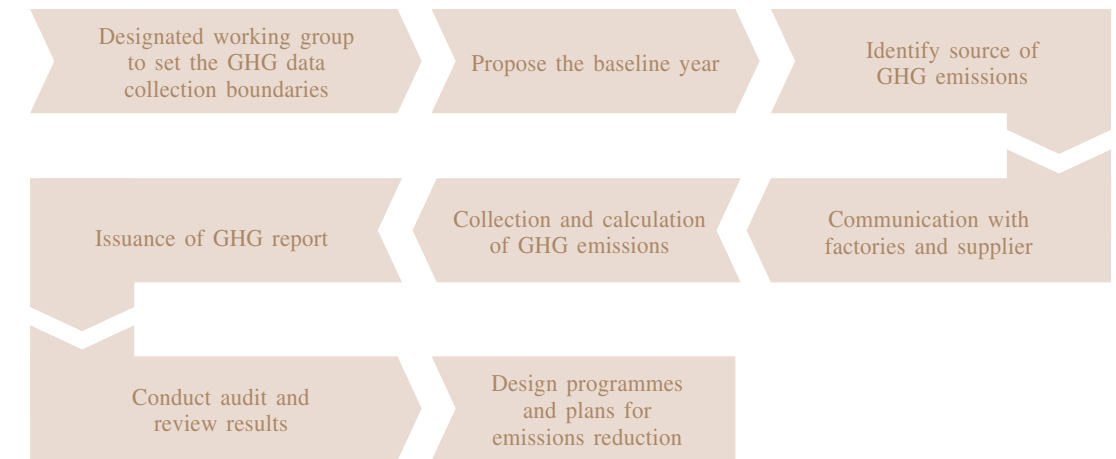
MANUFACTURING ENERGY MANAGEMENT

In 2022, Stella made strides towards our goal to achieve zero growth in absolute greenhouse gases emissions by 2025. The total Greenhouse Gas (GHG) emission reduced by 0.1% as compared to 2021. The greenhouse gas emission generated by footwear manufacturing, such as carbon dioxide,

methane and nitrous oxide, are produced mainly from the use of electricity.

The Group has set an Environmental, Health & Safety Committee and in our every factory responsible for the control and monitoring of emission of GHG identified by Intergovernmental Panel on Climate Change ("IPCC").

GHG Assessment and Reporting



Product Carbon Footprint and Climate Change

Carbon intensity assessment is present at all stages of our operation. GHG emission data is collected and calculated for the generation of GHG Report, which embedded the results of carbon and energy intensity assessment at all production stages. The Group will then make use of the historical data to enhance targets defined and measures implemented to meet environmental-related goals defined by regulatory bodies.

We devised a variety of programmes and plans for emissions reduction to suit each of our factories. For example, heating panels have been identified as a key source of GHG emissions, accounting for a large proportion of our electricity consumption. While driving towards energy conservation, we continue to upgrade our machineries to improve their energy usage efficiency. We are planning to introduce new energy-saving heating panels to reduce heating time and minimise energy inefficiency during the process, which will enable us to

reduce more electricity consumption. In the future, we will continue to upgrade and retrofit our machineries, to fulfil our responsibility for environmental protection and reduce our carbon footprints at production.

Since 2021, Stella has started to install solar panels on the rooftop of our factories, the installation work in 4 factories have been completed as at 31 December 2022, with a total solar power capacity reaching 10.85 MW. The total renewable energy consumed to substitute purchased electricity in those 4 factories was over 6,000 MWh in 2022, equivalent to about 4% of our total electricity consumption, which is estimated to help us offset over 4 metric tonnes of CO₂ equivalent. On top of our solar photovoltaics adoption plan, one of our factories was selected to pilot the implementation of solar water heaters and heat pumps in staff quarters, to replace conventional fossil-fuel-powered boiler.

Product Carbon Footprint and Climate Change

The Group will continue to investigate the viability of accelerating the use of renewable energy in factories. Through a growing suite of

energy consumption reduction solutions, Stella continues to drive emissions reductions towards achieving long-term climate goals.

PRODUCT CARBON FOOTPRINT

To promote best environmental practices, we consider the suppliers' relevant performance when building relationships with them. The Group's Suppliers Management Procedure which applies to all suppliers, standardises our approaches in selecting, auditing, and evaluating our suppliers. Social responsibility audits and evaluations on new suppliers are also conducted to ensure they align with our principles and objectives on carbon emission and energy consumption reduction.

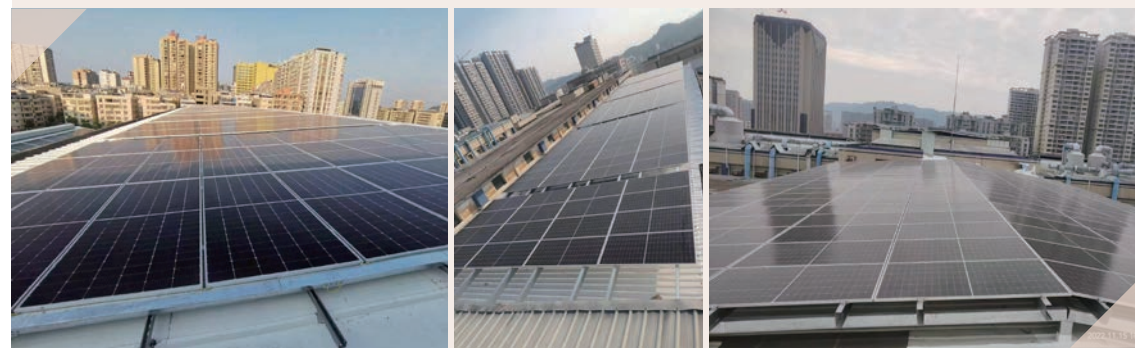
To minimise environmental impact, our Supplier's Principle requires the Supply Chain Management team to engage local suppliers so that product carbon footprint could be reduced in the transportation and logistics stages. Our Energy Consumption Management Procedure and Greenhouse Gases Management Policy also highlights our pledges to give priority to the use of environmentally friendly materials, low-pollution materials, and renewable energy,

and to avoid and prevent pollution in production activities as much as possible.

Going forward, the Group will continue to work with suppliers to track their environmental impact through the adoption of international schemes. We have started to work with our core suppliers to collect their HIGG Facility Environmental Module ("FEM") index performance, to measure their environmental impact during operation through life cycle impact assessment conducted and verified by third party laboratories.

In order to optimise the use of material, eliminate harmful business practices, we initiate systemic changes with our upstream suppliers. We also plan to work with our upstream suppliers for carbon inventory development, emissions calculation and target setting in the future. For more detail, please refer to the SUPPLY CHAIN MANAGEMENT section of the Report.

Solar panel installation at factories



Solar panels installed at factories' rooftop

SMART STELLA PROGRAMME

ASSET TRACKING SYSTEM (ATS)

In 2022, we collaborated with one of our key brand customers to introduce a new product tracking management system.



This technology enables both the Group and the brand customer to trace the location and status of the shoe's samples in real-time. It also enables us to promptly respond to brand customers' questions about the shipping process.

In the future, our research and development team will work on gathering and computing data on carbon emissions during product transportation and upgrading to the ATS, in order to grasp the environmental risks presented by goods and conduct more effective carbon management. To facilitate Smart Stella's digital transformation, it is anticipated that the service would be expanded to encompass more products.

ENERGY MANAGEMENT AND EMISSION CONTROL

We updated our Environmental Protection and Management Policy to outline our employee's role in meeting the Group's environmental objectives. It also outlined our commitment to complying with international conventions, domestic environmental regulations, industry standards, and customer requirements in terms of reducing environmental impact. The high-level Policy interacts with our operation procedures such as: the Energy Consumption Management Procedure and Greenhouse Gases Management Policy, to provide relevant parties a standardised operation procedure in recording, monitoring and managing energy consumption and GHG emissions.

ENVIRONMENTAL PROTECTION AND MANAGEMENT POLICY - HIGHLIGHTS⁵

Objective: The Environmental Protection and Management Policy is formulated by the Corporate Responsibility Department that emphasises prevention and the combination of precaution and control measures. We are committed to protecting the environment, adhering to relevant laws and regulations, implementing continual improvements, preventing pollution, and minimizing the adverse impact on the environment.

Scope: All factories managed by the Group shall follow the provisions of these procedures (in case of conflict with local laws, factories shall comply with all applicable laws and regulation in areas where they operate).

Summary: We aim to build a business environment with low pollution and resources circulation. Various action plans have been developed to reduce environmental impacts, which include:

- providing sufficient operational resources for environmental management
- regularly reviewing and updating policies to comply with international conventions, national regulations, industry standards and client requirements;
- identifying and evaluating environmental risks for factory equipment, work procedures, projects, and incorporate requirements from external stakeholders to monitor the identified risks;
- communicating environmental targets, standards, and performances with relevant parties, including the management and employees;
- prioritizing the use of eco-friendly materials and renewable energy, and avoiding pollution during manufacturing activities;
- utilizing resources reasonably and minimise waste generation through recycling;
- monitoring wastewater, air pollutants and noise pollution through regular facilities checking and maintenance;
- implementing energy-saving measures;
- encouraging suppliers and contractors to minimise environmental pollution;
- enhancing environmental related education and training to raise employees' environmental awareness; and
- establishing an environmental management team to oversee the implementation of these practices.

⁵ Highlights of the Policy is extracted for disclosure purpose.

Product Carbon Footprint and Climate Change

Energy management and emission control have been included in the Group's internal management performance evaluation. Therefore, factories have imposed stringent management and working guidelines for operating with production equipment with high electricity consumption and conduct monthly checks on electricity consumption. On-site audits were conducted at factories and suppliers in Mainland China, Vietnam, Indonesia, Bangladesh and the Philippines. The audit covered the establishment of environmental protection and energy saving policies, onsite management of energy usage, equipment operation efficiency and maintenance status in order to progressively carry out energy inventory management.

SMART STELLA PROGRAMME

OIC & DATA CENTRE

Stella has begun centralizing production data into a new Operations & Intelligence Centre (OIC) solution and Data Centre system in selected manufacturing factories in 2022. Production status can be reflected on the OIC monitor with visualised presentation seamlessly. The data conglomerate produced by each production line can then be aggregated into the Data Centre system, allowing the factory manager and the Group's top management to understand the production status from multiple angles. The solution installed in the selected factories empowers factory managers to make data-driven choices in real time.



■ OIC Monitors at production units



■ OIC Monitors at production units

The Group will continue to explore and develop new solutions to control energy consumption in a smart way. We plan to enhance the functionality of OIC in the future, so that it can gather, optimise, evaluate, and make forecast on statistics on resource utilisation. In case of any abnormal energy consumption, the OIC solution can be configured to report to relevant parties so



■ Data Centre

that we can repair the machineries in time to reduce further energy loss. The solution aligns with our Smart Stella vision in that it provides the groundwork for monitoring the effectiveness of our resources-efficient measures and achieving sustainable management in the long run.

Product Carbon Footprint and Climate Change

CLIMATE CHANGE RISKS MANAGEMENT

Stella is aware of the risks and threats posed by climate change. We understand that the Group has an obligation to mitigate the effects of climate change, which we believe that we can utilise our capacity and cooperate with our peers to fight against. We strive to reduce our energy consumption and emissions at our factories and increase renewable energy usage in line with our Environmental Protection and Management Policy, Energy Consumption Management Procedure and Greenhouse Gases Management Procedure.





In addition to compliance with internal and external regulations at factories in different countries, the Group has also achieved results through energy-saving projects initiated by individual factories and the gradual replacement of high polluting and high carbon emission fossil fuel to achieve energy-saving and carbon emission reduction at factories.

Source of Energy Consumption	Energy-saving and carbon emission reduction initiatives
Production Unit	<ul style="list-style-type: none"> Installed rooftop solar panels of 10.85 MW scale in total in our factories to promote the adoption of renewable energy Introduce new automated assembly technology in our production process to reduce energy consumption The manufacturing units impose stringent management and working guidelines for production equipment with high electricity consumption In addition to regular patrol by electricians, equipment maintenance department monitors and guides each department's energy consumption and rectifies any wastage such as leakage of compressed air. Identified leakage will be fixed to avoid electricity wastage Prior to the purchase of any machinery equipment, respective departments will assess the energy consumption of the equipment, and select the machine types with higher energy efficiency if suitable
Lighting	<ul style="list-style-type: none"> Use energy-efficient lighting equipment; and adopt natural light wherever possible

Product Carbon Footprint and Climate Change

Source of Energy Consumption	Energy-saving and carbon emission reduction initiatives
Air Conditioning	<ul style="list-style-type: none"> The temperature of working environment is monitored and adjusted to suit each department's work activities. Temperature for the air-conditioning of offices is set at 26°C during summer; whilst in workshop, energy efficient cooling equipment such as water curtain, high-volume-low-speed fans and insulation of heat generating equipment are implemented to maintain comfort working environment with minimal energy consumption
Heating	<ul style="list-style-type: none"> Implement residual heat recovery system Adopt solar water heating and compress air heat recovery system for hot water supply
Motor Vehicles	<ul style="list-style-type: none"> Record car mileage, maintain and repair motor vehicles timely to reduce inefficient petrol consumption






The Group has conducted an internal risk assessment to identify potential climate risks that are material to its operations, and to evaluate the likelihood and impacts of each risk type, which are presented in a rating scale from low to high. The findings are summarised below:

Climate Hazard	
 INCREASED ENERGY COST Risk Rating: High ★★★★★	 FLOODING Risk Rating: Low-Medium ★★
 EXTREME HEAT Risk Rating: High ★★★★★	 WATER STRESS Risk Rating: Low-Medium ★★

Product Carbon Footprint and Climate Change

Climate change is one of the key factors to be considered in the development of new initiatives and procurement of equipment to avoid or reduce loss on the Group's assets and business operations, and to actively capture the opportunities posed by climate change. Increasing financial and regulatory costs associated with energy-related issues have become crucial management concerns for the Group's production processes. The Group adopted two main approaches, to mitigate climate risks and to enhance assets' adaptive capabilities in face of climate change.

Key Climate Risk & Mitigation/Adaption Measures

INCREASED ENERGY COST DUE TO POSSIBLE CARBON TAX AND ENERGY SHORTAGE  Reduce energy intensity by 15% through energy efficiency management	FLOODING RISK  Ensure that drainage systems in our facilities are designed and built to be capable of handling rare flooding event	LIMITED ELECTRICITY ACCESS DUE TO POWER STATION OVERHEATING IN HIGH TEMPERATURES  Consider sourcing energy from multiple channels, for example, by increasing the use of renewable energy to supply 15% of energy use
REDUCED PRODUCTIVITY DUE TO HIGH TEMPERATURE IN WORKING ENVIRONMENT  Improve ventilation in facilities with more energy efficient design to maintain indoor working environment temperature under 30 degrees	INCREASED WATER STRESS  Reduce water consumption by conducting water leakage detection and implementing water efficient initiatives	

The Group will continue to monitor climate-related risks and opportunities by performing a thorough feasibility study on the use of these mitigation/adaptation methods. We will continue to engage our key stakeholders via internal and external channels to increase the capabilities of the whole value chain to withstand climate change.

RESPONSIBLE USE OF RESOURCES

The production of leather at the farm level may potentially cause considerable negative environmental and social repercussions, despite often being seen as a co-product of the nature. For instance, ranching includes changing the natural ecosystem into grassland by using contaminating fertilisers and chemicals. In addition, there might be “indirect impacts”, for example, acrylic and modacrylic fibres are not recyclable. Following our Global Responsible Sourcing and Procurement Policy, the Group is committed to ensuring that its leather is sourced in the most responsible and sustainable manner possible by working closely with suppliers to increase traceability and transparency of our products.

RESPONSIBLE SOURCING

Having traceability of raw materials in Stella’s supply chains is an essential step towards mitigating risks associated with social and environmental repercussions. Stella is aware that improving supply chain traceability is challenging, thus we are engaging with our suppliers to make progress in this area. Stella is cognizant of its responsibility to educate suppliers on the environmental and social impacts of the materials and chemicals they provide and is dedicated to help them in reaching the high standards of responsible raw material procurement established by Stella and our brand clients. Currently, we require all suppliers to sign the Supplier Social Responsibility Commitment before on-boarding.

Stella gives preference to certified raw materials suppliers. We require all suppliers to produce or purchase sustainable leather and verify compliance. For example, we only imported leather from suppliers who earned leather certification against the most stringent criteria such as the Leather Working Group (LWG) in 2022. We also encouraged our suppliers for sole, fabrics, metal and other fitting parts to obtain certification issued by Global Recycle Standard (GRS) and Recycled Claim Standard (RCS).

Responsible Use of Resources

Certification for our top 20 suppliers as of 2022

Type	Certification	Certified	Status
Leather	LWG	100%	Top 20 Suppliers
Fabric	GRS	75%	Remainders are working on certification
Polyurethane Leather	GRS/RCS	65%	30% of the remainders were previously certified

GLOBAL RESPONSIBLE SOURCING AND PROCUREMENT POLICY - HIGHLIGHTS⁵

Objective: The Global Responsible Sourcing and Procurement Policy outlines Stella’s standards for suppliers in relation to environmental and social impacts and serves as a workplace guideline for the Group’s sourcing and procurement practices.

Scope: The Policy is designed to support all suppliers and our business partners across the globe, to ensure our sourcing and procurement practices contribute to the development of a more sustainable global community.

Summary: We aim to provide guidance to all our suppliers to act in an ethical, responsible and sustainable manner through reference to this Policy. We will prioritise suppliers that demonstrate a strong commitment to social responsibility and terminate our cooperation with those who do not. Our efforts are focused on the most salient issues identified, which will be reviewed regularly. At raw material sourcing and procurement level we prioritise our efforts on:

- Labour and community
- Carbon footprint and climate change;
- Use of natural resources;
- Business ethics; and
- Product traceability;
- Credit ratings & records.
- Land conservations and biodiversity;

We develop and incorporate appropriate preventative, mitigating, and corrective strategies into our sourcing and procurement strategy. Suppliers will need to consent to our Supplier Social Responsibility Commitment prior to establishing a business relationship with us.

For risk control and monitoring, we have established the Supplier Qualification & Approval System to standardise our approaches in selecting, auditing, and on-boarding our suppliers. For new suppliers, due diligence will be carried out to ensure that they can fulfil the standards outlined on our clients' Certificate of Compliance. Existing suppliers are also subject to regular on-site audits. The auditing process involves a comprehensive examination of the supplier's compliance with our social and environmental concerns.

To ensure an effective performance management and accreditation, we have established the Supplier Scoring System to review our suppliers based on their business performance, compliance status, environmental management, product quality and other associated ESG factors. For suppliers who failed to make improvement within a designated period of time, Stella will review our partnership with them and hold the right to terminate the relationship when applicable.

USE OF CHEMICALS AND SUBSTANCES

We are committed to minimizing the environmental and social impact of our production process by looking into the chemical and substances that we are using. In line with the four processes of REACH initiated by the European Union, including Registration, Evaluation, Authorisation and Restriction of Chemicals, we have formulated the Restricted Substance List (RSL) and documented forbidden substances in the Material Safety Data Sheet (MSDS) to regulate the use of hazardous substances. This approach is designed to prevent potential risks related to reproduction, contact dermatitis, health and safety of our employees and environmental impact. For example, chemicals and substances such as Polyvinyl Chloride (PVC) and Dimethyl fumarate (DMFu) are identified for strict control, while Asbestos and Tributyltin (TBT) compounds are banned from

using in our production process to safeguard the health and safety of our employees and the communities in which we operate.

Additionally, we understand that our clients' brands rely heavily on the quality and safety of our products, and we take this responsibility seriously. By sharing our knowledge and expertise on restricted substances and chemicals, we aim to empower our clients to make informed decisions that enhances the health and safety of their customers, employees, and the environment.

The table below provides an example of how we monitor the use of chemicals and substances along our production line. This is also an example to demonstrate our comprehensive approach in restricting the use of potentially harmful chemicals and substances:

Scope of restriction	Chemicals and substances	Reason for inclusion in RSL	Potential usage
Restricted usage	Polyvinyl Chloride (PVC)	Potentially promotes carcinogenesis and contributes to environmental degradation	Plastic material used as a synthetic leather substitute
Restricted usage	Dimethyl fumarate (DMFu)	Potentially causes allergic reactions	Potential application as a biocide in shoes to prevent growths of mildew
Banned from usage	Asbestos	Potentially leads to various dangerous lung conditions	Potential use in the production of fabrics and garments
Banned from usage	Tributyltin (TBT) compounds	Potentially toxic for reproduction and marine ecosystem	Potential use as an antifouling agent during printing process

Responsible Use of Resources

We continuously review and update our RSL and MSDS inventory to ensure that all materials in our production line complies with regulatory requirements and brand customer's standard. Procurement of chemicals on the RSL is strictly regulated. Prior to suppliers on-boarding, we require them to confirm their understanding on our RSL and provide valid certificates and license before supplying. Any material which has not been used before in our production lines must undergo sample testing by accredited third-party laboratory before being stored and put into usage. Our dedication to responsible chemical management and sustainable production practices is not only a regulatory requirement but also a moral imperative. We are committed to upholding these values and fostering a culture of transparency and collaboration with our clients and suppliers to address impacts of raw materials and promote a safer and more sustainable future for all.

To ensure that the entire manufacturing process meets the requirements of our brand

customers, we have dedicated personnel to closely monitor throughout the production process, including the team responsible for quality assurance and control. This team is responsible for ensuring that our products not only meet regulatory requirements but also comply with our customers' specific raw material sourcing requirements. We attest to the Certificate of Compliance (COC) issued by our brand customers, which certifies that all products manufactured and distributed by Stella comply with our customers' requirements on raw material sourcing. This certification is a testament to our commitment to upholding the highest standards of quality and safety throughout the entire production process.

Procurement of chemicals on the RSL is strictly regulated. The RSL will be updated from time to time and has been integrated into the chemical management system to enhance chemical traceability, ensuring all materials in our production line complies with regulatory requirements and brand customer's standard.

Responsible Use of Resources

ECO-CONSCIOUS DESIGN

We are committed to incorporating environmental and health standards into our product design process, and the Supply Chain Management Team has established formal process to do so. The team regularly reviews our RSL and flags any substance of concern, prompting us to seek chemicals or raw materials alternatives that are safer and more sustainable, to prepare the Group to phase out chemicals of concern in the future.

We work continuously to eliminate hazardous chemicals and substances across our value chain and actively adopt chemicals with low toxicity, low corrosiveness, and low irritation. For example, our factory in Bangladesh worked with suppliers in 2022, to stop using prohibited chemicals and replace them with alternatives rated as "Green (Preferred)" or "Yellow (Allowed)" under the CHEM-IQSM

programme. According to the chemical screening test result of the CHEM-IQSM programme, we have designed concrete plan and timeline to work with the chemical supplier to phase out "Red (Prohibited)" rated chemical formulation.

We are also dedicated to using eco-friendly materials and incorporating green design principles into our products. For example, we have collaborated with one of our brand customers, to obtain a part of our soles from an eco-friendly manufacturer that utilises recycled rubber, in an effort to provide a greener option to end consumers who value environmental design. We also included notions of environmental sustainability into the manufacturing processes in order to utilise less material, fewer chemicals, and other resources such as water and electricity, in consideration of environmental sustainability.

Responsible Use of Resources

PRODUCT PACKAGING

To minimise environmental impact, we have formulated our Suppliers Management Procedure which prioritises local suppliers. Sourcing locally reduces environmental impacts generated from transportation and distribution, helping us to further reduce our carbon footprint and energy consumption.

The most effective way to reduce packaging is often by examining how packaging is used throughout the life of the product, from manufacturing to distribution, and to utilise fewer intermediary packaging materials. The Group adheres to the needs of its brand clients and relevant laws and regulations in order to provide proper packaging; for instance, we have introduced varied sizes of shoe boxes to accommodate diverse product sizes. In addition, we collaborate with our brand customers to

uphold their environmental commitments by using recyclable materials for packaging and eliminating the use of plastic throughout the delivery process.

The packaging materials used by the Group were mainly paper for shoe boxes, packing papers, carton boxes and shoe stretchers. We also adopted the strategy of using different sized shoe boxes to minimise packaging. To further reduce the amount of waste generated when unpacking and repacking, we order boxes that correspond to the precise number of pairs of shoes produced.

These methods demonstrate our dedication to reducing environmental impact throughout manufacturing by using appropriate packing practices.

POLLUTION PREVENTION AND CONTROL

The Group recognises that pollution must not be overlooked at every level of Stella's operation, from the processing of raw materials to the assembly of finished goods. If not handled properly, pollutants may cause substantial harm to the environment and to human health. Thus, the Group strives to monitor, avoid, reduce and transform pollutants including chemicals, waste, effluent and noise pollution, and reduce the impact on the environment and society.

PROCUREMENT AND USE OF CHEMICALS

Guided by the Environmental Protection and Management Policy, Stella aims to minimise our impact on environment from the start of our product lifecycle. In view of this, Stella has developed a comprehensive Chemical Management Policy to set forth our foundational requirements for responsible use of chemicals. Procuring, storing and using of dangerous or restricted chemicals, dyes, agents and detergents used during production needs to

be in strict compliance with the Policy. A stringent identification and tracking system has been established to make sure that non-tested and uncertified chemicals are not allowed to be used in production. For example, as the use of asbestos is prohibited in Stella, our employees are thus prohibited from handling items that contain or are suspected to contain asbestos. All materials, equipment, and facilities in Stella are asbestos-free.

CHEMICAL MANAGEMENT POLICY-HIGHLIGHTS⁵

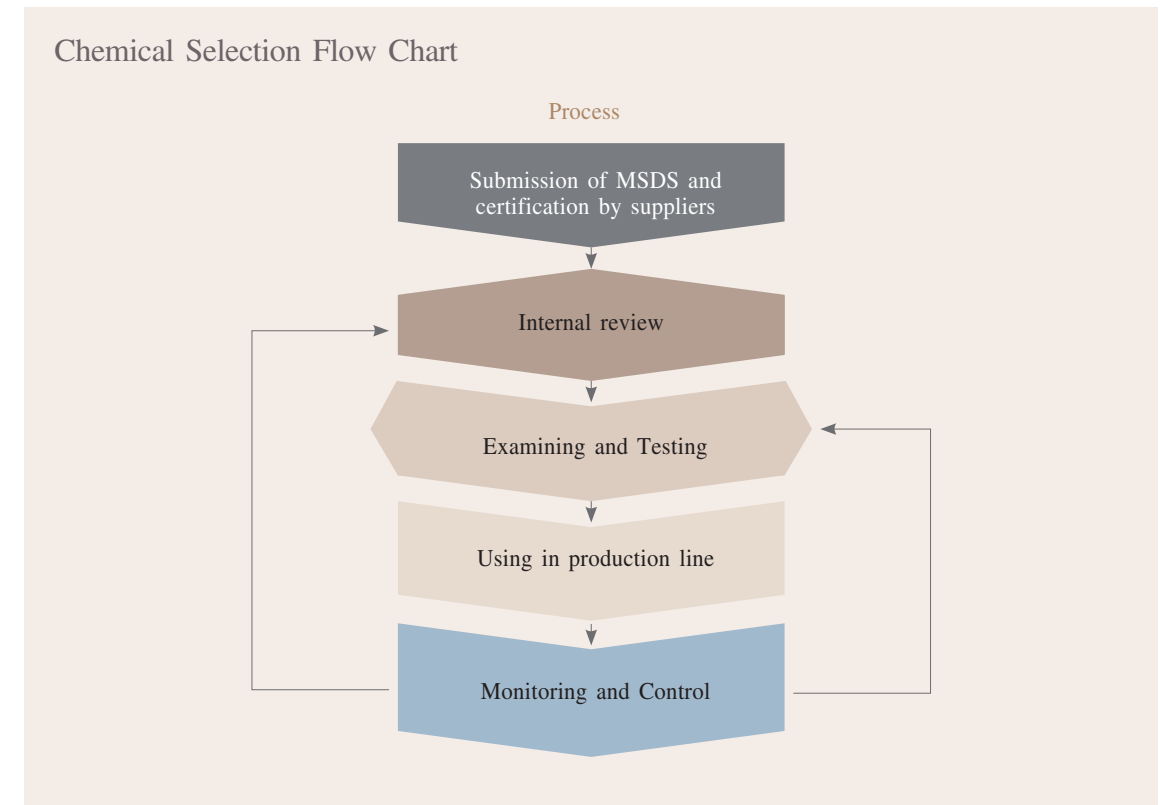
Objective: The Chemical Management Policy is formulated by the Safety Management Department to implement the general knowledge system of hazardous chemicals, in order to enhance the awareness of relevant personnel and engineering contractors in factory operation on the potential danger, preventive measures, and emergency response protocols of hazardous chemicals. In addition, the Policy ensures the exclusion of chemicals prohibited by international standards, to ensure the health and safety of our consumers.

Scope: All factories managed by the Group shall follow the provisions of these procedures (in case of conflict with local laws, factories shall comply with all applicable laws and regulation in areas where they operate).

Summary: We aim at mitigating negative impact on our employees, the community we operate at, and the environment. Various practices are implemented to ensure the effective management of hazardous chemicals, which cover areas of:

- Introduction of new chemical procurement
- Receiving chemicals
- Chemical data and labelling management
- Use of chemicals
- Storage of chemicals
- Transportation of chemicals
- Disposal of chemicals
- Emergency handling of chemicals
- Occupational health and industrial hygiene control of chemicals
- Chemical Safety Training
- Specific chemical requirements

Chemical Selection Flow Chart



Our vision on chemical management is constantly communicated to our suppliers and brand customers. To maintain compliance with our chemical management system and local regulations, we frequently participate in trainings offered by our brand customers to share ideas on the management of chemical safety and environmental challenges in the industry. Regular updates will be provided to our brand customers for material changes in accordance with the RSL, to improve their awareness of our chemical safety and management approach. The message will also be communicated to our suppliers as an effort to match their practices with those of our brand customers.

In the preceding section of RESPONSIBLE USE OF RESOURCES, methodologies on registration, evaluation, authorisation, and restriction of chemicals are discussed in depth. These criteria and underlying concepts enable us to pursue continuous improvement in chemical substitution and/or phasing-out, and to minimise the release of potentially dangerous chemicals into the surrounding environment of our operation. These chemical components coursing through ground level and water streams must be treated with care to avoid negative environmental and health impacts.

WASTE MANAGEMENT

Following the concept of circular economy proposed by the Chinese Government, Stella also put environmental impact as a key material issue along our sustainability roadmap, which transformed the way we design, use and manage the entire product development lifecycle. At Stella, we pledge to reduce the hazardous and non-hazardous waste produced during production and make efforts to minimise generation of scrap by enhancing the production process. We also hope to redirect and recycle waste to maximise the value of each material.

By establishing group-wide waste management policies and providing employee training on appropriate waste segregation methods, we ensure that waste generated from our factories is properly handled and disposed of in a responsible manner. We provide role-based training for staff to ensure they understand their obligations in complying with our waste treatment standards and procedures, and to avoid material entering the landfill at the end of its product lifecycle.

RUBBER FLASH REDUCTION PROGRAMME

At Stella, we are committed to a sustainable future and regularly measure environmental performance of our manufacturing operations. In 2021, we identified rubber flash in outsole production as a main contributor to solid waste. Excess rubber flash can be generated by inconsistent operation and by moulds with too much wear and tear over time.



In 2022, we officially launched our Rubber Flash Reduction Programme, which is a proprietary digital system that captures real-time data, identifies excess rubber flash, and facilitates troubleshooting. The digital system also monitors mould condition and optimises mould maintenance and repair schedule. In line with the programme, we provide training and development opportunities to employees to ensure standardised and efficient operation.

We recognise that rubber flash waste can have a significant impact on the environment. We are dedicated to reducing our environmental footprint. By ensuring our moulds are always in high quality condition, investing in our employees, and standardizing sustainable waste management practices, we accomplished a reduction of over 10 tonnes in total rubber flash waste in 2022. This achievement has been celebrated by our major customer in the sports segment.

Our waste management also considers chemical management. Chemical wastes, including liquid chemical waste and chemical containers, are required to be labelled properly and stored in the hazardous waste chemical warehouse. They are collected and handled by contractors certified by relevant authority for storage, disposal or discharge. Hazardous waste such as waste chemicals, used lamps and batteries are stored in a dedicated location and collected by a special team, while municipal waste with low impact such as food leftovers and used oil in canteens are passed on to authorised third-party agents for treatment and recycling.

We are working across the value chain to develop innovative strategies for enhanced recycling and upcycling practice. Licensed operators are appointed to collect waste for recycling to raise the waste diversion rate. We also optimise crop layout, reuse scraps from manufacturing, and use upcycled materials for reusable packaging to increase the waste recycling ratio.

Moving forward, we remain committed to ongoing efforts to improve our production process design and apply more environmental standards in our operations.

EFFLUENT MANAGEMENT

Consumers, investors, governments, and nongovernmental organizations (NGOs) now expect that brands and manufacturers will adhere to stricter wastewater regulations, such as the Zero Discharge of Hazardous Chemicals (ZDHC) Wastewater Guidelines. Stella is committed to minimizing water pollution throughout its production process, most of the sewage is generated from employee activities in quarters. We strictly abide by government rules and regulations to manage our sewage and have formulated the Wastewater Treatment Management Procedures to govern our approach to properly treat industrial sewage and wastewater generated in our staff quarters.

The engineering department is responsible for monitoring and regularly reporting effluent quality and volumes and ensuring wastewater treatment and handling facilities are functioning properly. We have installed appropriate equipment and infrastructure in our factories to ensure proper handling, segregation and diversion of various types of wastewaters. Also, we appointed third-party professionals to conduct sample analysis on the effluent before final discharge to the municipal wastewater network, ensuring our compliance with relevant national laws and regulations as well as other standards stipulated by our clients.

Pollution Prevention and Control

We arrange various role-based training for sewage handling staff. We also actively raise employees' awareness on reducing water pollution, encourage our employees to use

phosphorus-free washing powder and install water flow regulators. Measures such as installing filters were carried out to mitigate environmental impact of sewage.

WATER STEWARDSHIP

The majority of water consumption was attributable to usage at staff canteens and restrooms, as well as staff quarters. Due to the worldwide pandemic, the issue is exacerbated by the increase of water consumption for additional hygiene and sanitary requirements. At Stella, water usage is monitored regularly, and conservation initiatives are implemented and to improve water management practices.

Following our Energy Consumption Management Procedure, the Group is devoted to reducing the amount of water use and improving water use efficiency. By engaging with our employees and strengthening their awareness on water conservation with a top-down communication approach, our factories will be able to better manage the usage of water in the long run. Low-flow faucets and smart water meters were installed in some of our staff quarters, monthly reviews on water consumption are arranged to analyse the water usage data trend. If the consumption exceeds the range specified, it will be investigated, and timely remedial actions will be taken.

We conduct regular checks and maintenance of water ductwork to reduce leakage. For

example, we leveraged on the newly purchased ultrasonic leakage detector to detect water leaks in difficult-to-reach locations, such as ductwork and pipes with high-frequency sound waves. The tool allows us quickly pinpoint leaks and repair them before they cause further damage. We can therefore improve the efficiency and durability of our water management system.

The Group mainly consumes municipal water and no water sourcing issue is present at the operating locations. However, given the deteriorating environmental conditions which can possibly limit freshwater availability in the future, the Group also seeks to reduce the possible stress on municipal water sources by looking for alternative water resources, such as rainwater and recycled water. We set up water reclamation systems to use treated wastewater in washrooms and for watering lawns, and to reduce our dependence on tap water.

We will continue to support local efforts to raise water awareness and introduce water management solutions for the broader community.

Pollution Prevention and Control

PREVENTION OF NOISE POLLUTION


Noise pollution from our manufacturing plant is also one of our major concerns. We strictly comply with relevant laws and regulations to reduce the noise level of our operational activities. We have identified powered mechanical equipment, machines and vehicles as the main sources of noise pollution from our operations and third-party inspectors are appointed to evaluate the effectiveness of measures that we have implemented in our workplace to reduce noise.

During our operation, we cautiously place our noise-generating equipment, such as ventilation machines and maintain appropriate distance from nearby residences. We have also built buffer zone surrounding the power generator with sound insulation cotton, aluminium alloy doors and double-deck doors and windows. Programmes have been formulated to set up a regular maintenance schedule, ensuring our equipment is in good condition and will not emit excessive noise during operation.

ENHANCING OUR OPERATION PRACTICES

Stella is known for our outstanding workmanship and product quality, which we maintain by adhering to our core principle of “Making the Best Shoes”. At Stella, we are aware of the shared responsibility of bettering the environment and society and are committed to creating an equitable business environment for everyone. We conduct our business responsibly and look to drive long term value for all stakeholders in our value chain.

Highlights

 Performance review conducted for major suppliers:
100%

 External certificates in sustainable materials earned by suppliers:
LWG, GRS and RCS

 Quality assurance and management process:
Paperless operation



Enhancing Our Operation Practices

The Group established a governance model that blends corporate governance with business governance in order to further the Group's long-term objectives. The Board has set up the Corporate Governance Committee to oversee our regulatory compliance, risk management, investor relations, and corporate social responsibility. The terms of reference are available on the websites of the Hong Kong Exchanges and Clearing Market and Stella. Corporate governance emphasises compliance with applicable laws and regulations, while business governance focuses on the performance of the business. The two governance approaches are key drivers for value creation for the Group and enhances the accountability and assurance to the stakeholders. To mitigate operational and

quality risks, we performed internal audits on the business practices and corporate social responsibilities of business units and suppliers. During the Reporting Period, on-site audits of our suppliers were conducted to confirm their compliance.

We are committed to ensuring that all of our operations in Mainland China, Hong Kong and other manufacturing locations comply with all relevant laws and regulations⁶. We are dedicated to promoting responsible product management practices within our industry and beyond. During the Reporting Period, there was no non-compliance case in relation to operation practice or product quality.

⁶ The relevant laws and regulations include the Prevention of Bribery Ordinance (Cap. 201) of Hong Kong, together with Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, Product Quality Law of the People's Republic of China, Anti-money Laundering Law of the People's Republic of China and other related laws and regulations.

PRODUCT QUALITY

PRODUCT SAFETY

We are dedicated to protecting the health and safety of our clients. All footwear products on the production lines will only be scheduled for formal production after they have undergone health and safety hazard assessments.

During the mass production process, all new raw materials must go through sampling tests before warehousing to prevent inappropriate materials from being used in footwear production. Prior to packaging, all finished shoes undergo scanning and inspection by specialists or metal detection devices to ensure that there are no metal scraps or sharp objects remaining. The packing for

all qualified finished shoes is carried out under the supervision of trained staff and the boxes are sealed to avoid tampering. Any potential safety and health risk to our customers is avoided through our dedicated and standardised procedures in the production line.

During the Reporting Period, there was no case of non-compliance in relation to the quality of product and services laws and regulations or product responsibility. Also, no sold or delivered product was recalled for safety and health reasons.

QUALITY CONTROL FOR PRODUCTS

To ensure the delivered products are of the highest calibre and conforms to the customers' expectations for our brand, the safety and quality of our products are strictly regulated and our products are inspected thoroughly. We effectively apply quality management and standardised production process across our manufacturing facilities.

We are progressively converting our manufacturing line to paperless operation by substituting paper-based entry forms with digital ones. The real-time data gathering allows our staff to monitor the defect rate and respond to quality issues in real time. Cases of defects can be saved in a database for further analysis to create solutions for avoiding future instances of comparable issues. In particular, we capture images of defects and submit to production line supervisors as reference materials for quality assurance training. The effectiveness and precision of online systems have been shown to save time as well as reduce human error in production.





worked with suppliers to address concerns about product quality. For suppliers who have delivered unsatisfactory performance during the reporting year, we addressed the issue immediately through active discussions. Targets were set for suppliers to meet our standard on product quality. We also require suppliers to provide superior customer service by promptly responding to customer inquiries.

PRODUCT INNOVATION

Whilst the Group has strong competence in technology innovation, it continuously invests in research and development of new technology to improve its operational efficiency and product quality. During the Reporting Period, we piloted heat insulating materials in our production process to reduce energy consumption and improve energy-efficiency. The thermal insulation reduces heat transfer via thermal conduction and radiation with the heat insulation tape, which traps heat and increases energy efficiency. In addition, Stella has replaced the conventional heating panels with a more energy-efficient model that centralise the heat and prevent heat leakage with its thermal insulation feature, reducing energy consumption in the manufacturing process.

The quality and safety of our products can also be impacted by the raw materials used. As such, for the procurement of raw materials, we only work with suppliers who passed our strict selection process which includes having valid business licenses and other pertinent qualification certificates, their technical capabilities, credibility, performance, and whether their quality control processes are in accordance with national and industry production standards to ensure the quality of raw materials.

Corrective measures like supply chain investigations, product recalls, and improvement actions have been put in place and will be taken if performance standards are not met. During the Reporting Period, we have proactively

SMART STELLA PROGRAMME

INTERNET OF EQUIPMENT (IOE) SYSTEM

In order to achieve resource sustainability and high production capacity, we established a brand-new Internet of Equipment (IOE) system for the factory's equipment following our grand vision of Smart Stella. By the end of 2022, we have started a pilot project at one of our factories in China. Key manufacturing equipment was shortlisted as piloting units installation of this new system.

The IOE system provides digital IDs and receiver for our sophisticated machineries, which enables us to monitor data generated by those machineries in real time, including their production status. The data can be used for further analysis to optimise the energy usage and enhance our production capacity via process improvements.



Monthly digital report will be generated for us to compare the utilisation rate and energy consumption of various machinery. We can then plan the maintenance or production schedules accordingly. Looking ahead to 2023, we plan to roll out the system to other factories.

CUSTOMER SERVICE

Customer Service

We are committed to providing our brand customers with high-quality products and excellent service. Brand customers conduct product advertising in line with their operational strategies and relevant regulations, we strive to be our clients' trusted supplier through empathy, responsiveness, and dependability, guaranteeing advertised product quality is fulfilled.

An efficient customer communication system has been established to respond and manage customers' complaints. During the Reporting Period, no complaint was received regarding our products and services that would involve a product recall.

When we get a quality-related complaint from a brand's customers, we will promptly initiate an internal investigation to determine the underlying cause of the problem and prepare an action plan for the Quality Assurance division to follow up with each unit of our production line. Prior to approving production, our sales department will revisit the affected units to ensure that the problem has been resolved.

PROTECTION OF INTELLECTUAL PROPERTY

The Group is committed to protecting personal privacy and information of all personnel and business entities which we have business dealings with, including suppliers, customers, and employees. We strictly comply with relevant laws and regulations⁷ in the regions we operate in when collecting, storing, processing, transmitting and sharing personal information.

We also strictly comply with the relevant laws and regulations and developed a comprehensive system for managing its intellectual property to avoid violation or infringement of the intellectual property rights, patents and related rights of third parties. No violation of intellectual property rights-related case was reported during the Reporting Period.

⁷ We strictly abide by the laws and regulations related to information security and privacy protection in the countries or regions where it operates, such as the Cybersecurity Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China, Data Security Law of the People's Republic of China, and Law of the People's Republic of China on the Protection of Consumer Rights and Interests.

Under the leadership of the Group's Information Security Committee, an information security management system is established with reference to the Information Security Policy in accordance with the ISO 27001:2013 standard, encompassing all facets of information management. Various measures are implemented to ensure solid information security protection, including data privacy management, fraud prevention, security control on network use, and protection on remote connection. We do not directly access consumer data since the manufactured products are not directly sold to end consumers. In addition, we only collect necessary personal data and information by lawful and ethical means. We strive to prevent leakage or unauthorised use of collected information, including proper storage of data, robust protection of our data centre and strict control over personal data access rights.

SUPPLY CHAIN MANAGEMENT

Supply Chain Management

The supply chain management strategies of Stella support our ESG related vision and lay the foundation for us to uphold environmental, social and ethical standards. We acknowledge that the whole industry, from upstream suppliers to downstream distributors, must collaborate in order to develop a value chain with minimum environmental and social impact. Therefore, we have designed and implemented the Group's Suppliers Management Procedure, to ensure our selected supply chain partners share the same commitment with us in building an ethical and sustainable supply chain.

SUPPLY CHAIN MANAGEMENT PROCEDURE - HIGHLIGHTS⁵

Objective: The Supply Chain Management Procedure is formulated to ensure all suppliers meet our requirement on procurement standard, product quality, social responsibility and financial status with gradual improvement to achieve mutual development and fulfill the criteria of the Code of Consumer Conduct (COC).

Scope: All supply chain management of the factories managed by the Group shall follow the provisions of these procedures (in case of conflict with local laws, factories shall comply with all applicable laws and regulation in areas where they operate).

Summary: We aim to form a sustainable supply chain through the selection, monitoring and reviewing process of our suppliers. Various procedures are implemented, which include:

- selecting suppliers based on their social responsibility performance and eliminating those with unsatisfactory performance;
- conducting operations, certification, and social responsibility audit on new suppliers prior to establishing business relationship;
- requiring suppliers to consent to our Code of Conduct prior to receiving the supplier contract;

- understanding the business relationships of suppliers, to prevent serious violations of business conduct such as illegitimate interests and unfair competition;
- cooperating with brand customers to establish the supplier audit plan and conducting an on-site audit regularly to evaluate the social responsibility performance of major suppliers;
- promptly following up with the improvement plan and providing technical support in case of non-compliance found during on-site supplier audit; and
- actively managing suppliers by filing information of suppliers', and recording the supplier evaluation results after every audit, and follow through the improvement measures as appropriate.

Prior to engaging a new supplier, our Supply Chain Management Team will conduct an on-site visit to learn about the potential supplier's operations, where they source their raw materials and their certification status. Potential suppliers will be scored on production equipment, staffing and production capacity, etc. The results will be benchmarked against peers to encourage benign competition among suppliers. As indicated before in the section on

PRODUCT CARBON FOOTPRINT, the Group advocates localising suppliers to achieve production efficiency as well as to reduce carbon emission during the stages of transportation, logistics and distribution. As a result of growing stringent supplier selection criteria, the number of suppliers spanning across different geographical region may change year on year. For detailed figure, please refer to the section of APPENDIX I – PERFORMANCE TABLE.

RESPONSIBLE SUPPLY CHAIN

We have established the Supplier Qualification & Approval System to standardise our process of selecting, auditing, and on-boarding our suppliers. We strive to leverage our influence to advocate an ethical and sustainable supply chain by incorporating social responsibility and sustainability into the entire process.

In addition to monitoring the impact of business activities on the surrounding environment, the Group is conscious of the social impact in the value chain which has a substantial influence on the prosperity of the community. There are considerable social challenges to tackle

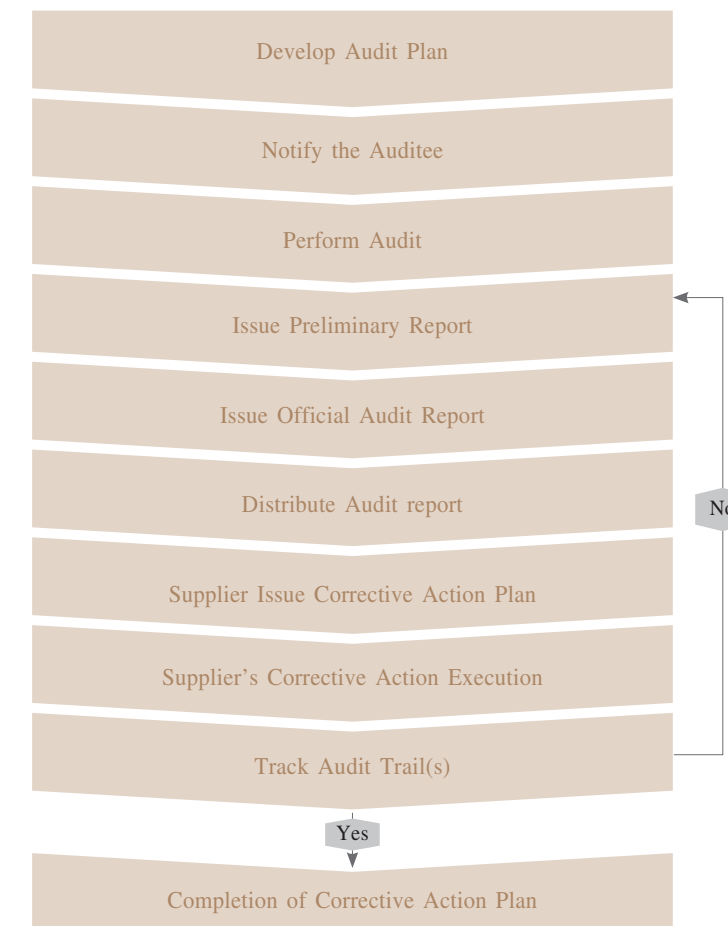
such as ensuring a safe working environment, business ethics, diversity in the workplace, the prevention of child labour, responsible use of local resources, and the maintenance of high corporate and professional standards. Proactive management throughout the value chain is essential. We require our suppliers to consent to the Supplier Social Responsibility Commitment, where they agree to comply with ESG-related national and local laws and regulations and to align their operation practices with the Group's standard. We also require them to acknowledge and accept our RSL to reduce the potential environmental impact of footwear production.

SUPPLY CHAIN RISK MANAGEMENT

In fact, most of our suppliers nominated by our brand customers have already been evaluated and screened by rigorous ESG KPIs. Yet, we continue to review our suppliers' sustainability performances regularly with the established Supplier Scoring System to ensure their compliance with the Group's policies, where interviews are conducted with relevant

personnel and data verification checks are performed. The performance review covers their business performance, compliance status, environmental management, product quality and other associated ESG factors. During the Reporting Period, we have reviewed 100% of our suppliers.

SUPPLIER AUDITING PROCESS



The Group also conduct audits to evaluate the supplier's social responsibility performance. In case of any deficiencies being observed in our inspection process, the Corporate Responsibility Department will issue a Supplier CSR Audit Deficiency Report to the delinquent supplier, and they are required to acknowledge receipt of the report. The supplier will be required to submit an improvement plan and supporting documents such as photos of remedied violations.

Guidance on our expectations and any necessary assistance will be extended to these suppliers to facilitate their performance improvement. We will perform a follow-up audit to ascertain that the issues have been effectively remedied. Suppliers who fail the audit will have their contract reviewed and potentially terminated. During the Reporting Period, 8 suppliers were removed from our supply chain whitelist owing to unsatisfactory audit results.

SUPPLY CHAIN INTEGRITY

We act in accordance with the Code of Conduct when dealing with our suppliers. During the procurement process, all of our suppliers must adhere to principles of fair competition and avoid any form of conflict of interest. Suppliers are required to consent to integrity-related commitments upon signing a business contract with us. Our employees

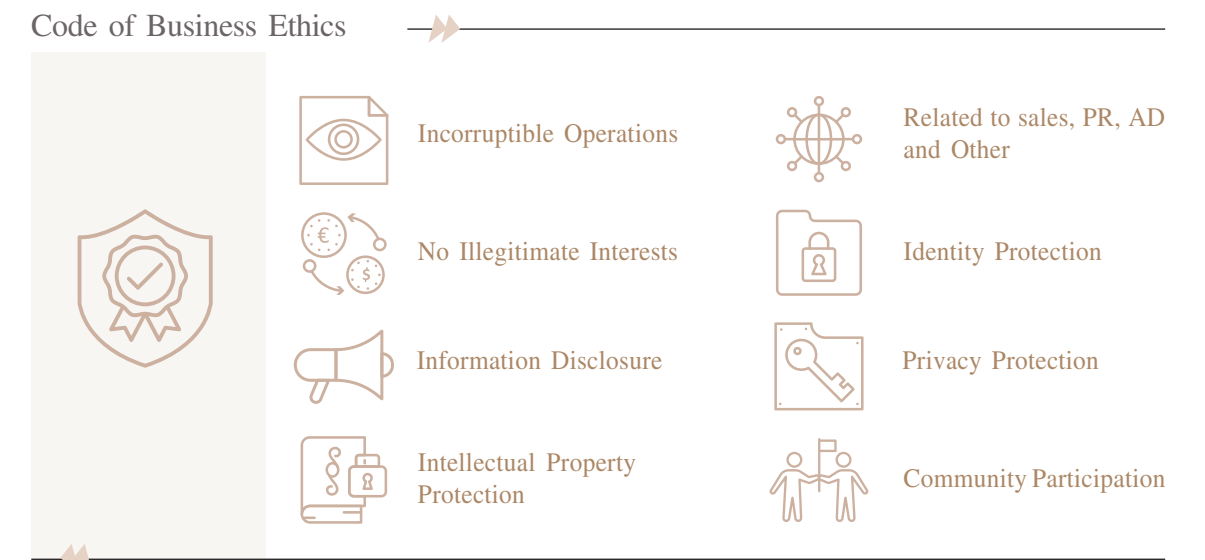
and suppliers are expected to refrain from and prevent all forms of corruption, extortion and bribery. They are expected to report any acts of corruption, extortion or bribery to the Group via all channels available to them. For suppliers who violated our Code of Conduct, their supplier contract can be terminated.

BUSINESS ETHICS

Stella is committed to maintaining a fair and equitable business environment, protecting the interests of the Group, inheriting and developing the Group's traditional corporate culture and reducing the Group's operational risks, whilst maintaining the reputation of the Group and our brand customers. During the Reporting Period, there was no non-compliance case in relation to anti-corruption-related laws and regulations.

UPHOLDING BUSINESS ETHICS

COVERAGE OF STELLA'S CODE OF BUSINESS ETHICS



The Group adopts a zero-tolerance approach on anti-corruption and anti-bribery. The Anti-Corruption and Anti-Bribery Code of Conduct intends to encourage anti-corruption and anti-bribery efforts in operations, enhance staff ethics, and prohibit unethical conduct. The Code of Conduct applies to all

business operations, including communication with authorities, commercial negotiations with clients, the procurement of raw materials, and the development of projects. In the event of a violation, the case will be examined, and disciplinary action will be taken. The employment agreement may be terminated if required.

ANTI-CORRUPTION AND ANTI-BRIBERY CODE OF CONDUCT- HIGHLIGHTS⁵

Objective: The Anti-Corruption and Anti-Bribery Code of Conduct is formulated by the Group HR Department in order to promote anti-corruption and anti-bribery work in business activities, strengthen employee ethics, and have a correct understanding and handling of conflicts of interest.

Scope: All factories managed by the Group and customers, suppliers, service providers, and contractors that have business relationship with the Group shall follow the Policy.

All business activities or external contacts of the group, including but not limited to activities such as contacts with government departments, business negotiations with customer business representatives, fair product procurement, and project implementation, shall follow the Policy.

Summary: We aim to strengthen the internal control on ethics, provide guidance to Group's employees and related interest groups (customers, suppliers, etc.) to act in accordance with the law, establish an honest and trustworthy corporate image, and prevent unethical behaviours. Various measures are implemented, including:

- To prohibit unethical acts in commercial activities, such as giving cash or items to counterparties in the form of a bonus, giving money or anything of value to seek business opportunities, providing sponsorship that violate the principle of fair competition etc.;
- To address conflicts of interest, stakeholder relationships, family members and effects,
- To address issues associated with handling of gifts and entertainment;
- To address issues associated with competition and fair dealing; and
- To set up procedures in escalation, declaration or reporting bribery and corruption cases.

Our expectations on business ethics are also stated in the Employee Handbook, which all new hires in factories and corporate offices are expected to review and make consent. To enhance our employees' awareness on business ethics, we organise training programmes and meetings on business ethics such as anti-corruption and conflict of interest for all our employees regularly. During the Reporting Period, 100% of our employees completed the

assigned Code of Business Conduct training. All new joiners are required to attend our new-hired employee training on business ethics, and we have incorporated a post-training assessment to ensure that they have thorough understanding of the training materials. The training course on Code of Integrity Management was held for all levels of employees including senior management for around 20,000 hours in total during 2022.

In the following year, a post-training assessment will be conducted. The Group may review the data gathered from the evaluation to enhance the training module. This feedback mechanism assures that the Group will continue to be ethically sustainable.



■ Anti-corruption training in 2022

PROMOTING FAIR COMPETITION

We place a high value on our sense of honesty and integrity and monitor the compliance status among factories on a regular basis. The Anti-Corruption and Anti-Bribery Code of Conduct applies to our suppliers as well. Each of our suppliers has to sign the Anti-Gifts Compliance Agreement. In addition, we assess the clarity and appropriateness of the payment terms and commission provisions in each of the agreements with our factories, agencies and business partners to reduce the risk of fraud and money laundering. Our employees are obliged to be well-versed in policies related to anti-money-laundering.

The Group understands small business premiums are means of appreciation and courtesy during

business occasions. In light of this, we have established guidelines for accepting and giving gifts to ensure issues with conflict of interest and business ethics are being handled with care. We renounce any type of bribery or receiving bribes in exchange for economic advantages, as well as coercion or threats to achieve benefits. For gifts exceed a specific monetary value, employees must report and hand over to the direct supervisor or department head.

According to the Group's Code of Conduct, employees are obligated to put the Group's interests ahead of their own and social relationship should not compromise their professional judgement, decisions, or actions in the workplace.

COMMUNICATION CHANNELS

The Group has formulated Whistleblowing Measures to effectively prevent operation and management risks by encouraging our staff to report any malpractice and management loopholes, includes but not limited to:

- Behaviours that violate the Group's system, regulatory policies and relevant laws and regulations in business operation;
- Other behaviours that will cause economic and reputation loss to the Group;
- Black-box operations that violate the principles of openness and fairness in the recruitment of employees and promotions;
- Vulnerabilities and hidden dangers in security work, bribery, extortion, fraud and money laundering; and
- Misbehaviour that violates the Group's standards in accordance with the Code of Conduct and Employee Handbook.

WHISTLEBLOWING SYSTEM

Group level Human Resources Department:	Review relevant regulations and develop internal reporting system for whistleblowing.
Factories and Regional Offices:	Regularly publicise and inform the employees about internal reporting system and procedures.
Employees:	Report the suspected cases of misbehaviour.

Employees are encouraged to report the suspected cases of misbehaviour including discrimination, corruption, fraud, dishonesty or unlawful conduct via any channel they prefer including the official reporting email and/or reporting hotline. The Group takes these reports seriously and provides timely responses to them. Upon the receipt of reports, the Internal Audit Department will work with Human

Resource Department to conduct independent investigations. If necessary, remedial measures will be taken against people with accountability. The Policy provides whistle-blowers with protection from retaliation. We assure employees that whistleblowing cases received are treated in strict confidence, and no whistle-blower would be victimised or be unfairly treated for making a complaint.

PROHIBITION OF CHILD LABOUR AND NO PRACTICE OF FORCED LABOUR

Our Code of Conduct outlined our standards and expectations on business ethics and stated that we do not tolerate child or forced labour in our employment and suppliers' employment. This Code ensures our ethics and integrity levels meet and/or exceed standards.

We have formulated a corresponding internal management approach for recruitment in factories to ensure compliance and protect the interests of all candidates. During recruitment, we conduct age check by asking candidate to provide their identity cards for our Human Resources

Department to verify their age and avoid hiring child labour. To ensure the employees' interests are not infringed, we only sign employment contracts with candidates who demonstrate an interest in working with us. All our employed staff must be recruited voluntarily. In other words, we prohibit any forced labour and never induce any employee to work by deception. Should any unlawful employment be suspected, the matter will be investigated and dealt with in accordance with our internal policies. During the Reporting Period, there was no incident of child or forced labour.

COMMUNITY INVESTMENT

Besides monitoring the environmental and social impact of operations, the Group recognises its responsibility as a participant in the community. Our businesses depend on the resources, infrastructure, and markets supplied by neighbouring communities. In response, we strive to make the community and society a better place by actively participating in different community programmes. The community investment programmes have been running for many years, demonstrating our commitments to support the surrounding community at our operation sites.

FOSTERING COMMUNITY ENGAGEMENT

Stella promotes a culture of social responsibility throughout the Group. We are devoted to improving the well-being of local communities along with our employees, business partners, and community organisations. During the pandemic, it has been difficult to carry out community outreach owing to social distancing regulations. Therefore, we collaborated with our brand customer to organise an “Act of Kindness” public welfare activity week. For example, our factories in the Philippines donated

medical supplies and household items to local communities to assist them to combat the spread of coronavirus. In addition, our offices in Vietnam and China participated in the World Wide Fund’s Earth Hour by turning off their office lights in response to the call for environmental conservation. During the Reporting Period, the Group made donations in kind by supplying the communities with medical supplies, household necessities and foodstuffs, and we also donated in cash totalled to approximately USD 43,000.

PROTECTING ENVIRONMENT

In addition to making charitable donations to the underprivileged, impoverished youth and families, our staff participated in several environmental protection activities.



We understand the impacts of climate change are significant to our earth, thus we continued to participate in the “No Air Con Night” activity⁸ for the second year to arouse people’s attention to climate change issues.

While encouraging our employees not to use the air conditioner at night, we also invited them to participate in WeRun, where steps could be converted into monetary donations. Our factory employees contributed **over 4,800,000 steps** using WeChat or Alipay.



The donations raised from the charity activities will be used to assist the “Young Eagle Growth Plan” project, providing quality education for rural students, improving medical conditions, and promoting the healthy growth and happiness of rural children.

⁸ Poster of the “No Air Con Night” activity extracted from the organiser - Green Sense.

GREENING AND LANDSCAPING

HAPPY FARM PROJECT



▪ Scenery of idle land before land rehabilitation

one of our factories embarked a project during the Reporting Period to retrofit the idle space in the living area of employees into a “Happy Farm”. The project is intended to provide a better living environment, improve our workers’ quality of life and promote team spirit. Working on the rehabilitation of land and installation of water irrigation system were carried out. The farmland was divided into different “field divisions”, and teams were established based on the department unit. These teams were responsible for maintaining the farmland and harvesting their crops.

We want to have a positive influence on the communities around us. With this in mind, one of our factories embarked a project during the Reporting Period to retrofit the idle space in the living area of employees into a “Happy Farm”. The project is intended to provide a better living environment, improve our workers’ quality of life and promote team spirit. Working on the rehabilitation of land and installation of water irrigation system were carried out. The farmland was divided into different “field divisions”, and teams were established based on the department unit. These teams were responsible for maintaining the farmland and harvesting their crops.



▪ Divided farmland



▪ Planting season

Through the “Green Loving” campaign initiated by one of our factories, we organised tree planting volunteer work to craft a greener community.



EMBRACING CULTURAL DIVERSITY

Stella believes the harmony in a society can be achieved through creating an inclusive community, therefore, we are dedicated to embracing the local culture in areas where we operate. Every individual, regardless of their background and culture, should be respected.

THE "16TH XING ANG LITERATURE PRIZE" AWARD



We organised the Annual Xing Ang Literature Competition to promote cultural and heritage appreciation among our employees through poetry, prose, and novel writing. Their literary works produced during the competition were exhibit to a wide range of audiences within the Group, and the names of the awardees have been listed in the Honour list of the Xing Ang Literature Award.

ABOUT THIS REPORT

REPORTING PROFILE

Stella Group endeavours to achieve our mission of delivering exceptional craftsmanship, while upholding our corporate responsibility and promoting sustainability. The purpose of the Environmental, Social and Governance Report (the “Report”) is to provide all of our stakeholders with an overview of our Environmental, Social and Governance (“ESG”) strategies, policies, and performance.



REPORTING STANDARD

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

REPORTING SCOPE

This is the first annual standalone ESG report of Stella International Holdings Limited. The Report covered all manufacturing locations, in the PRC, Vietnam, Indonesia, Bangladesh and Philippines, unless specified otherwise. We report our Corporate Social Responsibility practices and performance in accordance with ESG issues that are material to the Group for the period from 1 January 2022 to 31 December 2022 (the “Reporting Period”, “Financial Year 22”).

REPORTING PRINCIPLES

Stella adheres to the four fundamental reporting principles outlined in the ESG Reporting Guide while preparing the report. These principles enhance effective communication and guide our ESG-related decision-making. The following are the specifics:

- **Materiality:** Through stakeholder engagement and materiality assessment, ESG issues pertinent to our operations and stakeholders have been identified. This Report focuses primarily on the 23 significant ESG issues identified during the Reporting Period.
- **Balance:** All current practices and future plans regarding material ESG issues are reported in a transparent and balanced manner to provide an unbiased view on the Group’s ESG performance.
- **Quantitative:** Key performance Indicators regarding environmental and social aspects are defined for data collection whenever feasible. Historical data will be quantified for illustration of the Group’s performance in an objective way.
- **Consistency:** For meaningful comparisons of the ESG performance across financial years, the methodology in this Report is consistent with that of the previous years. Any changes will be annotated for readers’ reference.

ACCESSIBILITY OF THE REPORT AND FEEDBACK

An electronic copy of this report can be accessed on our website at <http://www.stella.com.hk/>. For any enquiries about the report or opinions regarding the Group’s ESG performance, please feel free to put enquiries (i) in writing to the Company’s registered office in Hong Kong (Flat C, 20/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong) for attention to the Company Secretary or (ii) by email at stella@stella.com.hk or (iii) (for shareholders of the Company only) by attending the Company’s annual general meeting or extraordinary general meeting.

REPORTING APPROVAL

The Board of Directors of the Group (the “Board”) has overall responsibility for Stella’s ESG strategy and reporting.

This report was reviewed and approved by the Board on 16 March 2023.

MATERIAL ESG ISSUES

We recognise that achieving a balance between internal and external perspectives is essential for identifying and addressing ESG problems that are important to our business and our stakeholders.

A materiality assessment offers a foundation upon which to refine Stella’s “One Stella, Smart Stella” sustainability blueprint, interact with stakeholders and investors, strengthen the risk management framework, and enhance ESG-related disclosures.

MATERIALITY ASSESSMENT

The management and employees of various departments from the Group were participating in the preparation of this Report, which included supporting the Group to examine its operation approach, identification of significant ESG issues, and assessment of their significance to our business and our stakeholders.

In 2021, we initiated a materiality review with the support of an independent consultant, the aim of which was to engage with our strategies, with the objective of understanding their perspectives on the development of our ESG strategy and their aspirations and priorities for the future. Different stakeholders, including members of the Board of Directors, employees, investors, shareholders, suppliers, contractors, service providers, and clients were involved in the materiality review via online surveys.



We continued this process in 2022, taking a research-based approach to benchmark against peers, examining sustainability and business agenda in order to enhance our ESG strategies and objectives. We invited the key stakeholders within the Group rank issues according to their perceived significance importance to society, the environment and, for employees, the perceived impact on our business.

The assessment highlights the most important environmental, social, and governance risks and opportunities. These are the issues Stella’s internal and external stakeholders would likely take into account when making business decisions. The Group committed to making comprehensive improvement in accordance with the highlighted areas.

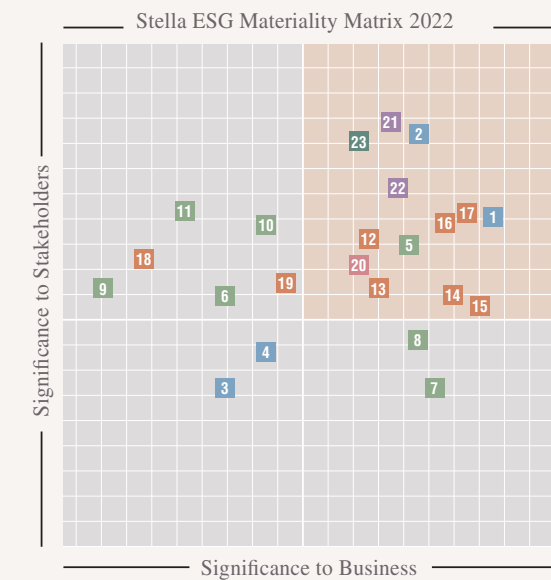
Material ESG Issues

MATERIAL ESG ISSUES

We categorised the priority areas identified via benchmarking and comparison exercise into five categories. The table below highlights the ESG issues deemed relevant to the Group and the Report is formulated in accordance with the issues below.

MATERIAL ISSUE OF STELLA

Materiality matrix



No.	ESG Issue	Materiality
1	Customers' product data privacy	★★★
2	Product Quality	★★★
3	Customer service and complaint handling	★
4	Supply chain management	★
5	Energy Management	★★★
6	Climate change mitigation and adaptation	★★
7	Effluent Management	★★
8	Emissions Control	★★
9	Materials Usage	★★
10	Water Stewardship	★★
11	Waste Management	★★
12	Child labor and forced labor	★★★
13	Diversity and equal opportunity	★★★
14	Employee development and training	★★★
15	Employee engagement	★★★
16	Employment practices	★★★
17	Occupational health and safety	★★★
18	Freedom of association and collective bargaining	★★
19	Non-discrimination at workplace	★★
20	Community investment	★★★
21	Anti-corruption	★★★
22	Compliance	★★★
23	ESG-related Economic Performance	★★

The list of material issues was approved by the Board, the Corporate Governance Committee and the Sustainability Development Committee. We have converted the list into a materiality matrix, which is subject to our constant evaluation and update, to guarantee its continued applicability to our business and stakeholders.

- Service and Product Responsibility
- Environmental Performance
- Employment and Labour Practices
- Community investment
- Corporate Governance
- Economic

APPENDIX I — PERFORMANCE TABLE

Appendix I — Performance Table

ENVIRONMENTAL RESPONSIBILITY PERFORMANCE⁹

	Units	Performance in 2021	Performance in 2022
Greenhouse gas (GHG) emissions			
Total GHG emissions ¹⁰	tonnes of CO2 equivalent ("tonnes CO2e")	119,682	119,575
Direct GHG emissions (Scope 1)	tonnes CO2e	1,682	3,892
Indirect GHG emissions (Scope 2)	tonnes CO2e	117,999	115,683
GHG emission intensity	kg CO2e/per pair of shoes ¹¹	2.125	2.173
Energy consumption¹²			
Total energy consumption	GJ	629,624	657,114
Electricity	kWh	167,768,356	164,005,950
Natural gas	m ³	23,686	23,883
Diesel	litres	405,940	639,939¹³
Petrol (Unleaded)	litres	175,340	451,714¹³
LPG	GJ	121,539	98,515
Renewable energy ¹⁴	kWh	N/A	6,311,160
Energy consumption intensity	GJ/per pair of shoes	0.011	0.012

⁹ During the Reporting Period, the Group updated its collection process of environmental related data. We have been working to improve our data management to lay a solid foundation of tracking and reporting the progress made against our environmental targets.

¹⁰ The carbon emission is calculated with reference to the Greenhouse Gas Protocol published by World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), Report Guidelines on Environmental Key Performance Indicators issued by the Hong Kong Stock Exchange, the Baseline Emission Factors for Regional Power Grids in China published by the Department on Climate Change of National Development, Reform Commission and the Baseline Emission Factors for Power Grids by the Ministry of Energy and Mineral Resources of Indonesia and IGES Grid Emission Factors for Vietnam, Bangladesh and the Philippines.

¹¹ The unit has been revised to reflect the actual amount of GHG emission intensity.

¹² The energy category covers the main energy types that the Group consumed during our operations and excluded the energy consumption that the Group cannot directly control.

¹³ The increase was contributed by normalisation of business activities including factory visits and business trips post-pandemic.

¹⁴ Data has been expanded to cover renewable energy from FY2022 onward.

	Units	Performance in 2021	Performance in 2022
Water consumption			
Total water consumption	m ³	2,070,031	1,745,160¹⁵
Water intensity	m ³ /per pair of shoes	0.037	0.032
Waste handling			
Non-hazardous waste ¹⁶	tonnes ¹⁷	9,796	11,160¹⁸
Hazardous waste	tonnes ¹⁷	1,796	1,086¹⁹
Total waste production	tonnes	11,592	12,246
Waste intensity	kg/per pair of shoes	0.206	0.223
Use of packaging material			
Use of packaging materials ²⁰	tonnes	27,310	27,155
Usage intensity	kg/per pair of shoes ²¹	0.485	0.494²²

¹⁵ Water consumption reduced as a result of initiatives related to water conservation and leakage detection.

¹⁶ Non-hazardous waste generated by the Group was mainly leather, metal, paper, and cartons in 2022.

¹⁷ The unit has been revised to reflect the actual amount of waste disposal.

¹⁸ Increased non-hazardous waste generation resulted from relocation of equipment due to restructuring and adjustment in operations.

¹⁹ Reduced hazardous waste was a result of decrease in vaccination activities during 2022.

²⁰ During the Reporting Period, the packaging materials used by the Group were mainly paper in the form of shoe boxes, packing papers, carton boxes and shoe stretchers.

²¹ The unit has been revised to reflect the actual intensity of packaging material used.

²² Increased intensity in packaging material usage was attributed to the change in product category mix.

Appendix I — Performance Table

EMPLOYMENT STATISTICS²³

Units		Performance in 2021	Performance in 2022
Total workforce ²⁴	number of people	42,487	42,507
Total workforce by employment contract			
Permanent	number of people	42,487	42,507
Contract	number of people	0	0
Total workforce by gender			
Male	number of people	9,084	8,559
Female	number of people	33,403	33,948
Total workforce by age group			
18 – 30	number of people	13,608	13,024
31 – 50	number of people	26,032	26,953
51 or above	number of people	2,847	2,530
Total workforce by employment category			
Senior management	number of people	11	12
Middle management	number of people	663	785
General staff	number of people	41,813	41,710
Total workforce by geographical region²⁵			
China ²⁶	number of people	N/A	11,993
Asia (excluding China) ²⁷	number of people	N/A	30,514
Employee turnover rate by gender			
Male	%	32.3%	50.3%
Female	%	21.1%	27.2%

²³ During the Reporting Period, the Group updated its collection process of employment practice related data. We have been working to improve our data management to lay a solid foundation of tracking and reporting the progress made against our environmental targets.

²⁴ Total Number of Employees refers to the total number of employees directly employed by the Stella Group as of 31 December of the respective year.

²⁵ Data has been expanded to cover total workforce by geographical region from FY2022 onwards.

²⁶ Includes Mainland China, Taiwan, Hong Kong and Macau.

²⁷ Includes Vietnam, Indonesia, Bangladesh, Philippines, and others.

Appendix I — Performance Table

Units		Performance in 2021	Performance in 2022
Employee turnover rate by age group			
18 – 30	%	30.8%	75.0%
31 – 50	%	18.9%	11.3%
51 or above	%	16.1%	28.7%
Employee turnover rate by geographical region²⁸			
China	%	N/A	34.5%
Asia (excluding China)	%	N/A	30.8%
Percentage of employees trained by gender			
Male	%	21.8%	98.0%
Female	%	78.2%	97.9%
Percentage of employees trained by employee category			
Senior management	%	0.01%	25.0%
Middle management	%	1.1%	16.9%
General staff	%	98.9%	99.5%
Average training hours by gender			
Male	hours	3.5	5.7
Female	hours	1.9	5.2
Average training hours by employee category			
Senior management	hours	3.6	3.9
Middle management	hours	1.1	2.4
General staff	hours	2.3	3.6

²⁸ Data has been expanded to cover employee turnover rate by geographical region from FY2022 onwards.

Appendix I — Performance Table

Units		Performance in 2020	Performance in 2021	Performance in 2022
Occupational Health and Safety				
Rate of work-related fatalities	%	0 ²⁹	0 ²⁹	0 ³⁰
Loss of workdays due to industrial injuries	number of days	N/A ³¹	2,978	2,305
Turnover rate over the past 3 years				
Staff turnover rate	%	22.0%	23.5% ³²	31.9% ³²
Strikes or lock-outs events over the past 3 years				
Number of strikes or lock-outs events	cases	0	0	0

²⁹ No incident of work-related fatality happened during the Reporting Period.

³⁰ An employee resumed working after taking doctor's advice and got sudden cardiac arrest during working hours. He passed away subsequently. The incident was examined as an isolated case.

³¹ Data has been expanded to cover total number of lost day due to work injuries from FY2021 onwards.

³² Higher staff turnover rate as we have been adding new production lines and employees in new production lines tend to have above-average turnover rate.

Appendix I — Performance Table

OPERATION PRACTICES PERFORMANCE

	Performance in 2021	Performance in 2022
Number of suppliers by geographical region		
Mainland China	932	799
Hong Kong	79	79
Vietnam	210	235
Italy	109	99
Korea	52	38
Other Asian regions	199	173
Other European regions	18	23
American regions and others	38	21
Performance review conducted to suppliers³³		
Percentage of suppliers received performance review	100%	100%
Percentage of total products sold or shipped subject to recalls for safety and health reasons		
Percentage of products recalled	0	0
Number of concluded legal cases regarding corrupt practices brought against the Group or our employees		
Total number of legal cases regarding corrupt practices	0	0

³³ Data has been expanded to cover performance review conducted to suppliers from 2021 onwards. The performance review covers their business performance, compliance status, environmental management, product quality and other associated ESG factors with the help of established Supplier Scoring System.

APPENDIX II — HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Product Carbon Footprint and Climate Change Pollution Prevention and Control
A1.1	The types of emissions and respective emissions data.	Appendix I — Performance Table
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I — Performance Table
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I — Performance Table
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I — Performance Table
A1.5	Description of emission target(s) set and steps taken to achieve them.	Product Carbon Footprint and Climate Change
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Pollution Prevention and Control

Appendix II — HKEX ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Product Carbon Footprint and Climate Change Responsible Use of Resources Pollution Prevention and Control
A2.1	Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I — Performance Table
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I — Performance Table
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Preserving Our Planet
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Pollution Prevention and Control
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix I — Performance Table

Appendix II — HKEX ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Product Carbon Footprint and Climate Change Responsible Use of Resources Pollution Prevention and Control
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Product Carbon Footprint and Climate Change Responsible Use of Resources Pollution Prevention and Control
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Product Carbon Footprint and Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Product Carbon Footprint and Climate Change

Appendix II — HKEX ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employee Management
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix I — Performance Table
B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I — Performance Table
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety Appendix I — Performance Table
B2.2	Lost days due to work injury.	Health and Safety Appendix I — Performance Table
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Appendix II — HKEX ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Career Development and Education
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I — Performance Table
B3.2	The average training hours completed per employee by gender and employee category.	Appendix I — Performance Table
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Business Ethics
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Business Ethics
B4.2	Description of steps taken to eliminate such practices when discovered.	Business Ethics

Appendix II — HKEX ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Product Carbon Footprint and Climate Change Responsible Use of Resources
B5.1	Number of suppliers by geographical region.	Appendix I — Performance Table
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Responsible Use of Resources
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Product Carbon Footprint and Climate Change
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Use of Resources

Appendix II — HKEX ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Not applicable to the core business of Stella as we do not sell product to end consumers, yet we ensure that applicable regulations are complied.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Appendix I — Performance Table
B6.2	Number of products and service-related complaints received and how they are dealt with.	Not applicable to the core business of Stella as we do not sell product to end consumers, yet we have explained the handling approach in the section of Customer Service.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Quality
B6.4	Description of quality assurance process and recall procedures.	Product Quality
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer Service

Appendix II — HKEX ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Appendix I — Performance Table
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics
B7.3	Description of anti-corruption training provided to directors and staff.	Career Development and Education Business Ethics
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	Community Investment
B8.2	Resources contributed (e.g., money or time) to the focus area.	Community Investment

In the event of inconsistency, the English version shall prevail over the Chinese version.



Stella International Holdings Limited
九興控股有限公司*

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司

** for identification purpose only*