



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

Incorporated in Bermuda with limited liability

Stock Code : 551



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Introduction

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

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

The Board is pleased to submit the Group's 2022 Environmental, Social and Governance Report (the "Report") with reference to the Group's policies and performances in disclosure indicators including The Stock Exchange of Hong Kong Limited ("Stock Exchange" or "HKEx"), Global Reporting Initiative ("GRI"), Sustainability Accounting Standards Board ("SASB") and Recommendations on Task Force on Climate-related Financial Disclosures ("TCFD") etc. during the period from January 1, 2022 to December 31, 2022 (the "Reporting Period").

Report Compilation Basis

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

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

Scope of Reporting

The Group is engaged in two main businesses: (1) the footwear manufacturing business for international brand customers, and (2) the operation of an integrated sportswear retail network in the Greater China region as well as event management and sport services. For specific details of the aforesaid businesses, please refer to the Group's 2022 Annual Report. This Report only covers the relevant policies and performance of the footwear manufacturing business of the Group. The environmental data disclosed in this Report mainly covers areas including Mainland China, Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar, while the social data is consistent with the scope of annual report. In addition to the six major business regions covered by the environmental data, it also includes Taiwan, Hong Kong, Macau, the United States, Mexico and other regions, but does not include the relevant information with regard to the retail and related businesses as mentioned in the aforesaid item (2). As for the relevant policies and performance of the retail and related businesses as mentioned in the aforesaid item (2), please refer to the ESG Report in the 2022 Annual Report of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company.

Reporting Period

The information published in this Report covers the period from January 1, 2022 to December 31, 2022, which is the same as the financial year as reported in the Group's 2022 Annual Report.

On behalf of the Board

Tsai Pei Chun, Patty

Managing Director

Hong Kong, March 15, 2023

Financial and Business Performance



Revenue

US\$ **8,970.2**
million



Gross Profit Margin

23.8%



Net Profit Margin

3.3%



Shoe Volume

272.7
million pairs



Average Selling Price

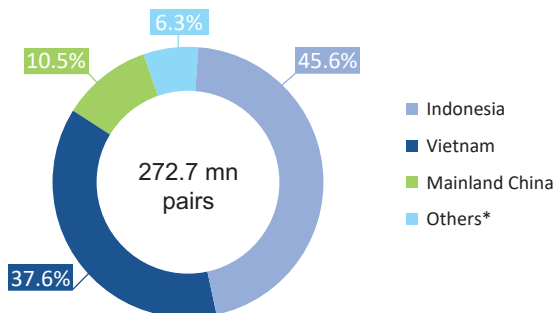
US\$ **20.93**
per pair



Retail Network

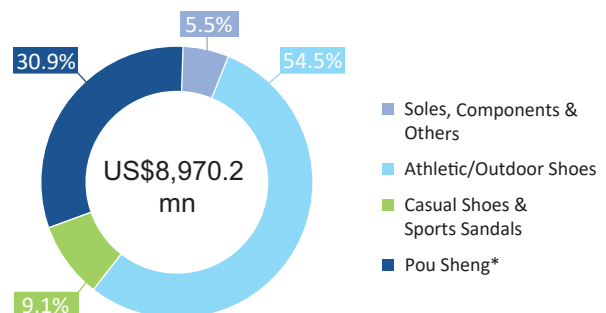
7,293
stores

Shipment by Region



*Others include Cambodia, Bangladesh, Myanmar, etc.

Revenue by Category



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

External Organization Participation



World Federation of the Sporting Goods Industry (WFSGI)

The Group joined the WFSGI since 2016 and has become one of its manufacturer members supporting the principles of the WFSGI's Code of Conduct.



Fair Labor Association (FLA)

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

Awards & Recognition



ISO 50001
24%
factories certified

ISO 14064
18%
emissions verified

ISO 14001
58%
factories certified

ISO 45001
55%
factories certified

- ISO 50001 Energy Management
- ISO 14064 Greenhouse Gases Emissions Verification and Validation
- ISO 14001 Environmental management
- ISO 45001 Occupational Health and Safety Management

MSCI ESG Ratings



The Group has obtained BB rating from MSCI ESG Research for seven consecutive years since 2014, and has achieved BBB rating since 2021.

CDP Climate Change



The Group's CDP Climate Change Score has been upgraded from 'C' (Awareness) in 2021 to 'B' (Management) in 2022.

Institutional Investor Asia Executive Team 2022



Consumer/Discretionary Sector

- Best CEO
- Best CFO
- Best IR Professional
- Best IR Team
- Best IR Program
- Best ESG
- Most Honored Company

HKIRA 8th IR Awards 2022



Midcap Category

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



Financial Times Climate Leaders 2022



Asia-Pacific

The Group was one of only 200 companies across Asia-Pacific that has achieved the greatest compound annual reduction in greenhouse gas emissions intensity between 2015 and 2020 (emissions relative to revenue), by 6.3%.






Governance

	Independent Directors 40%	Female Directors 10%
	Hang Seng Composite Index Constituent	0 Significant Violations
Supplier Signings of Undertaking of Ethics & Integrity 98.1%		

Social

	Employee 284,221	Male: Female 22.3% : 77.7%
	Female Mgmt 56.3%	Local Mgmt 84.1%
	AVG Training Hours 12.5hrs/ppl	Employees Trained 100%
	0 Child Labor	0 Forced Labor
	Fair Compensation Checks 100% Pass	CBA 92.9%
	Respect for Religion Diversity 111 Facilities	VOE % of Conclusion 99.5%
	Occupational Injury -20.4%	SOCIAL & LABOR CONVERGENCE Certified 21%
	Disabling FR 0.29	Disabling SR 12
	Earthquake Support 2,771 families benefited	Community Charity Donation 81,000 USD
	Benefited Children 40,986 in total	Charity Housing 297 in total
		

Environmental

	Rooftop Solar Energy 2,441MWh	REC 145,075MWh	Green Energy % 16%
	CO₂ Scope 1 50,000tCO ₂ e	CO₂ Scope 2* 593,000tCO ₂ e	CO₂ Scope 3 23,808tCO ₂ e
Energy Intensity 11.6-18.7MJ/pair		Carbon Intensity 2.6-3.5kg CO ₂ e/pair	
	Water Consumption 9,859m litres	Water Intensity 43.3 litres/pair	Water Recycle% 35.4%
	Higg Index FEM Built 53%	ZDHC Pass 100%	Waste 79,050t
	Waste Intensity (Hazardous) 0.03kg/pair	Waste Intensity (Non-hazardous) 0.31kg/pair	
Particulate 12,049kg	SO₂ 8,587kg	NO_x 34,817kg	VOC 5,429kg

*Market Basis

Compliance Management

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

ESG indicators	Region	Laws and Regulations	Internal System
A Environment	Mainland China	<ul style="list-style-type: none"> Environmental Protection Law of the People's Republic of China Environmental Protection Tax Law of the People's Republic of China Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China Law on the Prevention and Control of Water Pollution of the People's Republic of China Law on Appraising of Environment Impacts of the People's Republic of China Law on the Prevention and Control of Environment Pollution by Solid Wastes of the People's Republic of China Law on the Prevention and Control of Pollution from Environmental Noise of the People's Republic of China 	<ul style="list-style-type: none"> Administration Standards on Environment, Energy, Safety and Hygiene Guidelines on soil and groundwater pollution management Guidelines on waste management Guidelines on sewage discharge management Guidelines on air pollution management Guidelines on Environmental, Safety and Hygiene index management Guidelines on energy management Guidelines on greenhouse gas management Climate change policy
	Myanmar	<ul style="list-style-type: none"> Environmental Conservation Law (2012) Environmental Conservation Rules (2013) National Environmental Quality (Emission) Guidelines (2015) Prevention of Hazard from Chemical and Related Substances Law (2013) Prevention of Hazard from Chemical and Related Substances Rules (2016) 	
	Vietnam	<ul style="list-style-type: none"> Environmental Protection Law Water Resources Law 	
	Indonesia	<ul style="list-style-type: none"> Environmental Protection and Management Law 	
	Cambodia	<ul style="list-style-type: none"> Law on Environmental Protection and Natural Resources Management of Cambodia 	
	Bangladesh	<ul style="list-style-type: none"> Environment Conservation Rules, 1997 	

ESG indicators	Region	Laws and Regulations	Internal System
B1 Employment B4 Labour Standards	Mainland China	<ul style="list-style-type: none"> • Labor Law of the People's Republic of China • Labor Contract Law of the People's Republic of China • Labor Dispute Mediation and Arbitration Law of the People's Republic of China • Employment Promotion Law of the People's Republic of China • Social Insurance Law of the People's Republic of China • Regulations on Prohibition of Child Labor of the People's Republic of China • Regulation on Special Protection for Underage Workers of the People's Republic of China • Prohibition of Forced Labor and Prisoners Labor Policy and Procedures of the People's Republic of China 	<ul style="list-style-type: none"> • Code of conduct • Fair remuneration commitment • Guidelines on sexual harassment and sexual assault prevention measures complaints and disciplinary handling management measures • Discipline/Engagement Committee Measures • Work manuals and labor regulations of regional administrative centers
	Hong Kong	<ul style="list-style-type: none"> • Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) • Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) • Employment Ordinance (Chapter 57 of the Laws of Hong Kong) • Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) • Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong) • Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) • Family Status Discrimination Ordinance (Chapter 527) • Race Discrimination Ordinance (Chapter 602) 	
	Myanmar	<ul style="list-style-type: none"> • Labor Law • Social Insurance Law • Factory Act • Syndical Law • Employment Law • Labor Safety and Health Law 2019 • Minimum Wage Law 	

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

ESG indicators	Region	Laws and Regulations	Internal System
B2 Health and Safety	Mainland China	<ul style="list-style-type: none"> Prevention and Control of Occupational Diseases Law of the People's Republic of China Production Safety Law of the People's Republic of China 	<ul style="list-style-type: none"> Administration Standards on Environment, Energy, Safety and Hygiene Guidelines on safety, environment and energy of boiler equipment Guidelines on the supervision and measurement of Environmental, Safety and Hygiene Guidelines on operations control Guidelines on the construction of Contractor Guidelines on employee's health Guidelines on personal protective equipment Abnormal Incident Management Regulations Human Factors Engineering guidelines Guidelines on chemicals management Guidelines on the management of mechanical equipment safety Guidelines on the management of electrical safety
	Hong Kong	<ul style="list-style-type: none"> Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) 	
	Myanmar	<ul style="list-style-type: none"> Labor Safety and Health Law 2019 Labor Law Factory Act 	
	Vietnam	<ul style="list-style-type: none"> Labor Safety and Health Law Labor Law 	
	Indonesia	<ul style="list-style-type: none"> Occupational Safety and Health Act Labor Law 	
	Cambodia	<ul style="list-style-type: none"> Labor Law 	
	Bangladesh	<ul style="list-style-type: none"> Bangladesh EPZ Labor Act (2019) Bangladesh Labor Act (2006) 	
	Taiwan	<ul style="list-style-type: none"> Occupational Safety and Health Act 	
	U. S.	<ul style="list-style-type: none"> Occupational Safety and Health Act 	
	Mexico	<ul style="list-style-type: none"> Constitution of the United Mexican States Federal Labour Law 	
B3 Development and Training	All	Nil	<ul style="list-style-type: none"> Regulations Governing Employee Training Management Operation process of education, training and internal lecturer management Individual development plan (IDP)

ESG indicators	Region	Laws and Regulations	Internal System
B5 Supply Chain Management	All	Nil	<ul style="list-style-type: none"> • Supplier-friendly workplace guidelines • Guidelines on equipment general service supplier
B6 Products Liability	Mainland China	<ul style="list-style-type: none"> • Constitution of the People's Republic of China • Tort Law of the People's Republic of China • Public Security Administration Punishments Law of the People's Republic of China • Criminal Law of the People's Republic of China • Product Quality Law of the People's Republic of China • Law on the Safety of Special Equipment of the People's Republic of China • Advertising Law of the People's Republic of China • Law on the Protection of Consumer Rights and Interests of the People's Republic of China 	<ul style="list-style-type: none"> • Guidelines on chemicals • Intellectual Property manual • Guidelines on Intellectual Property contract • Administration standards on innovative research and development protection • Administration standards on patent application and maintenance • Quality management guidelines
	Myanmar	<ul style="list-style-type: none"> • Product Safety Law 	
	Vietnam	<ul style="list-style-type: none"> • Intellectual Property Law • Cyber Information Security Law 	
	Cambodia	<ul style="list-style-type: none"> • Trademark Law • Law on Copyright and Related Rights • Patent Law 	
	Bangladesh	<ul style="list-style-type: none"> • Bangladesh EPZ Labor Act (2019) • Bangladesh Labor Act (2006) 	

ESG indicators	Region	Laws and Regulations	Internal System
B7 Anti-corruption	Mainland China	<ul style="list-style-type: none"> • Anti-Unfair Competition Law of the People's Republic of China • Criminal Law of the People's Republic of China • General Provisions of the Civil Law of the People's Republic of China • Anti-money Laundering Law of the People's Republic of China 	<ul style="list-style-type: none"> • Code on corporate governance practice • Ethical corporate management best practice principles • Moral code of conduct • Policies toward whistle-blowing illegal and unethical or dishonest practices • Prevention of bribery policy • Whistleblowing policy
	Hong Kong	<ul style="list-style-type: none"> • Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) 	
	Myanmar	<ul style="list-style-type: none"> • Prevention of Corruption Law • Criminal Law 	
	Vietnam	<ul style="list-style-type: none"> • Prevention of Corruption Law • Criminal Law 	
	Indonesia	<ul style="list-style-type: none"> • Money Laundering Control Law • Criminal Law 	
	Cambodia	<ul style="list-style-type: none"> • Anti-Corruption Law • Criminal Law • Anti-Money Laundering and Combating the Financing of Terrorism Law 	
	Bangladesh	<ul style="list-style-type: none"> • Act 90, 91, 92 and 146 of the Laws of the EPZ Office 	
B8 Community Investment	All	Nil	<ul style="list-style-type: none"> • Code of conduct • Sustainable development code of practice

3.1 Corporate Governance

The Board consists of ten directors, including six executive directors and four independent non-executive directors, with at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise.

As the highest decision-making center of the Company, the Board takes responsibility to oversee all major matters of the Group, including the formulation and approval (after taking into consideration of the recommendations made by the relevant committees) of all policies, overall strategies, risk management and internal control systems, and monitoring the performance of the senior management. The Directors make decisions objectively and in the interests of the Company.

The day-to-day management, administration and operation of the Group are delegated to the managing director and the senior management of the Company. The delegated functions and work tasks are reviewed periodically.

Risk Management and Internal Control

The Board is responsible for maintaining a robust and effective risk management and internal control systems for the Group, as well as reviewing the effectiveness of these systems. These systems are designated to manage, rather than eliminate the risk of unachieved business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss, and to assist in the achievement of the Group's objectives. These systems also ensure the maintenance of proper accounting records and compliance with operating procedures as well as relevant laws and regulations.

The internal audit function of the Group was performed by the internal audit department, which is responsible for the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group. At the same time, it also assessed the risks from business and operation, and conducted reviews or audit to ensure sufficient governance and controls are in place to address such risks.

The Board performs its duties by formulating policies and procedures, including parameters for delegated authorization, which provide a framework for identification and management of risks. The Board takes responsibility to oversee all major matters of the Group, including the formulation and approval of all policies, overall strategies, risk management and internal control systems after taking into consideration of the recommendations made by the committees and the ESG taskforce, as well as monitoring the performance of the senior management and approving the detailed operational and financial report, budget and business plan submitted by the management. Meanwhile, the managing director conducts regular reviews with the management team of each core business unit on their authorized functions and work.

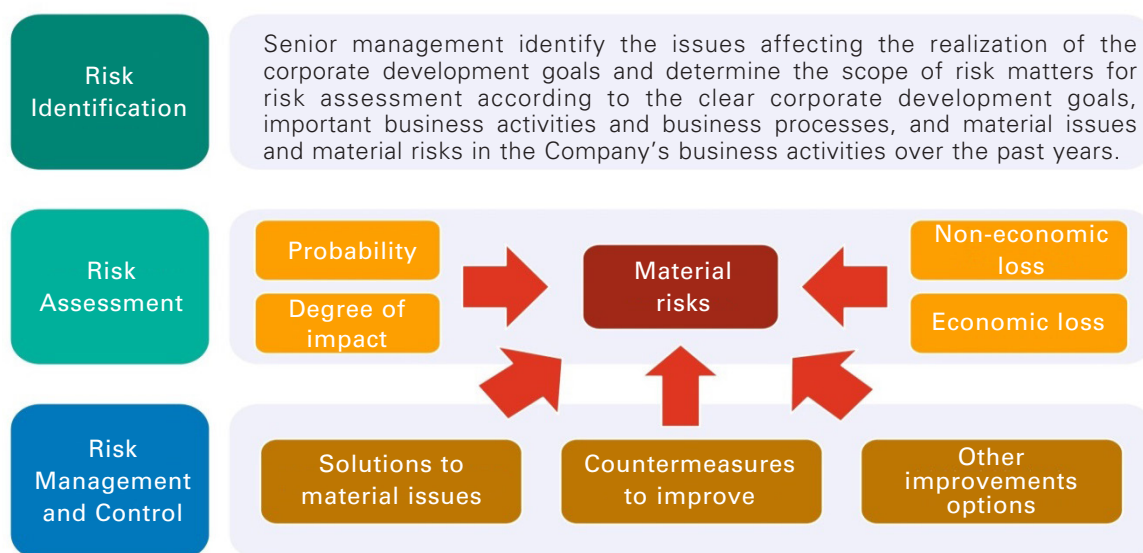
The management (including relevant heads of business units, departments and divisions) designs, implements and monitors the risk management and internal control systems, and ensures the effective performance of these systems; monitors risks and takes measures to mitigate risks in daily operations; provides timely responses and follow-up actions to findings on internal control matters raised by internal audit department or external auditors; and provides confirmation to the Board on the effectiveness of these systems.

The Audit Committee of the Company is responsible for the ongoing review of the Group's risk management and internal control functions. On behalf of the Board, the Audit Committee regularly reviews the Group's risk management and internal control systems; ensures that the management has performed its duty to have effective systems; considers major investigation findings on risk management and internal control matters and management's responses to these findings; ensures coordination between the internal audit department and external auditor; and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviews and monitors the effectiveness of the internal audit function.

For details on the Company's corporate governance, risk management and internal control, please refer to the Corporate Governance Report contained in the Company's 2022 Annual Report.

Risk Management Operation

The Company uses risk matrix to identify key risks by all functional units in terms of operation effect and efficiency (including profit, performance and asset safety protection, etc.), reliability, timeliness and transparency of reporting and compliance with relevant norms and relevant laws and regulations. Then, conducts cross-unit comprehensive assessment of the degree of significant impact on the organization and the probability of damage of risk events, so as to analyze and put forward risk countermeasures, ensure that various operational risks can be identified and controlled, prevent possible losses within the range of tolerable risks, increase shareholders' equity, and achieve the optimal allocation of corporate resources.



Risk Identification and Control Measures for Year 2022

Risk Category	Risk Identification	Risk Control Measures
Economy	Change in corporate image	<ul style="list-style-type: none"> Adhere to the core values of “Professionalism, Dedication, Innovation and Service”, actively face and overcome various difficulties and challenges, to be the world’s leading footwear manufacturing service group, strengthen corporate governance in order to practice the long-term goal of sustainable development. Continue to improve information transparency, strengthen the communication with stakeholders.
	Ethical integrity and anti-corruption	<ul style="list-style-type: none"> Integrate integrity and ethical values into the Company’s business strategy and develop internal rules and regulations such as the Code on Corporate Governance Practice, Prevention of Bribery Policy, Moral Code of Conduct and Whistleblowing Policy to ensure the relevant preventive measures for ethical business operations. Plan internal organization, staffing and functions, and establish a mutual supervision and checks and balances mechanism for business activities with high risks of dishonest conduct within the business scope. Continuously promote the education and training of ethical integrity and anti-corruption. Establish whistle-blowing channels to prevent illegal, unethical or dishonest practices to ensure the effectiveness of enforcement.
	Operational risk	<ul style="list-style-type: none"> Effectively utilize the local production advantages to enhance the flexibility and diversity of manufacturing capabilities. Provide value-added services and deepen the relationship with brand customers. Strengthen omni-channel capabilities and provide multiple sports services. Continuously invest resources into automation, innovative technology and process improvement, strengthen R&D capabilities and improve production efficiency. Proactively manage customer risk and prudently evaluate and manage before and after investment. Establish a multi-channel communication mode, care about and solve employee issues, strengthen internal cohesion and organizational identity, and comply with local laws and regulations, protect employee rights and create a friendly workplace.
	Financial risk	<ul style="list-style-type: none"> Pay close attention to the international situation and monitor the financial market as well as the changes in the general economic indicators, promptly evaluate and appropriately respond to the interest rate and exchange rate hedging measures.
	Information risk	<ul style="list-style-type: none"> Build a comprehensive information management system for the multiple control and protection of network information security, strengthen the active protection and warning ability. Continuously monitor and make social engineering practise and improve user quality about information security. Establish a database backup mechanism and carry out disaster recovery exercises on an irregular basis.
	Legal risk	<ul style="list-style-type: none"> Continuously review and monitor the latest regulation changes; timely revise the Company’s internal rules and regulations; conduct educational promotion and training to implement compliance with various regulations. Assist in providing legal advice and contract review to reduce business disputes and protect the Company’s rights and interests.

Chapter 3 Corporate Governance and ESG Governance Structure

Risk Category	Risk Identification	Risk Control Measures
Environment	Climate change risk	<ul style="list-style-type: none"> Concern for the international climate change risk management trends, refer to risk assessment model in the TCFD, assess relevant impacts and risks, and formulate relevant prevention and response measures. In accordance with the relevant energy use policies of the local government and the voluntary emission reduction commitment in the Science-Based Targets initiative ("SBTi"), proactively promote the use of the equipment with low carbon and high efficiency and expand the application of green energy. Promote the monitoring, analysis and statistics of energy consumption and carbon emission, and continue to implement the action plan of energy conservation and carbon reduction.
	Change in environmental laws	<ul style="list-style-type: none"> Follow the local environmental regulations, regularly review the compliance with the EIA documents and follow up the improvement plan. Actively invest in pollution prevention and control facilities and monitor, strengthen the compliance management of pollutant discharge. Continuously improve the environmental safety index management system and abnormal event notification system, and effectively monitor the risk events during daily operation.
Society	Risk of infectious disease control	<ul style="list-style-type: none"> In accordance with local laws and regulations and various infectious disease prevention measures, formulate clear epidemic prevention guidelines, assess risks and formulate corresponding logistics support plans.
	Fire safety management	<ul style="list-style-type: none"> Continuously implement the fire prevention measures and strictly implement the fire source control. Strengthen staff fire awareness, disaster prevention training and autonomous safety inspection.
	Health and safety risks	<ul style="list-style-type: none"> Establish an Occupational Safety and Health Committee to regularly review, coordinate and recommend related matters such as safety/health/environment/energy/sustainability. Promote workplace safety culture, continuously conduct occupational safety and health education and training for employees. Strengthen the hazard risk protection measures and operation control, ensure the safety and production order of the workplace.
	Human resource risk management	<ul style="list-style-type: none"> Follow the local labor laws and regulations, continuously optimize the recruitment channels and processes, calibrate the salary level with market, and strengthen the care for employees. Improve the inheritance mechanism of high-level talents and implement the duty agent system to ensure smooth business undertaking. Develop physical and online training, and cultivate professional and communicating ability of supervisors and employees.
	Product quality control	<ul style="list-style-type: none"> From product development trial to manufacturing, the use of raw materials is in strict compliance with international norms and brand customers' Manufacturing Restricted Substance List ("MRSL"). Comprehensively promote product quality related policies and measures. "Broken needle" protection and "Metal detection measures" are carried out in the production process to prevent consumers from being harmed when using products.
Product safety management	<ul style="list-style-type: none"> Formulate relevant product safety management measures and strengthen education and training in respect of development and design management, material management, production safety management, plant safety management, information system security management, transportation safety management and business secret safety management, intellectual property rights maintenance, crisis management, etc.. Target to the sustainable operation goal of "zero leakage", "zero accident" and "zero loss", the development center and overseas factories continue to conduct production and safety audit, in order to proactively and effectively detect and solve problems. 	

Terms of Reference of the Board

The Board sees corporate governance as a cornerstone for the Group to build a solid foundation for sustainable development and to help the Group achieve long-term success, and therefore shoulders a mission to plan and promote the sustainability of its corporate operation, and to implement and adhere to strict ethical business standards. As the top management which is wholly responsible for the Group's ESG strategy and report, the Board implements the Company's commitment in respect of the ESG development. Its responsibilities include:

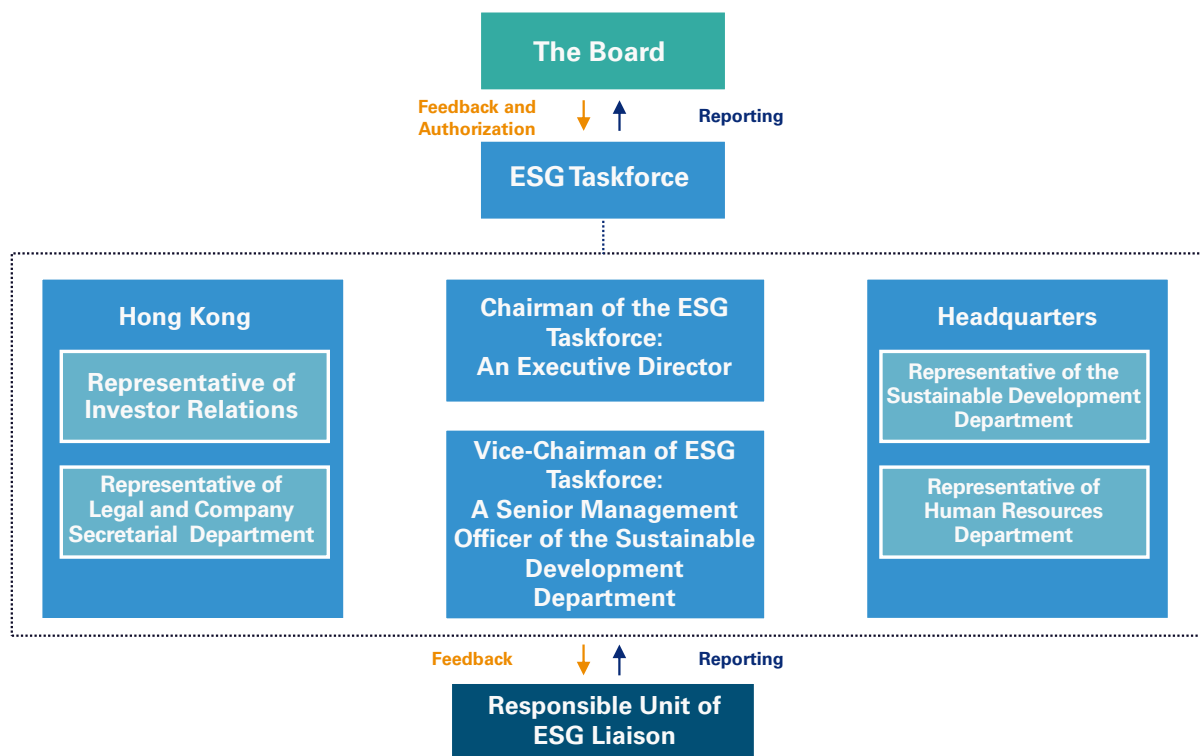
1. Lead the Group to form a vision for effective and measurable ESG development that meets the expectations of shareholders and other significant stakeholders, as well as the legal and regulatory requirements of the locations in which it operates;
2. Review and oversee the implementation and results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

In addition, in 2021, the Board adopted the Company's "Climate Change Policy" to formulate the energy management related strategy of climate change and enhance the resilience to climate change.

3.2 ESG Governance Structure

The Group sees ESG management as an important component of corporate daily operation and management. The Board has delegated the key responsibility to the taskforce for the implementation of the Company’s ESG strategy. The ESG taskforce was formally established on May 13, 2022 under the leadership of the Board. With the exception of its Chairman being appointed by the Board, other members are directly appointed by their respective departments. Each department is required to appoint a representative to the taskforce to offer suggestions and assistance to the Board in respect of the ESG matters, and ensure the incorporation of the concerned environmental and social issues that we face with into the corporate agenda, daily decision making, corporate culture and future plans. The Group also promotes the development of corporate social environmental responsibility, so as to create the operating momentum and group competitiveness, ensuring that the Group brings about positive impacts to the stakeholders.

Illustrative Diagram on ESG Governance Structure



Terms of Reference of the ESG Taskforce

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

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

Terms of Reference of the Responsible Unit of the ESG Liaison

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

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

3.3 Integrity Management and Anti-Corruption

Management of Material Topics		
<p>What it means to Yue Yuen</p> <p>To establish the corporate culture of integrity and comprehensive development of Yue Yuen and to maintain a good business operation model.</p>	<p>Policy</p> <p>Implement the requirements of “Moral Code of Conduct”, “Anti-Corruption Policy” of the Company.</p>	<p>Impact</p> <p>The business principles of honest transactions and integrity management will directly affect the corporate values, which are the issues concerned by government competent authorities and company’s shareholders/investors, and stakeholders in value chains such as employees, customers, suppliers and communities will also be affected to various degrees.</p>
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➢ Require the employees to comply with Work Rules, sign the “Code of Ethics and Integrity Pledge” and the “Confidentiality Undertaking”. ➢ The major suppliers should follow the Company’s principles on honest transactions, sign the “Undertaking of Ethics and Integrity” or provide their declaration of probity or information on their moral integrity systems. ➢ Broaden the advocacy of Integrity Management and education discipline. 	<p>Actions</p> <ul style="list-style-type: none"> ➢ Formulate “Code on Corporate Governance Practice”, “Moral Code of Conduct”, “Prevention of Bribery Policy”, “Whistleblowing Policy” and various management practices as the basis for implementation. ➢ Set up internal and external websites of the Company, provide communication and reporting channels for stakeholders from different units.
<p>Sustainability Indicators</p> <p>HKEx KPI B7 Anti-corruption GRI 205 Anti-corruption SDG 16 Peace, Justice and Strong Institutions</p>	<p>Evaluation Methods</p> <ul style="list-style-type: none"> ➢ Board meetings, review meetings of semi-annual management, and internal audit system. ➢ If we discover any corruption, we will take necessary punitive or legal actions according to the seriousness of the situation and the specific circumstances of the cases in order to protect the rights and interests of the Company. 	<p>Stakeholder Engagement</p> <p>Stakeholder Engagement will be implemented by internal and external complaints and reporting channels.</p>

Chapter 3 Corporate Governance and ESG Governance Structure

The Company has “Anti-Corruption Policy”, which provides that the employees and companies, institutions and individuals that have business relationships with the Group, are forbidden to involve in any bribery acts, and to (whether directly or indirectly) request or receive any improper benefits, offer, promise, give or accept unreasonably gifts, entertainment or other improper benefits. In 2022, the Group was not aware of any case of corruption, bribery, extortion, fraud or money laundering brought against the Group or its employees.

The Group’s “Work Rules” requires the employees to sign the “Code of Ethics and Integrity Pledge” and the “Confidentiality Undertaking” and to strictly adhere to the applicable laws and regulations relating to the above acts. If the Company discovers any event of corruption, necessary legal actions will be taken based on the significance of the circumstances and case details to protect the interests of the Company.

In addition to requiring the suppliers to sign confidentiality agreements or relevant documents in respect of the trade secrets of brand customers, the Group also requires them to follow the Group’s principles on honest transactions. The suppliers are required to sign the “Undertaking of Ethics and Integrity”, or provide their declaration of probity or information on their moral integrity systems for the review by the Group. The Group’s business partners are referred to suppliers (including four categories of material suppliers, non-material suppliers such as general services, equipment, engineering and computers, related parties and customs service/logistics). Except for special cases, suppliers are required to sign the “Undertaking of Ethics and Integrity” before any procurement can be carried out by the Group. Number of such suppliers worldwide that have signed the Undertaking of Ethics and Integrity:

Actual number of suppliers ^{Note 1}	Number of the suppliers completing the Undertaking ^{Note 2}	Completion rate
11,001	10,793	98.1%

Note 1: Actual number of suppliers: Number of suppliers the Group transacted with in 2022.

Note 2: Number of the suppliers completing the Undertaking: Include signed, special exempted case, etc..

Communication and Training

The Company discloses its business integrity policies on its internal website, annual report, the Company's website or other company documentation. The objective is to ensure that the employees of the Company, suppliers, customers or personnel of other organizations relevant to the business can clearly understand the Group's philosophy and standards on business integrity. The legal department of the Group has been regularly holding a series of educational campaigns and training sessions on moral integrity and anti-corruption and provides online induction courses for the Group's employees and new recruits in relation to "Honest transactions and protection of the Group's interests". It is hoped that the Group's philosophy and standards on ethical operation will be further promoted. During the Reporting Period, the Company provided anti-corruption training materials for the directors of the Company. Since 2020, the arrangement and planning for overseas courses had been suspended due to the pandemic, and it is expected that we will start to prepare the teaching materials and teaching schedules for overseas language versions in 2023.

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

Complaints Reporting Principles and Communication Channels

During the Reporting Period, the Group developed a "Whistleblowing Policy" to provide our employees and those who have business relationships with the Company (such as customers and suppliers) with a channel to communicate any concerns that they may have regarding any act of misconduct, bribery, corruption or irregularity. Whistleblowers may report to the Chairman of the Audit Committee of the Company through the Company Secretary in writing in the following forms:-

- (1) Email: whistleblower@yueyuen.com; or
- (2) By post to:
The Chairman of the Audit Committee
C/O Company Secretary
Yue Yuen Industrial (Holdings) Limited
22nd Floor, C-Bons International Center, 108 Wai Yip Street,
Kwun Tong, Kowloon, Hong Kong

Management of Sustainability Issues

Yue Yuen understands that communication with stakeholders is the key to a company's continuous improvement and long-term development. Yue Yuen has been collecting responses and suggestions from relevant stakeholders through multiple channels, has analyzed such responses and suggestions regularly and incorporated them into the Company's operational planning.

4.1 Communication with Stakeholders

Identification of Stakeholders

Yue Yuen followed the five principles of AA1000 Stakeholder Engagement Standard (AA1000 SES), based on (1) Dependency, (2) Responsibility, (3) Tension, (4) Influence and (5) Diverse Perspectives from various stakeholders, through the responsible personnel of various departments of the Company, the annual brand customer interaction information, the consultation and interaction communications of each major footwear production base with external groups and internal employees in the current year, as well as the relevant stakeholder groups and their concerns of the Company's footwear business. We identified stakeholders according to their interaction frequency and operational importance, which haven't changed significantly over the years.

The Group continued to use the previous identification results for this year. Following discussions at the ESG taskforce member meetings, the Group decided to continue to take shareholders/investors, customers, government/regulatory authorities, employees/labor unions, suppliers, media, communities and Non-Governmental Organization ("NGO") as the eight categories of key stakeholders for Yue Yuen.

Communication with Stakeholders

Regarding issues that are of concerns to the stakeholders, Yue Yuen seeks stakeholder opinion and suggestions through scheduled and ad hoc meetings for good and immediate interactive communications between relevant business contact windows, the channels of which including but not limited to questionnaire surveys, e-mail communications, physical meetings and telephone conferences, etc. Internal meetings are conducted to report and discuss the feedback received from the stakeholders, which will then be used as important reference for the Company's sustainable development strategy. The administrative centers of the Group's major operating regions have also established Sustainable Development ("SD") business units to coordinate and process the communications with, and information and feedbacks from, stakeholders in relation to the issues on environmental protection, human rights and social impacts; individual enquiries from the public will be reported in the Annual ESG Report and will not be responded individually.

Through various communication channels as set out in the table below by Yue Yuen, the issues in question will be sorted according to their categories and nature before sending to relevant departments for further handling and responses. Letters received through relevant communication channels in 2022 included business cooperation proposals, shareholders/investors inquiries, media affairs and requests for research and survey. Moreover, due to the impact of novel coronavirus pneumonia ("COVID-19") pandemic, most stakeholders have more concerns on the preventive measures and the degree of impact of the pandemic. The Company has given a description of it in this Report.

Issues of Interest of Stakeholders and Communication Approaches

Shareholders/Investors	Issue of Interest: Economic performance (share price, revenue, profit), Corporate governance, Market image, Significant events	
<p>Shareholders/investors provide the capital needed for Yue Yuen's long-term development, which is an important foundation for the Company to move towards sustainable operation. Yue Yuen strives to develop steadily and generate profits to reward shareholders.</p>	<p>Communication Channels and Methods</p> <ul style="list-style-type: none"> • Publish information on the Company/HKEx websites (such as announcements, circulars, quarterly results announcements, interim reports, annual reports, etc.) • Results presentation materials • Convene shareholders' meetings • Hold quarterly, interim and annual results presentation • Press releases • Non-deal roadshows • One-on-one meetings, investors forums and teleconferences • Inquiry on shareholding issues to the share registrar and transfer office • Respond to questionnaires and inquiries from ESG assessment agencies • Mail/email enquires 	<p>Frequency on communications</p> <ul style="list-style-type: none"> • Aperiodic • Four times per year • At least yearly • Four times per year • Aperiodic • Four times or above per year • Aperiodic • Aperiodic • Aperiodic • Aperiodic
	<p>Interaction in 2022</p> <ul style="list-style-type: none"> • 4 results presentations • 271 investor meetings 	
Customers	Issue of Interest: Product quality, Information Security management, Management of prohibited/restricted substances, Compliance with laws and regulations, Transparency and reliability of information disclosure, Sustainability Indicators	
<p>Yue Yuen's revenue is mainly from selling products to customers. Yue Yuen is committed to providing brand customers with legal, sustainable, fast, flexible and value-added manufacturing. This is the service principle of serving Yue Yuen's customers. Yue Yuen also focuses on protecting the privacy and commercial confidentiality of brand customers.</p>	<p>Communication Channels and Methods</p> <ul style="list-style-type: none"> • Business visits/regular meetings • Ad hoc communication meetings • Audit feedback/self-management performance feedback • Email and phone contact • ESG Report 	<p>Frequency</p> <ul style="list-style-type: none"> • Monthly • Aperiodic • Monthly • Aperiodic • Yearly
	<p>Interaction in 2022</p> <ul style="list-style-type: none"> • A total of 87 brand audits 	

Government/Regulatory Authorities	Issue of Interest: Corporate governance, Compliance with statutes, Major labor disputes	
<p>The Company produces and operates in accordance with the policies and regulations formulated by the competent authorities at all levels of government, and upholds the concept of friendly environment, and fulfills its responsibility for sustainable development.</p>	Communication Channels and Methods <ul style="list-style-type: none"> • Cooperate with the government on compliance inspections • Regular submission of statements (monthly/quarterly)/documents • ESG Report • Proposal consultation visits 	Frequency <ul style="list-style-type: none"> • Aperiodic • Monthly/Quarterly • Yearly • Aperiodic
Interaction in 2022 <ul style="list-style-type: none"> • The frequency of interaction varies subject to different government/regulatory authorities in each district. 		
Employees/Labor union	Issue of Interest: Job security, Salaries and benefits, Labor relations/labor rights/working hours management, Workplace safety/Rationality of rules and regulations, Opinion communication channels, Performance evaluation and promotion system	
<p>Employees are the Company's important assets which grow with the Company as partners. Yue Yuen not only strives for a safe working environment and protection of human rights of employees, but also cultivates human capital through career development, education and training to enhances the Company's sustainable competitiveness.</p>	Communication Channels and Methods <ul style="list-style-type: none"> • Company internal website/email/employee suggestion box/questionnaire • Employee Welfare Committee/Occupational Safety and Health Committee/Labor union • Committee for Complaints, Rewards and Penalties • Internal staff publications • Employee and manager forums • Consultation services at life guidance and counseling for the overseas production factory sites' employee 	Frequency <ul style="list-style-type: none"> • Aperiodic • Monthly • Aperiodic • Monthly/Bimonthly • Monthly/Quarterly • Daily
Interaction in 2022 <ul style="list-style-type: none"> • The Occupational Safety and Health Committee of the factory meets once a month, and the Collective Occupational Safety and Health Committee of the factory in the industrial park of the production base meets once a quarter • The communication meeting between the management and the labor union is held once a quarter. • For employee feedback and communication matters, please refer to "Chapter 7 - Best Workplace". 		

Suppliers	Issue of Interest: Management of prohibited/restricted substances, Fair competition/quality and price/supply criteria, Supplier selection and management (quality/sustainability requirements)	
Suppliers provide important support for the Company's manufacturing and operation of raw materials, equipment and services. Yue Yuen regards integrity and law-abiding as the cornerstone of cooperation between the two parties. All suppliers must abide by local regulations and contractual commitments, and incorporate labor human rights, health and safety, and environmental compliance into one of the primary considerations.	Communication Channels and Methods <ul style="list-style-type: none"> • Procurement contracts/Letters of undertaking • Business communication/email and phone contacts • Supplier assessment system • Supplier meetings 	Frequency <ul style="list-style-type: none"> • Aperiodic • Aperiodic • Yearly • Aperiodic
	Interaction in 2022 <ul style="list-style-type: none"> • Undertake supplier assessment at least once a year • Daily business window take charges to respond 	
Media	Issue of Interest: Operational status, Major labor disputes, Newsworthy events	
Media provides multiple views and opinions on improving the Company's sustainable management performance.	Communication Channels and Methods <ul style="list-style-type: none"> • Press releases • Coordination of requests for visits by media and provision of information 	Frequency <ul style="list-style-type: none"> • Periodic • Aperiodic
	Interaction in 2022 <ul style="list-style-type: none"> • Monthly revenue and quarterly operating results press releases • Explanatory documents for the concerned issues, phone calls and emails 	
NGO	Issue of Interest: Labor relations/labor rights, Compliance with laws and regulations, Environmental issues, Communication channels and mechanism	
NGOs supervise and assist in improving the Company's ESG sustainable management performance	Communication Channels and Methods <ul style="list-style-type: none"> • FLA SCI on-site audit and online platform • Cooperation plan with NGOs • Explanatory documents for the concerned issues • Communication meetings/emails and phone contact • ESG Report 	Frequency <ul style="list-style-type: none"> • Yearly • Aperiodic • Periodic • Aperiodic • Yearly
	Interaction in 2022 <ul style="list-style-type: none"> • Regularly receive information from the FLA Board of Directors and update the audit improvement progress every quarter 	

Community	Issue of Interest: Environmental issues/compliance with statutes, Commuting traffic impact, Career opportunities, Community welfare outreach activities	
The community is the support force for the stable operation of the Company, and it is also where the employees are from. The Company's operations coexist with society. Through the community's expectations for the sustainable development of Yue Yuen, the Company takes the responsibility of multi-investment in society.	Communication Channels and Methods <ul style="list-style-type: none"> • Proactive visits • Communication channels for external feedback • Sponsor community charity events/ community visits • The Company's website 	Frequency <ul style="list-style-type: none"> • Aperiodic • Aperiodic • Aperiodic/ Quarterly • Aperiodic
Interaction in 2022 <ul style="list-style-type: none"> • Community interaction is handled and responded based on the needs of individual cases; please refer to the instructions in "Chapter 9 - Community Relations". 		

4.2 Identification of Material Issues

Analytical Process of Material Issues

The Group's core business, namely footwear manufacturing, is a labor-intensive industry that continues to attract the attention of international labor rights groups. The brand customers also regard labor rights and occupational safety and health management standards as important evaluation criteria for partnership. Material issues selected by the Company concerning stakeholders are generally in relation to requirements of "FLA Workplace Code of Conduct" and management standards that are always attached with importance by brand customers.

Following the international trends over years, the stakeholders' concerns about footwear production has expanded from social issues to environmental issues. In operational aspect, operational performance, compliant operation and corporate governance are utmost management issues; in workplace management, human rights and labor employment compliance, effective establishment of grievance handling mechanisms and a safe and healthy working environment are emphasized. Environmental sustainable management focuses on compliance with laws and regulations, pollutant discharge treatment, effective utilization of energy and climate change management. For the management of supply chain manufacturers, in addition to the suppliers that must pass the customers' supply chain certification, the supplier management policies and practices are also an issue of growing concern.

By analyzing issues that fall within stakeholders' attention through the materiality analysis process and prioritizing them in terms of their economic, social and environmental impacts, Yue Yuen has effectively address such issues.

Step 1

Understanding the Company's Sustainability Roadmap



8 categories of stakeholders


Yue Yuen continued to use the previous identification results for this year, reviewed its business activities and sustainability roadmap, identified 8 categories of key stakeholders based on AA1000 Stakeholder Engagement Standard.

25 issues of sustainability

Yue Yuen reviewed international sustainability norms and standards (GRI Code, SASB, SDGs & TCFD), sustainability (investment) assessments (CDP, FTSE & MSCI), industry development and stakeholder communication processes, and the taskforce compiled and planned 25 issues of sustainability for the impact assessment.

Step 2

Impact Identification of Sustainability Issues



267 questionnaires

Questionnaires were distributed to internal and external stakeholders to understand the degree of concern of stakeholders about 25 related sustainability issues.

119 internal colleagues

148 external stakeholders

For 25 related issues, the positive and negative, substantial and potential impacts on the economic, environmental and social (including human rights) aspects were evaluated based on 6 impact assessments: (1) finance; (2) corporate reputation; (3) regulatory regulations; (4) customer/siness partner influence; (5) operation; and (6) human rights.

Step 3

Assessing the Significance of Impacts



17 major sustainability issues

With reference to the assessment of each unit on daily operation and the development trend of the sustainability issues, the working group of the Sustainable Development Department internally identified 25 sustainability issues, and identified the significance of the issues to Yue Yuen based on the actual and potential positive and negative impacts on the economic, social and environmental aspects, and combined with the concerns of stakeholders, and established 17 major sustainability issues of Yue Yuen.

Step 4

Disclosure of Significant Sustainability Issues



18 GRI topics

The 17 major sustainability issues corresponded to 18 GRI topics in total. In the year 2022, 10 major reporting topics were summarized according to the GRI guidelines (2021 edition), to communicate and respond to stakeholders according to the sustainable report in this year. The significance of each major topics to Yue Yuen, as well as the policy commitments, impact and specific objectives and actions for each topic, were described in the corresponding chapters.

The Results of Materiality Analysis

Yue Yuen analyzed the impact of the sustainability issues on the economic, environmental and social (including human rights) aspects based on 6 aspects assessments, and identified the significance of the issues in combination with the concerns of stakeholders. In addition to responding the international community, Yue Yuen also hopes to identify sustainable major issues through various aspects, and understand the level of concern of stakeholders on related sustainability issues from the outside to the inside. Yue Yuen also evaluated the impact of the issues to strengthen its organizational resilience while facing the sustainability issues.

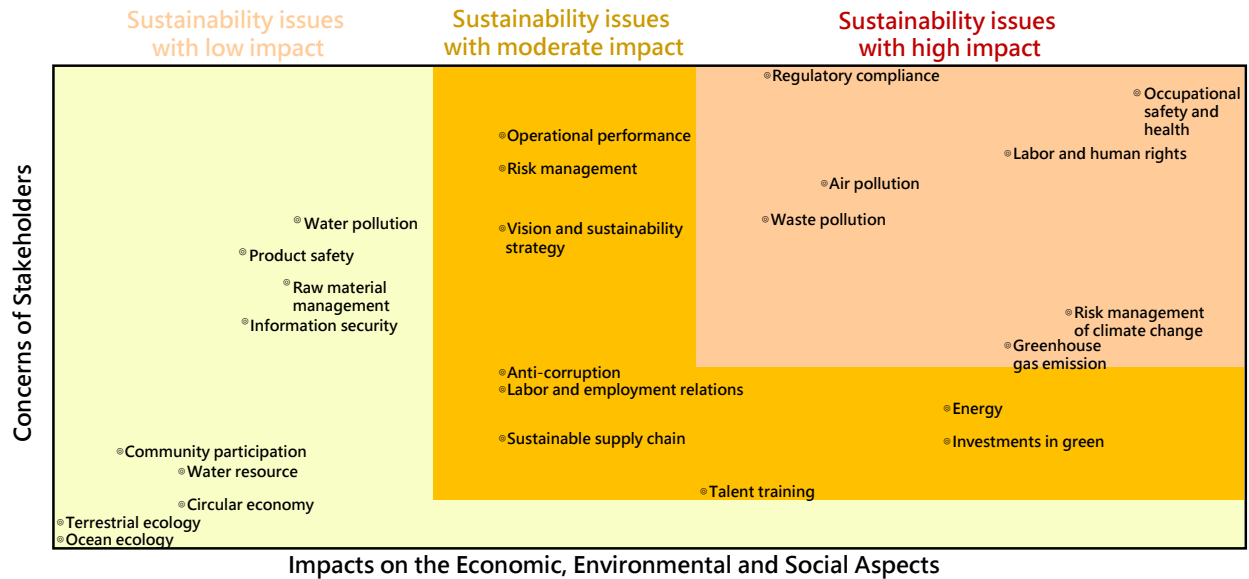
Ranking of Impact of Sustainability Issues		Ranking of Concerns of Stakeholders on Sustainability Issues	
Sustainability issues	Impact ranking	Sustainability issues	Concerns ranking
Occupational safety and health	1	Regulatory compliance	1
Risk management of climate change	2	Occupational safety and health	2
Greenhouse gas emission	3	Operational performance	3
Labor and human rights	3	Labor and human rights	4
Energy	5	Risk management	5
Investments in green energy	6	Air pollution management	6
Air pollution management	7	Water pollution management	7
Regulatory compliance	8	Waste management	8
Waste management	8	Vision and sustainability strategy	9
Talent training	10	Product safety	10
Labor and employment relations	11	Raw material management	11
Risk management	11	Information security	12
Operational performance	11	Risk management of climate change	13
Vision and sustainability strategy	11	Greenhouse gas emission	14
Sustainable supply chain	11	Anti-corruption	15
Anti-corruption	15	Energy	16
Water pollution management	17	Labor and employment relations	17
Raw material management	17	Sustainable supply chain	18
Information security	19	Investments in green energy	19
Product safety	20	Community participation	20
Water resource	21	Water resource	21
Circular economy	22	Talent training	22
Community participation	23	Circular economy	23
Terrestrial ecology	24	Terrestrial ecology	24
Ocean ecology	24	Ocean ecology	25

Positive and negative impacts were scored in terms of their degree of impact, and then the sustainability issues were ranked according to the total degree of impact. Ranking 1-10 as high impact issues; 11~16 as moderate impact issues; 17-25 as low impact issues.

Calculated the average score of concerns on issues based on the classification of stakeholders, and then ranked the concerns. Ranking 1-14 as high concerns; 15~22 as moderate concerns; 23-25 as low concerns.

Materiality Matrix

Based on the assessment results of “Concerns of Stakeholders” and “Impacts on the Economic, Environmental and Social Aspects”, the taskforce outlined the 25 sustainability issues into a materiality matrix, and categorized them into high, moderate and low impact blocks according to the impact degree.



Under the environment where global epidemics are spreading around the world and disasters arising from climate warming are intensifying, Yue Yuen is actively thinking about how to stand firm and operate steadily, and ESG is gradually becoming a guideline for its sustainable operation. Through incorporating environmental sustainability into its operation strategies and production processes, taking into account profitability, progress, employee care and sustainable development, we create a long-term competitive advantage and establish a foundation for sustainable survival.



To face the wave of environmental sustainability, Yue Yuen actively strives towards the vision of “zero waste”, “low carbon emission” and “friendly environment”. In the face of global warming risks and international targets and challenges of GHG emissions, in addition to continuously strengthening various green innovation efforts together with customers and supplier partners, we also expand the use of green energy through the procurement of renewable energy and continue to strive towards the vision of net zero emissions.



5.1 Response to Risks Arising from Climate Change

Management of Material Topics		
<p>What it means to Yue Yuen</p> <p>In response to the Climate Action of the United Nations SDGs, Yue Yuen actively takes relevant measures to ensure a sustainable production model to cope with the operational risks and impacts arising from climate anomalies. In addition to continuously paying attention to the response trends and policy and regulatory requirements of international climate change, we will continue to implement various energy-saving and carbon-reduction measures, improve the energy efficiency of factory equipment, and reduce GHG emissions caused by energy consumption, so as to provide benefits for mitigating climate change risks.</p>	<p>Policy and Commitment</p> <p>Climate Change Policy of Yue Yuen Industrial (Holdings) Limited</p>	<p>Impact</p> <ul style="list-style-type: none"> ➤ Global trends in net zero emissions: green electricity, carbon rights, carbon tariffs. ➤ The impact of climate change on operations: shutdowns caused by floods and snow disaster, high temperature allowance regulations, insurance costs, natural disaster resilience.
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ To expand the use of green energy and improve energy efficiency to achieve zero carbon emission by 2025. ➤ In line with the SBTi emission reduction targets, Yue Yuen has committed to reducing absolute Scope 1 and 2 GHG emissions by 2030, with a 46.2% reduction compared with that in 2019 as the base year. 	<p>Actions</p> <ul style="list-style-type: none"> ➤ Follow the TCFD framework for climate risk management. ➤ Enlarged use of green energy: Solar power generation/green power procurement/Renewable Energy Certificate (“REC”)/construction of renewable energy. ➤ Improve energy efficiency: Procurement of energy-saving equipment, earlier elimination of low-efficiency equipment. ➤ Online energy monitoring system aims to gradually establish energy management and control mechanism.
<p>Sustainability Indicators</p> <p>HKEx KPI A4 Climate Change TCFD GRI 305 Emissions SDG 13 Climate Action</p>	<p>Evaluation Methods</p> <p>Regular meetings report to the highest level of governance to review the achievement rate and adjust implementation measures.</p>	<p>Stakeholder Engagement</p> <p>Communicate and interact regularly or irregularly in accordance with the stakeholder engagement mechanism, and disclose the information in the ESG Report, relevant platforms or websites.</p>

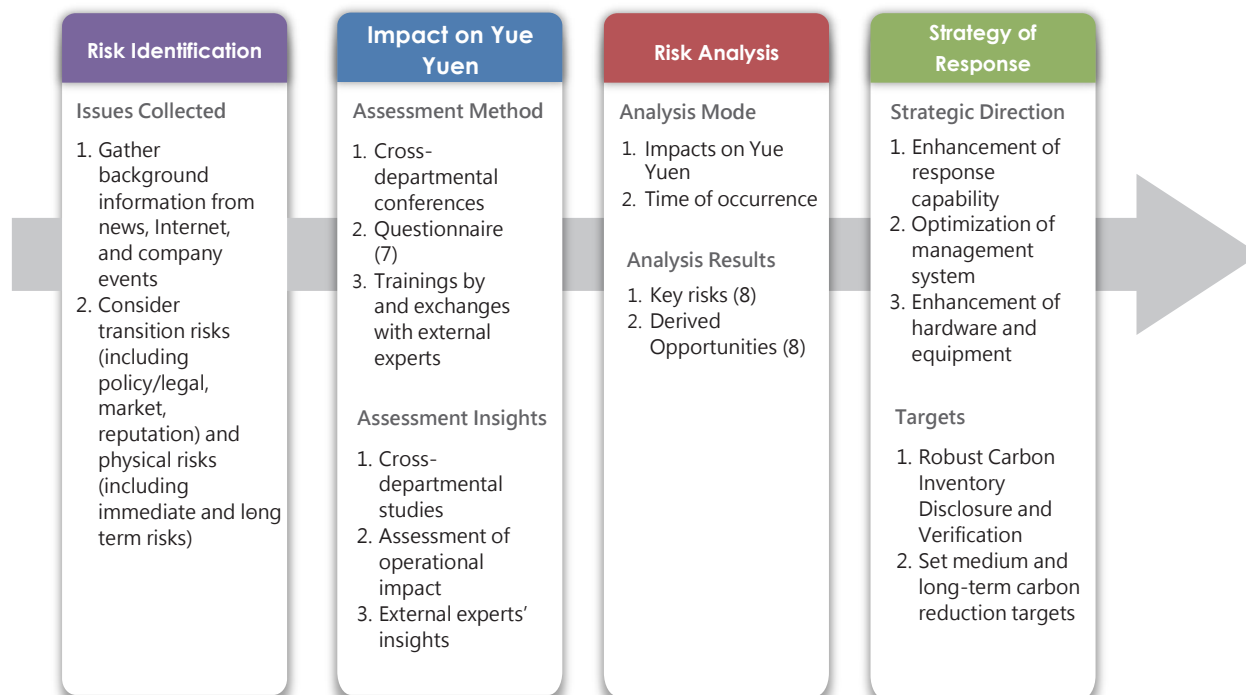
5.1.1 Risks/opportunities arising from climate change (TCFD)

In order to reduce the impact of its operations on climate change, Yue Yuen, through the Sustainable Development Department, follows the four core frameworks of the Recommendations of the TCFD to disclose climate change information and the risks and opportunities it brings, and formulate relevant adaptation and mitigation strategies, with the following disclosure structure:

Structure	Management Strategies & Practices
 <p>Governance</p>	<p>Governance Structure</p> <ul style="list-style-type: none"> The Board of Directors is the highest decision-maker for risk management. Yue Yuen has an ESG taskforce, with senior management of Sustainable Development as major members. The responsible head of Sustainable Development reports regularly to the Board on climate change and GHG-related issues. The Department of Sustainable Development has a Risk Management Team on climate change issues, composed of heads of various departments and units, which is responsible for assessing and analyzing climate-related risks and opportunities, and implementing climate-related strategies and actions. In 2021, the Board formulated the “Climate Change Policy of Yue Yuen Industrial (Holdings) Limited ”on management of energy-related strategies arising from climate change and enhancing response to climate change. <p>Management Mechanism</p> <ul style="list-style-type: none"> Employee performance indicators include carbon reduction work, link carbon reduction of employees at the executive level with performance appraisal, regularly review the progress of energy conservation and carbon reduction, and include it in bonus evaluation.
 <p>Strategies</p>	<p>Climate Risks/Opportunities</p> <ul style="list-style-type: none"> By reference to the SBTi 1.5°C scenario and RCP8.5 scenario, through cross-departmental discussion and identification of climate-related risks and opportunities, we shall, according to the professional experience of each unit, assess the time interval, probability of occurrence and the impact of climate risks and opportunities, carry out risk identification and classification ranking, and assess the potential operational and financial impact on the Company. Within 3 years is internally defined as short-term, 3-5 years as mid-term, and above 5 years as long-term. Follow the TCFD guidelines to identify 8 climate risks and 8 derivative opportunities. <p>Potential Financial Impact</p> <ul style="list-style-type: none"> Conduct a qualitative assessment on the possible financial impact of risks and opportunities, and continue to invest in equipment rectification, risk prevention and remediation, and renewable energy.

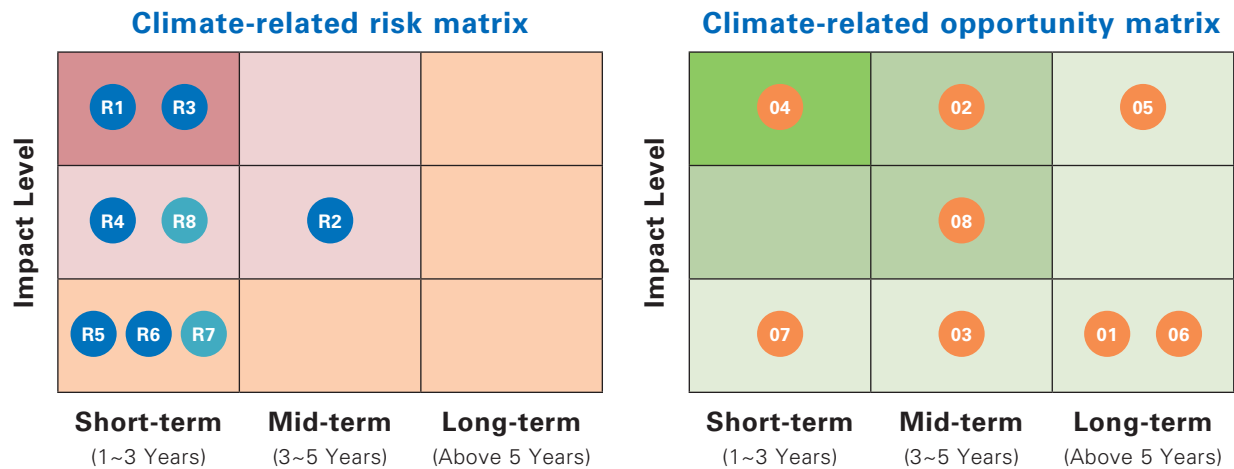
Structure	Management Strategies & Practices
 <p>Risk Management</p>	<p>Evaluation and Management Process</p> <ul style="list-style-type: none"> Conduct risk factor identification, operational impact and its probability assessment every three years, identify major risks and opportunities, and develop mitigation or adaptation strategies.
	<p>Integrated Risks Policy</p> <ul style="list-style-type: none"> Climate risks are integrated into the Group’s overall risk management process.
 <p>Indicators and Targets</p>	<p>Emission disclosure</p> <ul style="list-style-type: none"> Conduct inventorying as per ISO14064 standards, disclose GHG emissions in ESG Report every year, and gradually increase the proportion of third-party verification.
	<p>Indicators and Purposes Settings</p> <ul style="list-style-type: none"> For the footwear business scope, set an emission reduction target of 46.2% in Scope 1 and 2 GHG emissions in 2030 compared with 2019.

Process and results of identifying risks/opportunities arising from climate change



Yue Yuen invited relevant units within the Company and external experts to conduct one session of “TCFD” training and exchange, as well as an internal forum to review the impact of various climate risks and opportunistic events under the SBTi 1.5°C scenario (transition risks) and RCP8.5 scenario (physical risks) based on the TCFD framework.

Referring to the CDP climate change questionnaire framework and international reports, within the scope of consideration covering the results of engagement between various departments and relevant stakeholders, Yue Yuen identifies the risks and opportunities in terms of materiality by the time interval and impact degree of occurrence, and the importance of risks and opportunities related to climate change, and six transition risks, two physical risks, two physical risks and eight opportunity issues are compiled, and the results of climate-related risk/opportunity identification are as follows:



Transition Risks

- R1** Enhanced disclosure requirements of carbon emission
- R2** Carbon-pricing mechanism
- R3** Compulsory requirements on the use of renewable resources
- R4** Low-carbon production
- R5** Impacts of production
- R6** Impact on corporate image

Physical Risk

- R7** Extreme climate events
- R8** Rising average temperature

Derived Opportunities

- O1** Participate in the carbon trading market
- O2** Automation process development
- O3** Improved efficiency of water use
- O4** Participate in the renewable energy market
- O5** To set up a circular economy model for shoe manufacturing
- O6** Use of efficient mode of transportation
- O7** To improve energy efficiency
- O8** Introduction of new technologies

Response measure to risks/opportunities arising from climate change

Types	Risk items	Risk category	Impact	Financial Impact	Yue Yuen's Response Strategy	Derived Opportunities
Transition Risks	Enhanced disclosure requirements of carbon emission (R1)	Existing laws/regulations	<ul style="list-style-type: none"> Inventorying capabilities to be built Third party verification costs 	Capital costs	<ul style="list-style-type: none"> To build a Inventorying team with its Inventorying capability trained To establish a systematic data collection system To expand the third-party verification coverage 	<ul style="list-style-type: none"> Participate in the carbon trading market (O1)
	Carbon-pricing mechanism (R2)	New laws/regulations	<ul style="list-style-type: none"> International carbon tariffs/fees mechanism 	Operational costs	<ul style="list-style-type: none"> To make an implementation plan for carbon footprint Inventorying To plan a internal carbon-pricing mechanism 	<ul style="list-style-type: none"> Participate in the carbon trading market (O1)
	Compulsory requirements on the use of renewable resources (R3)	Market	<ul style="list-style-type: none"> Renewable energy establishment Buy green electricity PPA and renewable energy certificate 	Capital costs	<ul style="list-style-type: none"> To establish rooftop solar energy adapted to factory site To participate in the green electricity trading market where it domiciles To buy the renewable energy certificate with international/national authentication 	<ul style="list-style-type: none"> Participate in the renewable energy market (O4)
	Low-carbon production (R4)	Market	<ul style="list-style-type: none"> Process equipment upgrade Investments in low-carbon energy Carbon reduction for wastes 	Capital costs	<ul style="list-style-type: none"> To increase the use of renewable energy To use low-carbon efficient energy To improve the energy efficiency of equipment Leakage control To promote the use of energy monitoring/management system To enhance waste reuse through an effective use of resources 	<ul style="list-style-type: none"> Improve energy efficiency (O7) Participate in the renewable energy market (O4) Automation process development (O2) Create a circular economy model for shoe manufacturing (O5)
	Impacts of production (R5)	Existing laws/regulations	<ul style="list-style-type: none"> Power restriction policy Carbon emission cap policy 	Revenue	<ul style="list-style-type: none"> To improve the energy efficiency of equipment Leakage control To promote the use of energy monitoring/management system To enhance waste reuse through an effective use of resources 	<ul style="list-style-type: none"> Improve energy efficiency (O7)
		Market	<ul style="list-style-type: none"> Order placement affected by clients' comments 			
Impact on corporate image (R6)	Goodwill	<ul style="list-style-type: none"> ESG assessment Investors' willingness of investment 	Source of funds and revenue	<ul style="list-style-type: none"> To establish a dedicated ESG team To improve ESG information disclosure through external questionnaires, ESG Report and other platforms 		
Physical Risks	Extreme climate events (R7)	Immediate	<ul style="list-style-type: none"> To interrupt the operation of production base Traffic stop Water shortage resulted from drought 	Capital expenditure and revenue	<ul style="list-style-type: none"> To enhance the responses to extreme weather measures at production sites To set up an emergency power supply team To implement an earlier response to climate risks by following up the relevant alert information To strengthen the water treatment and water reuse measures 	<ul style="list-style-type: none"> The use of efficient mode of transportation (O6) Automation process development (O2) Improved efficiency of water use (O3)
	Rising average temperature (R8)	Long-term	Improved staff working environments	Capital costs	<ul style="list-style-type: none"> To optimize the factory ventilation design To align new factory design with climate information 	<ul style="list-style-type: none"> Introduction of new technologies (O8)

5.1.2 GHG Management

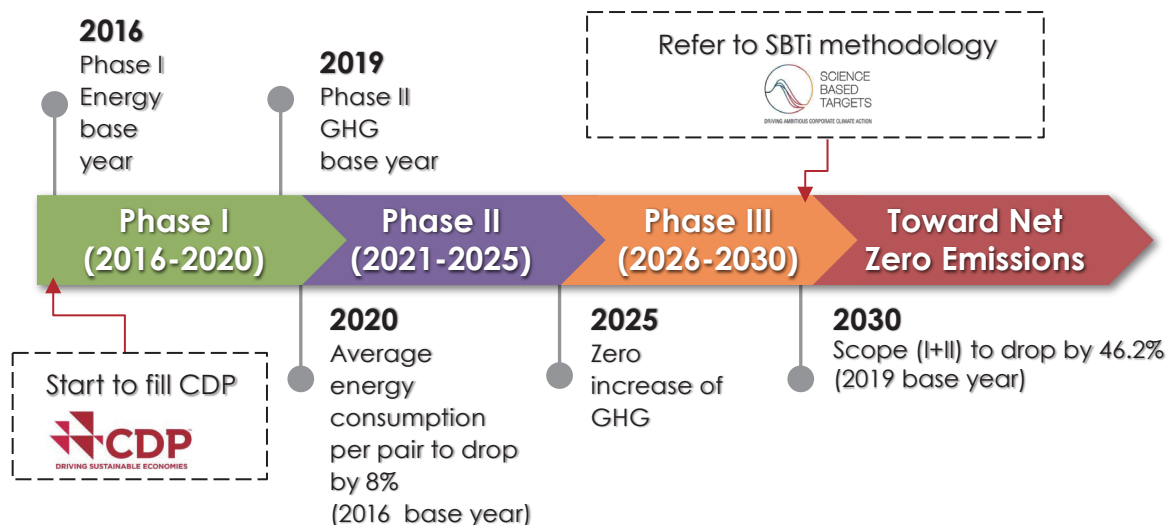
As global warming and climate change is accelerating, net zero emissions by 2050 has become a globally agreed goal as the international community actively take actions to adapt to climate change risks. The path to Net Zero is not accomplished in an action. Yue Yuen uses phased tasks and targets to promote “sustainable green manufacturing” and “sustainable green supply chain”, pursues sustainable development with low-carbon manufacturing technologies, energy efficiency, GHG emission reduction, and strives for sustainable development toward Net Zero Emission.

Phased tasks and targets concerning GHG emission & energy management

Yue Yuen has production bases across seven countries in Asia, mainly focus on improving energy efficiency and strengthening energy conservation as its main management means until 2016. We set 2016 as an energy base year and set a Phase 1 energy target of reducing average footwear energy consumption by 8% by 2020. We have also filled in the CDP Climate Change Questionnaire since 2016, making us the first company in Taiwan’s footwear industry to fill in the CDP. The 2022 CDP Climate Change Questionnaire is awarded level B(Management Level – Active Management Level).

In response to the trend of sustainable development of international environmental protection, the targets shifted from energy conservation to carbon reduction, and after integrating customer requirements with international trends, through internal discussions in 2020 and with the support of management, the year of 2025 was set as critical year for the five-year target of zero carbon emission growth. In 2021, at the invitation of brand customers, following the principle of the 1.5°C scenario of the SBTi, Yue Yuen was committed to reducing absolute GHG emissions by 46.2% by 2030 within the scope of Scope 1 and Scope 2 emissions of footwear business, taking 2019 as the base year. The target setting that was validated by the World Resources Institute (“WRI”) is consistent with the SBTi target-setting methodology.

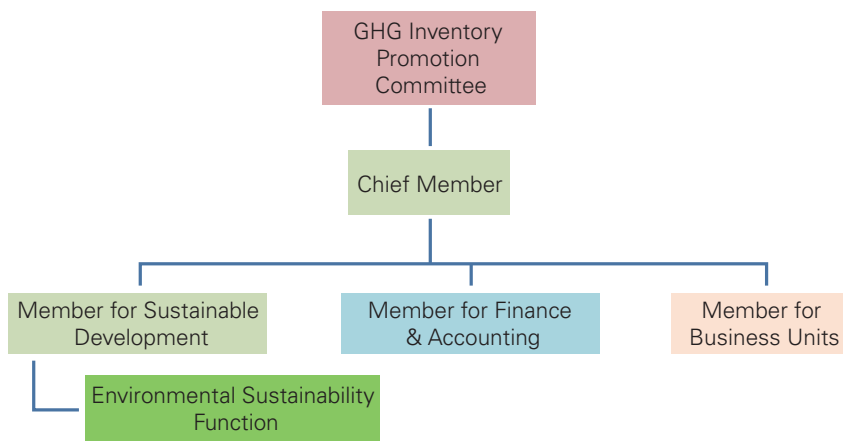
With the remote vision of “net zero emissions”, Yue Yuen has introduced ISO50001 energy management and ISO 14064 GHG inventory to improve product and energy management performance. Yue Yuen also asks business partners such as suppliers and joint ventures to pay attention to environmental impact management in the process of production, manufacturing, transportation and services, and work with the industrial supply chain to meet various governments’ local regulations specifying GHG carbon management goals.



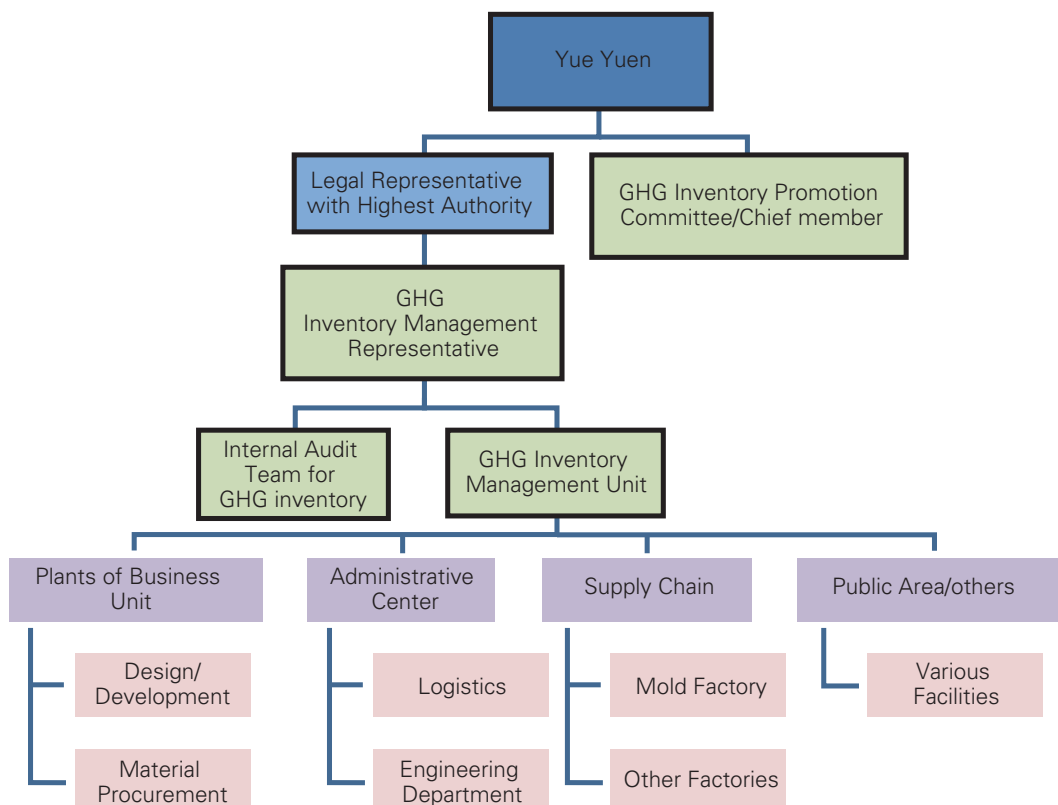
Management of GHG emission of the Year 2022

Since 2016, Yue Yuen has been conducting GHG inventorying in accordance with ISO14064-1(2006) standards, and has been introducing ISO14064-1(2018) standards of GHG inventorying since 2022, and engaged Taiwan SGS in gradually performing third-party verification. In 2022, Yue Yuen GHG Inventory Promotion Committee was established to carry out the Group-wide transnational GHG inventorying using the GHG inventorying organizational chart, and carry out the third-party verification of four legal entities under the jurisdiction in Taiwan and Vietnam. In 2022, ISO14064 certification emissions accounted for 18% of the Group’s emissions, and in the future, we will promote GHG inventorying in various countries year by year, with a view to achieving the all-around verification of Yue Yuen’s footwear manufacturing in 2026.

GHG Inventory Promotion Committee



Organizational chart for GHG Inventory



GHG emissions and carbon emission intensity*GHG inventories* ^{Note 1}

In 2022, the ISO14064-1(2018) standard was introduced for GHG inventory, and the total carbon emissions of GHG Scope 1 and Scope 2 combined were 751,000 metric tons of CO₂ equivalent (tCO₂e). Scope 1 (Category 1: direct GHG emissions) is about 50,000 tCO₂e, accounting for 7%, and Scope 2 (Category 2: indirect GHG emissions from input energy) carbon emissions are about 701,000 tCO₂e, accounting for 93%. More than 80% of GHG emissions generated by shoe manufacturing sources from the use of electricity, so it is the main target of carbon reduction. We need to expand green energy, improve, and reduce GHG emissions.

(Unit: 10,000 tCO ₂ e)		2019 ^(Note 3)	2020	2021	2022 ^(Note 2)
Scope I	Category 1: Direct GHG emission	2.7	1.8	1.4	5.0
Scope II (Regional basis ^{Note 4})	Category 2: Indirect GHG emission of input energy	56.7	53.6	44.9	70.1
Total carbon emission	Scope I + Scope II (Regional basis)	59.4	55.4	46.3	75.1
Scope II (Market basis ^{Note 4})	Category 2: Indirect GHG emission of input energy	56.7	53.6	41.4	59.3
Total carbon emission	Scope I + Scope II (Market basis)	59.4	55.4	42.8	64.3
GHG emission of biomass fuel	Purchased steam and owned boilers	12.4	9.1	7.0	8.0

Note 1: For the principles for GHG inventory and emissions calculation, please refer to Appendix E. GHG Inventory Principle 2022

Note 2: In year 2022, the SO14064-1 (2018) standard was introduced for inventory, and national emission factors was updated, resulting in a significant increase in emissions.

Note 3: 2019 is set as the base year for scientific emission reduction using the SBTi methodology of scientific reduction

Note 4: Regional baseline carbon emissions=carbon emissions from electricity consumption; market baseline carbon emissions=carbon emissions from electricity consumption-carbon emissions with REC

Scope III Emissions

In accordance with the relevant provisions of ISO 14064-1:2018 and with reference to Appendix H of ISO 14064-1:2018 (Procedure Guidelines for Identification of Significant Indirect GHG Emissions), Yue Yuen established the Company's "Procedures for Identification of Significant Indirect GHG Emissions"; after scoring four factors, such as expected users, emission share, impact level and data quality, it was evaluated that there are two significant indirect GHG emission items (with scores higher than 1.4), including "indirect GHG emissions caused by transportation (business travel – air travel)" and "indirect GHG emissions caused by transportation (transportation of downstream products)". In 2022, the GHG emission of business travel – air travel is about 1,509.8 tCO₂e, and the GHG emission of transportation of downstream products is about 22,297.9 tCO₂e.

Carbon emission intensity

The difference in carbon emission coefficients between the production processes of shoe brands and the country's electricity emissions affects the carbon intensity of factories in major production and operation bases (Mainland China/Vietnam/Indonesia) in 2022, ranging from 2.6 to 3.5 kg CO₂e/pair. (Note: Only the Scope I and Scope II are included in the carbon emission intensity calculation)

GHG Reduction Measures of the Year 2022

We will continue to promote energy management and expand the use of green energy in 2022. The energy management initiative will be implemented in three areas: source equipment procurement management, air compressor leakage management, and promotion of energy saving projects. 14,347 MWh energy was saved in total and GHG emissions of 10,849 tCO₂e was reduced in 2022.

In terms of expanding green energy construction and purchase, new rooftop solar energy will be installed at the plant, and a purchase program of REC will be implemented in Mainland China, Vietnam and Indonesia. The Rooftop Solar System ("RTS") has been completed at three plants, with a total annual solar energy consumption of 2,441 MWh, reducing GHG emissions by 1,814 tCO₂e. Meanwhile, we purchased green power certificates in China, India and Vietnam, and the certificates purchased amounted to 145,075 MWh, offsetting 107,787 tCO₂e of GHG emissions.

Expand the use of green energy					
Types of Green Energy	Solar Energy		Wind Energy	Geothermal Energy	Hydroelectric Power
	RTS	REC	REC	REC	REC
Units	tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂ e
Mainland China	387	–	10,378	–	12,201
Indonesia	–	–	–	38,570	–
Vietnam	1,427	35,380	–	–	11,257
Total	1,814	35,380	10,378	38,570	23,458

5.2 Environmental Management

The Company has established an internal environmental management system in accordance with the ISO 14001 environmental management system and the Company's internal management regulations. In response to the gradual increase in the standard of environmental requirements in the production area, the basic management objective is to meet the requirements of local environmental regulations and to continuously optimise and improve the processing technology and implementation performance of environmental management measures, with a medium to long-term management goal of moving towards low carbon production and zero waste.

In FY 2022, 58% of footwear factories have passed ISO 14001:2015 management system certification and 53% of factories using Higg FEM (Facility Environmental Module) for environmental assessment.

Comply with local environmental regulations

Compliance with local environmental emission regulations and environmental management requirements is a necessary management issue for manufacturing. Due to the increasingly stringent local regulations, we place special emphasis on regular risk checks for regional environmental compliance in our environmental management, and identify high-risk events for project management and improvement tracking.

In 2022, there were no incidents of serious environmental pollution caused by oil spills or fuel spills at Yue Yuen's production and operation sites, and the disposal of waste was in full compliance with the relevant storage and transportation regulations, with no spills or pollution. Regarding environmental compliance, according to the Company's exception notification system, there was one environmental penalty record in 2022, as described below.

Environmental penalty record				
Region	Violations	Penalties	Corrective actions	Preventive actions
Vietnam	Sewage discharge exceeded discharge standard	VND440 million (approximately USD18,960)	<ol style="list-style-type: none"> 1. Upgrade the implementation of sewage works and personnel education and training. 2. Strengthen the professional management of plant sewage pretreatment treatment. 3. Strengthen the drainage water quality inspection of all plant areas. 	Strengthen the compliance supervision and audit for all plants

5.3 Energy Management

Management of Material Topics		
<p>What it means to Yue Yuen In the past, the energy management was driven by cost saving, but with the global climate change, the drastic climate change has impacted the global business operation, such as floods and snowstorm, labor high temperature allowance policy, insurance cost and natural disaster resilience.... In addition, international regulations on climate laws and tax changes have led to the global trend of net-zero emissions, which affects the transformation of corporate energy, industry, and social lifestyles.</p>	<p>Policy and Commitment Climate Change Policy of Yue Yuen Industrial (Holdings) Limited</p>	<p>Impact</p> <ul style="list-style-type: none"> ➤ Improve energy management and reduce energy waste. ➤ Fail to comply with energy regulations and impinges on electricity use. ➤ Increase the cost of investment in energy-saving equipment.
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ Improve energy efficiency: energy management measures/equipment efficiency enhancement ➤ Energy reduction and efficiency improvement ➤ Continue to expand green energy construction ➤ Promote low-carbon manufacturing technologies 	<p>Actions</p> <ul style="list-style-type: none"> ➤ Expand the use of green energy: solar power/green electricity procurement/REC/Use of renewable energy. ➤ Improve energy efficiency: purchase energy-saving equipment at source and replace low equipment in advance. Energy online monitoring system, the establishment of energy control mechanism. ➤ Promote the largest public system, air compressor efficiency routine measurement, and establish a replacement system for energy-consuming air compressor equipment. ➤ Establish an energy-saving intelligent KM platform, share energy-saving and carbon-reducing technologies, and establish an energy-saving organizational culture.
<p>Sustainability Indicators HKEx KPI A2 Use of Resources Environment and Natural Resources A3.1 GRI 302 Energy SDG 7 Affordable and Clean Energy SDG 12 Responsible Consumption and Production SDG 13 Climate Action</p>	<p>Evaluation Methods</p> <ul style="list-style-type: none"> ➤ Through the SBTi and ISO14064-1 standard, regularly review the implementation of energy saving and carbon reduction tracking in the short, medium and long term and the level of achievement of the targets. ➤ Periodically evaluate the construction of green energy infrastructure. ➤ Air pressure leakage rate is regularly measured. ➤ Report to top management at regular meetings, review the target achievement rate and adjust the implementation measures. 	<p>Stakeholder Engagement Communicate and interact regularly or irregularly according to the engagement mechanism of the stakeholders, and disclose the information on the ESG Report, relevant platforms or websites.</p>

Energy use and energy intensity

The types of energy consumed in the Group's footwear manufacturing business included electricity, fossil fuels, biofuels, natural gas and liquefied petroleum gas. The use of biofuels involves the fuel for steam thermal energy supplied by external vendors. The total energy consumption of Yue Yuen in 2022 was 4,072.5 TJ, of which the energy consumption ratio of electricity was 81%.

In 2022, 24% of our footwear production bases have passed the ISO 50001 system.

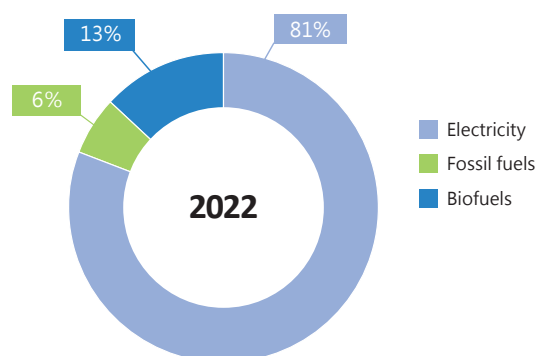
Electricity usage statistics

Electricity	Electricity Quantity		Electricity Consumption	
	Electricity	RTS (Green Power)	Electricity	RTS (Green Power)
Unit	MWh	MWh	TJ	TJ
2022	911,655.3	2,441.0	3,282.6	8.8
2021	824,109.5 ^(Note 1)	1,222.8	2,967.3	4.4
2020	1,120,370.7	0.0	4,034.1	0.0
2019	1,085,230.8	0.0	3,907.5	0.0

Unit description: MWH : Megawatt hours; TJ : Tera Joule

Note 1: In 2021, due to the COVID-19 pandemic, the country shut down for about four months in Vietnam, which is an important production base of Yue Yuen, thus affecting the annual power difference.

Composition of energy consumption



Fuel use statistics

Fuels	Fuels			Fuels Consumption		
	Fossil Fuels ^(Note1)		Biofuels ^(Note2)	Fossil Fuels		Biofuels
	Heavy oil/ diesel/petrol/ other fuels	Natural gas/ Liquefied petroleum gas	Rice husk/ Palm shell	Heavy oil/ diesel/petrol/ other fuels	Natural gas/ Liquefied petroleum gas	Rice husk/ Palm shell
Description	Non-renewable	Non-renewable	Renewable	Non-renewable	Non-renewable	Renewable
Unit	KL	10,000 M ³	10,000 metric tons	TJ	TJ	TJ
2022	4,016.9	252.7	3.6	146.4	87.7	547.0
2021	2,337.0	23.1	5.0	79.6	25.1	758.2
2020	4,198.6	0.0	6.0	143.3	4.6	901.9
2019	6,225.4	180.2	8.5	214.0	65.1	1,280.3

Unit description: KL : Kilo Litre; TJ : Tera Joule

Note 1: In respect of the calorific value selection for fossil fuels, as it is not easy for countries to obtain calorific value, the unit calorific value table of energy products in the Energy Statistical Manual published by the Energy Bureau of the Ministry of Economic Affairs of Taiwan and the data published by the IPCC in 2006 are used as the representative calorific value.

Note 2: In respect of the biomass fuel quantity estimation method, it is calculated using the purchased steam quantity (generated by the biomass fuel boiler), with the steam pressure generated by the boiler as 10.0 kgf/cm³, assuming the boiler efficiency as 85.0%, and adopting the heat value of the solid biomass fuel as 3,600.0 kcal/kg through thermodynamic calculation. The ratio of steam to biomass fuel consumption was 0.2173.

Energy intensity

Year	Energy intensity ^(Note 1) (MJ/pair)	Description
2022	11.6~18.7 ^(Note 3)	Mainland China, Indonesia and Vietnam are important shoe-making production bases of Yue Yuen, and the output of shoes accounts for more than 90%. Therefore, the average energy consumption of shoes is estimated based on the three major production bases of Mainland China, Indonesia and Vietnam.
2021	10.3~16.9 ^(Note 2)	
2020	10.3~22.6	
2019	8.3~14.5	

Unit description: MJ : Mega Joule; Pair: every pair of shoes

Note 1: Energy intensity is obtained by regions and presented as a range of energy intensity.

Note 2: In 2021, due to the COVID-19 pandemic, the country shut down for about four months in Vietnam, which is an important production base of Yue Yuen, thus affecting the energy intensity difference. The average energy consumption per pair is calculated by electricity adding the on-site solar energy generation in 2021.

Note 3: The average energy consumption per pair is calculated by electricity adding the on-site solar energy generation in 2022.

Sustainable energy management: energy conservation projects and initiatives

2022	Mid-term	Long-term
<ul style="list-style-type: none"> ➤ Annual energy saving equipment procurement at source/replacement of low energy efficiency equipment: purchase new energy saving equipment to replace old models, cumulative energy saving benefits reached 14,737,988MJ(4,094 M Wh). ➤ Promote air compressor routine leakage measurement projects: In 2022, the leakage rate of the Group’s overall air compressor system will be reduced to less than 14%. The energy saving efficiency is 3,944,609MJ (1,096 MWh). ➤ Energy saving project: implemented 56 energy-saving projects in 2022, with energy-saving benefit of 32,966,436 MJ (9,157 MWh). 	<ul style="list-style-type: none"> ➤ Expansion of green energy construction: solar power/green electricity procurement/REC/Use of renewable energy. ➤ Energy digitization: Energy monitoring/ water and sewage monitoring/air pollution monitoring/ temperature disk data systems 	<ul style="list-style-type: none"> ➤ Sharing of energy saving and carbon reduction technologies on energy-saving intelligent KM platform ➤ Establish energy conservation organization culture: communication and learning within the Group and model factory optimization

Expanding the use of green energy – solar energy construction and purchase of REC

Yue Yuen started the construction of solar power system in Vietnam plant in 2021, continued to expand the rooftop solar system in 2022, and completed the system construction in factories in Mainland China. The cumulative scale of solar power construction has reached 6 MWh, and the cumulative annual consumption in 2022 is 2,441 MWh. The construction plan is under continuous evaluation. Factories in mainland China, Vietnam, Indonesia and other production bases will purchase REC, and the cumulative purchase amount of REC reached 145,075 MWh in 2022. The Group also actively participates in the green electricity procurement plan in Vietnam, and continuously increases the green energy consumption in the Group’s factories to ensure sustainable development in energy use. In 2022, the green energy accounted for 16%.



Solar panels on the roof of a factory in Mainland China

Expand the use of green energy					
Green energy type	Solar Energy		Wind Energy	Geothermal Energy	Hydroelectric Power
	RTS	REC	REC	REC	REC
Unit	MWh	MWh	MWh	MWh	MWh
Mainland China	667	–	17,862	–	21,000
Indonesia	–	–	–	48,213	–
Vietnam	1,774	44,000	–	–	14,000
Total	2,441	44,000	17,862	48,213	35,000

Green energy percentage

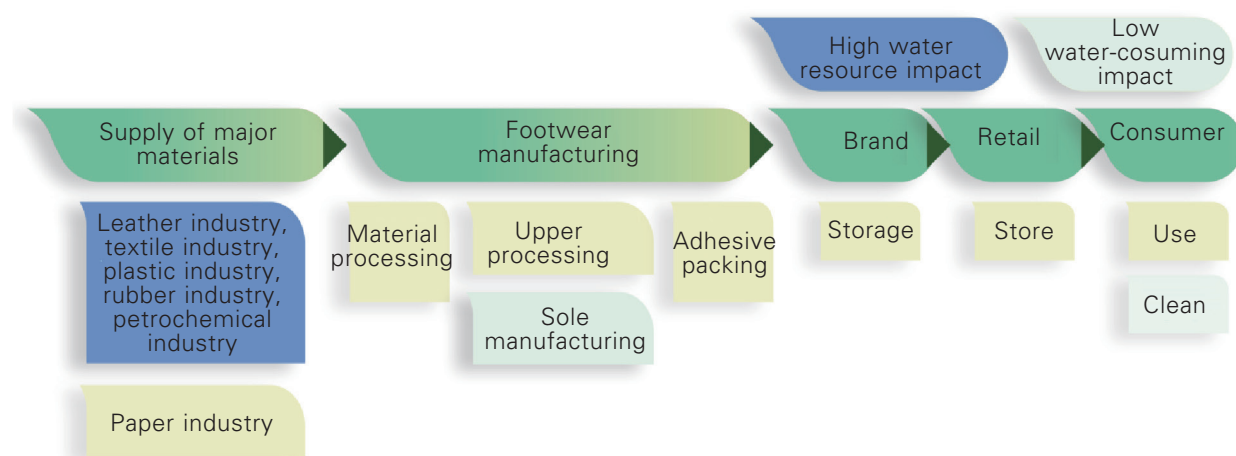
Green Energy Source	RTS	REC	Green Energy percentage (Note)
Unit	MWh	MWh	%
2022	2,441	145,075	16
2021	1,223	73,996	9

Note: Green energy percentage = (RTS + REC)/(RTS + electricity)

5.4 Water Resources Management

In the shoe manufacturing value chain, the dyeing and finishing process of fabric material is the source of shoe upper material supply and also a water resource impact with high water consumption and high pollution characteristics. The shoemaking is a low water consumption production process. In terms of the use of water resources in the factories, most of the water is used to supply the livelihood of the employees in the factory, while a small part is for the shoe sole manufacturing process. In accordance with the concerns of stakeholders on the safe and sanitary management of drinking water for employees and the international sustainable trend on water resources, the Company follows the sustainable vision of zero waste in water resources management policy. In addition to ensuring that the provision of safe water is in line with the water quality standards and the treatment and discharge water is in line with the local regulations and control standards, the mid – and long-term plan aims to gradually improve the reuse of water resources in the plant and avoid excessive depletion of natural water resources.

Water resource impact of shoe manufacturing value chain



	Continuous promotions in 2022	Management performance
Clean discharge	<ul style="list-style-type: none"> Effective treatment with sewage plant treatment facilities. Water quality monitoring and daily inspection of environmental risks. 	<ol style="list-style-type: none"> Both the discharge and the effluent met the control standard. The results of ZDHC test were in line with the emission limits.
Decrement discharge	<ul style="list-style-type: none"> Evaluation of reclaimed water reuse project. 	<ol style="list-style-type: none"> Ongoing
Recycling	<ul style="list-style-type: none"> Reuse project for both the discharge and the effluent. 	<ol style="list-style-type: none"> Continuous evaluation and reuse promotion.

Note: Zero Discharge of Hazardous Chemicals (“ZDHC”) is an organization which promotes zero discharge of hazardous chemicals in the textile, leather, shoe-making and other industries.

Water resource risk assessment form

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

Based on the World Wide Fund for Nature (“WWF”) Water Risk Filter (“WRF”) indicator, the water risk level in the countries where Yue Yuen’s overseas production bases are located is assessed, and identified that Yue Yuen’s footwear manufacturing bases are currently located in areas with limited risk of water stress.

Water risk level in the countries where the Group’s production bases are located

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

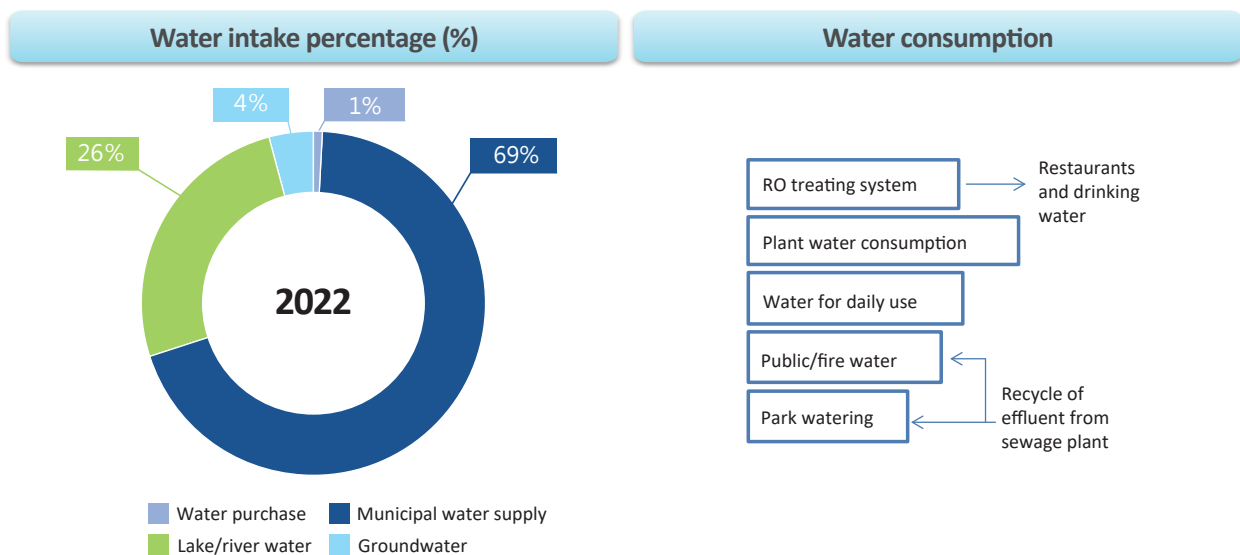
Note: WRF risk level descriptions:

- 1: No risks or very limited risks
- 2: Limited risks (low risk)
- 3: Contains risks (moderate risk)
- 4: High risks
- 5: Very high risks

Water resources information

The source of water supply for the Group’s major footwear production bases is mainly from local municipal water supply, surface water and groundwater, most from the former. And the factory areas are equipped with water purification treatment facilities and reverse osmosis (RO) water purification system equipment as needed. The total water usage of the Group’s footwear production bases in 2022 was approximately 14,218.3 million liters. The Group’s water supply source and water usage are within the local government’s permitted range, thus having minimal impact on the local water supply. As the only source of water supply for the Cambodian factory is groundwater, the Company uses the American ASR Law (Aquifer Storage and Recovery) and technology. The large artificial lake in the factory is made by referring to the American ASR technology to collect and store the rainwater in the factory and inject the water resources from the underground reservoir through the natural infiltration replenishment mechanism to achieve the goal of sustainable management of groundwater resources. This case has been approved by the Ministry of Environment of Cambodia with multi-ministry environmental assessment and review. Through the environmental assessment and review, it was confirmed that the supplementary amount of ASR was more than 50% of the maximum water consumption in the factory.

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



Water intake by footwear manufacturing bases for years 2019 to 2022

Unit: million liters

Sites	Source	Year	Total water intake	Fresh water	Other water		
				Municipal water supply volume	Surface water (River/Lake)	Groundwater	Water purchase
Mainland China	Jinjiang (Jiangxi)	2022	6,899.9	6,899.9	0.0	0.0	0.0
	Fuhe (Hubei)	2021	7,087.0	7,087.0	0.0	0.0	0.0
	South Branch of Dongjiang River	2020	7,001.4	7,001.4	0.0	0.0	0.0
	(Guangdong)	2019	3,670.1	3,556.0	114.1	0.0	0.0
Vietnam	Tonai river	2022	3,057.6	2,336.5	721.1	0.0	0.0
	SONG LA BUONG River	2021	2,410.5	1,956.4	454.1	0.0	0.0
	Water Supply Company	2020	4,691.5	2,673.4	2,018.1	0.0	0.0
	Ho Chi Minh City Dike Water Company	2019	6,521.7	3,235.3	3,286.4	0.0	0.0
Indonesia	Sungai Cikambuy	2022	3,828.3	440.2	2,882.3	391.1	114.7
	Municipal water supply,	2021	4,242.9	276.3	3,521.6	357.2	87.8
	Well water	2020	4,563.9	270.9	3,942.1	244.0	106.9
		2019	4,538.5	575.0	3,706.3	257.2	0.0
Cambodia, Bangladesh and Myanmar	Ground water	2022	432.5	87.8	159.4	185.3	0.0
	Water for industry park	2021	344.0	89.4	0.0	254.6	0.0
		2020	339.4	72.0	0.0	267.4	0.0
		2019	346.7	53.3	0.0	293.4	0.0
Total		2022	14,218.3	9,764.4	3,762.8	576.4	114.7
		2021	14,084.4	9,409.1	3,975.7	611.8	87.8
		2020	16,596.2	10,017.7	5,960.2	511.4	106.9
		2019	15,077.0	7,419.6	7,106.8	550.6	0.0

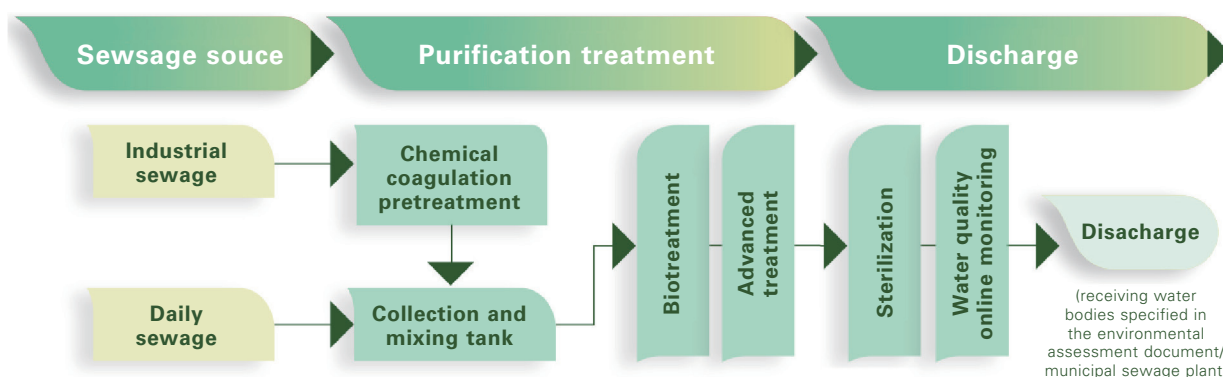
Note: Zero rainwater is used for direct collection and storage. For wastewater from other organisations, the amount of extraction containing cooling water is zero.

Sewage discharge management

The Company has formulated the internal “Management Measures for Sewage Pollution Prevention and Control”, which takes legal compliance as the first consideration, followed by recycling, and the final management is towards zero emission. In accordance with the Group’s vision of environmental sustainability and zero waste, set up a phased management plan and strengthen the management of water usage check and digital data management. In respect of compliance management, based on the ZDHC emission limits that are in line with local emission regulations and brand requirements, strengthen the opportunity of reuse of water in the plant to meet the requirements of emission reduction. The medium and long term management goal is to actively seek treatment of effluent water applied to the potential water supply of the plant, and strive for the vision of zero emission.

Sewage purification treatment

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



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

	Detection and reporting frequency according to the permit	Standard reaching rate	ZDHC standard reaching rate
Mainland China	2 times/year	100% (online monitoring)	No excess substance
Vietnam	4 times/year	100% (online monitoring)	No excess substance
Indonesia	4 times/year	100% (online monitoring)	No excess substance

Note: The sewage water quality standard follows the discharge water quality standard announced by the local authority. For ZDHC, refers to: <https://www.roadmaptozero.com/output?locale=en>

Amount of Effluent and Water Consumption

(unit: million liters)	Amount of effluent				Water consumption			
	2022	2021	2020	2019	2022	2021	2020	2019
Mainland China	542.6	1,377.5	1,582.0	2,945.1	6,357.3	5,709.5	5,419.4	725.0
Vietnam	1,566.4	874.4	1,375.5	3,014.4	1,491.3	1,536.1	3,316.0	3,507.3
Indonesia	1,944.5	2,037.6	2,440.2	1,912.4	1,883.8	2,205.3	2,123.7	2,626.1
Cambodia, Bangladesh and Myanmar	305.5	298.0	267.9	244.6	127.0	46.0	71.5	102.1
Total	4,359.0	4,587.5	5,665.6	8,116.5	9,859.4	9,496.9	10,930.6	6,960.5

Note: The total water consumption is calculated based on the process wastewater + domestic sewage in factory areas.
Water consumption = water intake - amount of effluent

Water Intensity

The major footwear production bases of Yue Yuen are mainly in Mainland China, Vietnam and Indonesia, accounting for more than 90% in total. Therefore, the water intensity of footwear is estimated based on that of Mainland China, Vietnam and Indonesia. The water intensity is approximately 43.3 litres/pair, which is estimated according to the total water consumption.

Recycle of The Processed Water

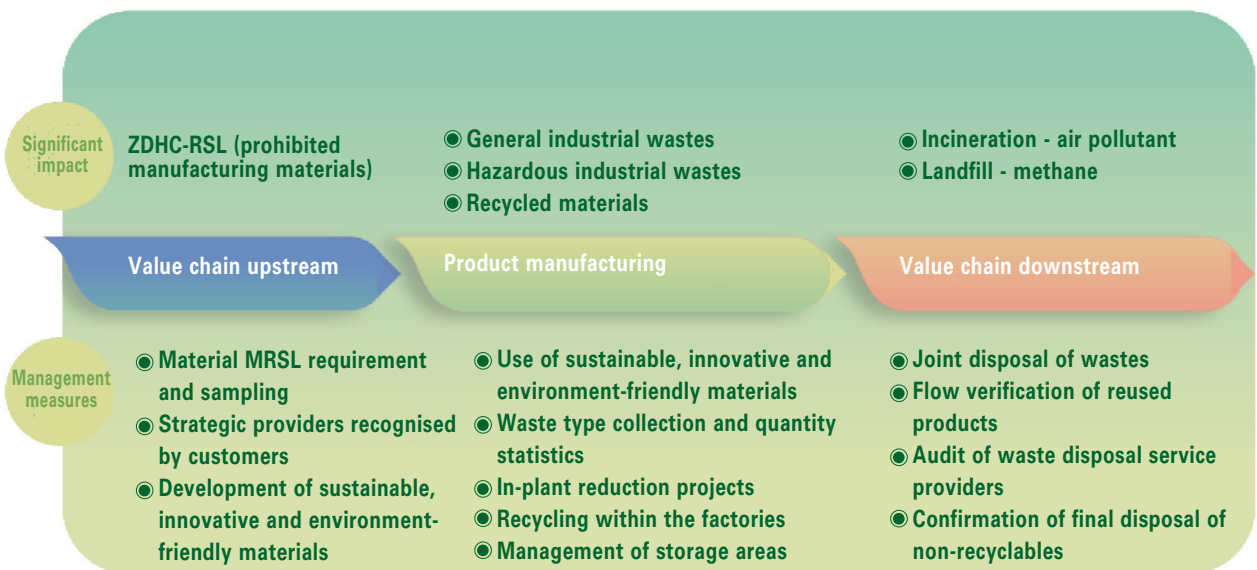
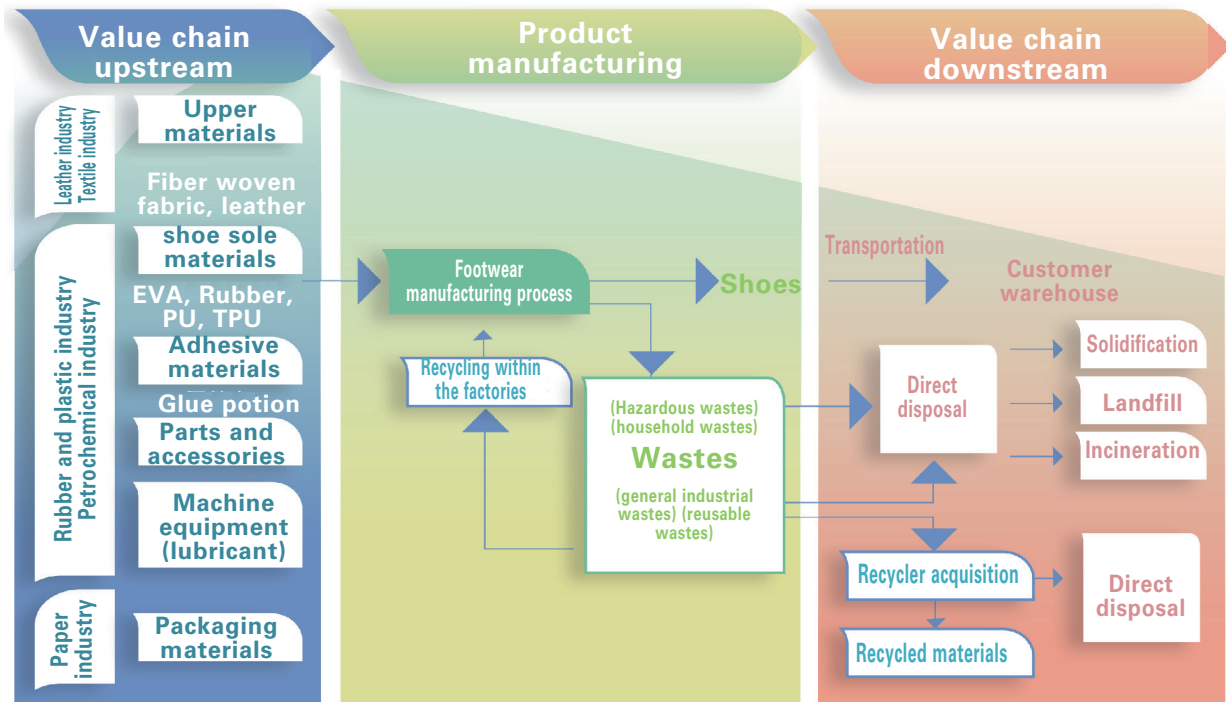
Yue Yuan has effectively increased the amount of sewage collected and treated in factory areas through leak inspection of factory pipelines to reduce the risk of leakage and pollution, and has sought to reuse treated water in factory areas in compliance with the requirements of local laws and regulations to enhance the use of water resources. Restricted by the regulations on the use of recycled water in various places, currently, the treated water can only be reused for watering green plants, flushing toilets and fire drills, etc. in factory areas. Some factories are also equipped with detention ponds to receive the processed water from sewage treatment for other needs within the factories. The water recycling rate of footwear factories under the Company has reached 35.4% (Water recycling rate (%) = volume of recycled water/total volume of processed water).

Volume of processed water and recycled water from sewage plants (unit: million liters)				
	2022		2021	
	Total volume of processed water	Volume of recycled water	Total volume of processed water	Volume of recycled water
Mainland China	726.0	185.6	1,552.2	183.2
Vietnam	5,025.8	2,328.0	4,499.4	2,332.3
Indonesia	2,218.5	268.9	2,469.3	262.6
Cambodia, Bangladesh and Myanmar	773.0	313.8	599.2	243.1
Total	8,743.3	3,096.3	9,120.1	3,021.2
Water recycling rate (%)	35.4%		33.1%	

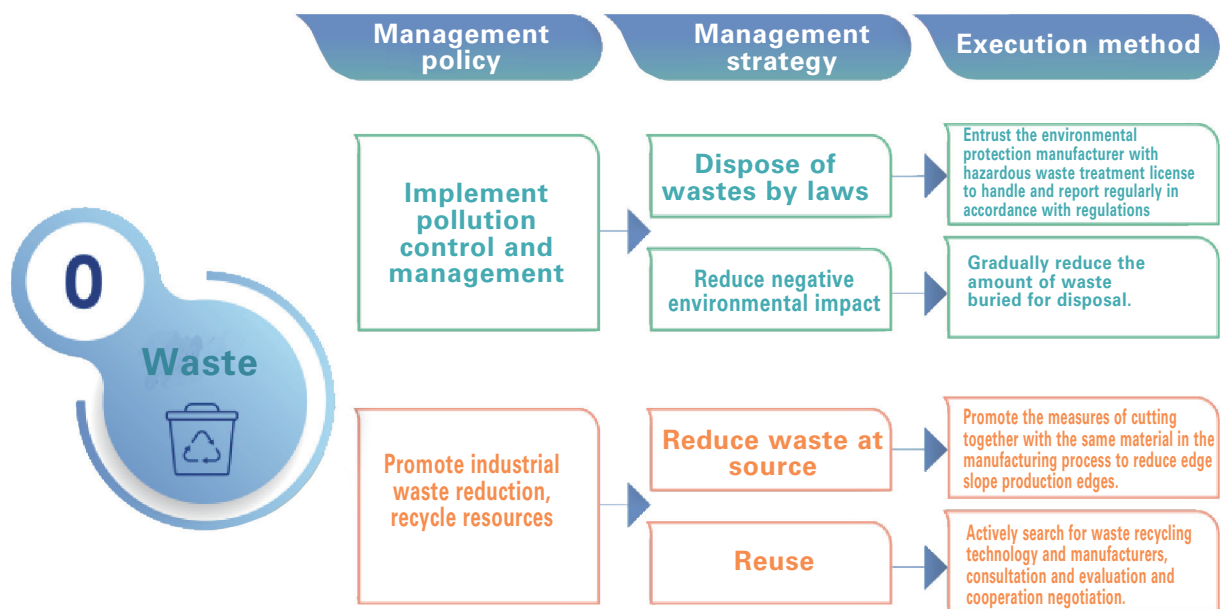
5.5 Waste Management

Management of Material Topics		
<p>What it means to Yue Yuen</p> <p>The wastes generated from the manufacturing process are divided into hazardous and general wastes. Hazardous wastes that cannot be disposed of through compliance procedures will have a serious impact on the surrounding environment. The storage and disposal of hazardous wastes is a matter required by the local competent authorities in various places and must be carried out in accordance with local laws and regulations. Such wastes shall be sorted, stored, removed and treated pursuant to local laws and regulations, and shall be supervised by relevant competent authorities of the local government to ensure legal and compliance operations.</p>	<p>Policy and Commitment</p> <ul style="list-style-type: none"> ➤ Comply with and conform to regulations on environmental protection, safety and health and other requirements, and establish relevant standard operating procedures for implementation. ➤ Establish waste management and transportation and waste reduction and reuse mechanisms in accordance with local regulations to reduce the environmental impact of wastes. 	<p>Impact</p> <ul style="list-style-type: none"> ➤ Reduce the impact of pollution on the environment and ensure the health and safety of employees and the community. ➤ Vendors do not properly dispose of the wastes, which will pollute the environment. ➤ Risk of violation of environmental laws and regulations which affect operations.
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ In accordance with local laws and regulations, the qualified vendors recognised by the government are engaged for waste removal and treatment to reduce the impact of industrial activities on employees and residents around the factories. The Company strives to reduce the impact of wastes on the environment. ➤ 2019-2022: Integrate measure and analyze waste categories, to master waste generation information and test waste reuse technologies. ➤ Since 2023: Promote the reuse of waste to improve the recycling rate of waste. 	<p>Actions</p> <ul style="list-style-type: none"> ➤ Plan and establish the waste baseline data and reporting mechanism, through an orientation session to communicate with the declaration terminal in respect of completion of the declaration system and establishment of baseline data, to confirm the declaration terminal's confirmation of the filing status of the declaration forms. ➤ Through the baseline data and reporting mechanism for waste, the Company verifies the reporting contents by adopting the monthly review mechanism. ➤ Confirm the compliance status of the waste disposal providers through annual audits.
<p>Sustainability Indicators</p> <p>HKEx KPI A1 Emissions GRI 306 Waste SDG 12 Responsible Consumption and Production</p>	<p>Evaluation Methods</p> <ul style="list-style-type: none"> ➤ Monthly review waste declaration and check environmental compliance risk. ➤ Complete the collection of the relevant waste data and confirmation of operation in the factories. ➤ Evaluate the digital management mechanism and process. ➤ Hold the Company's management review and reporting meeting semi-annually. ➤ Hold an environmental energy and safety and health committee meeting in each quarter. 	<p>Stakeholder Engagement</p> <p>According to the stakeholder engagement mechanism, the Company will conduct regular or irregular communication and interaction, and will disclose the information in the ESG Report, relevant platform or website.</p>

Waste Streams of Footwear Value Chain



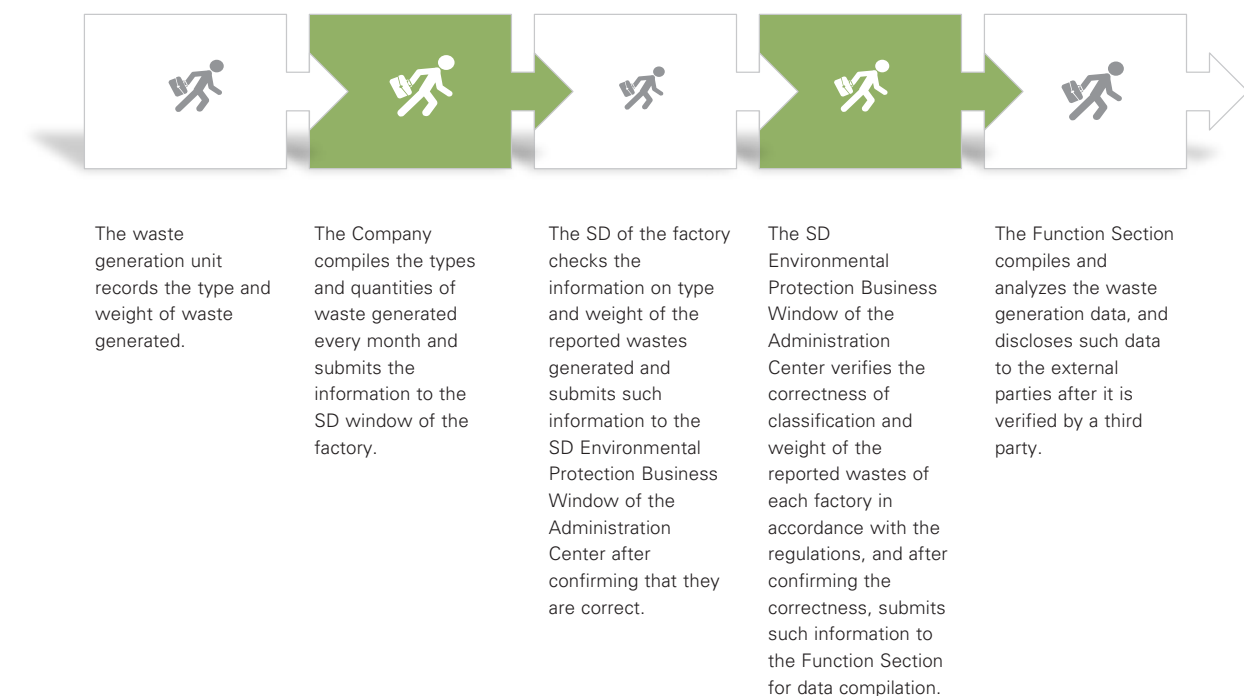
As the composition of industrial wastes in the footwear industry is relatively complex, the Company focuses on waste management objectives, with emphasis on legal removal and treatment and reduction of negative environmental impact, and long-term management towards waste reduction at source and resourceful reuse. All wastes in the factories must be transported and treated by qualified vendors certified by the government in accordance with local laws and regulations; reusable wastes are sorted and collected with reference to the classification items of brand customers. In terms of waste management, to ensure proper disposal of wastes by disposal service providers, the local administration center, in cooperation with the waste production factories, regularly performs waste removal and disposal follow-up operations, and records information on waste collection and waste delivery on the same day to ensure the effective commissioning of waste removal and disposal. At the same time, the Company is also actively considering various ways to recycle the shoe wastes generated by the footwear factories. At present, there are also relevant on-going researches and implementation of technical testing projects conducted in the factories.



Waste Classification and Treatment

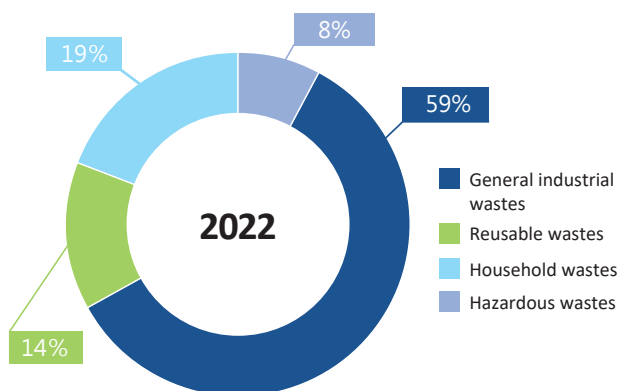
Wastes in the factories are mainly classified into hazardous (toxic, inflammable, corrosive, etc.) and non-hazardous wastes, and non-hazardous wastes can be further divided into three types of wastes, namely general industrial wastes, reusable wastes and household wastes. The disposal methods of wastes can be divided into landfill, incineration, incineration-thermal energy recovery, recycle and solidification. The Recycle Materiel Control Center is established within the factory area, where uniform collection, classification, measurement and reporting is performed. A local qualified disposal service provider is engaged for general industrial wastes disposal. As for the hazardous industrial wastes, the Group follows local laws and regulations of the operation to identify, classify and store such wastes in a dedicated hazardous waste storage area, and appoint dedicated staff to manage. Local recycling companies that have hazardous industrial waste disposal operation licenses are engaged to handle subsequent delivery and processing. However, there is no cross-border transportation or entrusted treatment.

The total volumes of wastes handled by Yue Yuen in 2022 were 79,049.8 metric tons, with 6,220.8 metric tons of hazardous wastes and 72,829.0 metric tons of non-hazardous wastes. 100% of wastes generated were disposed of in accordance with the local government’s regulations on wastes, and assigned to local compliant service providers with periodic confirmation of handling process to ensure that the wastes were properly handled.

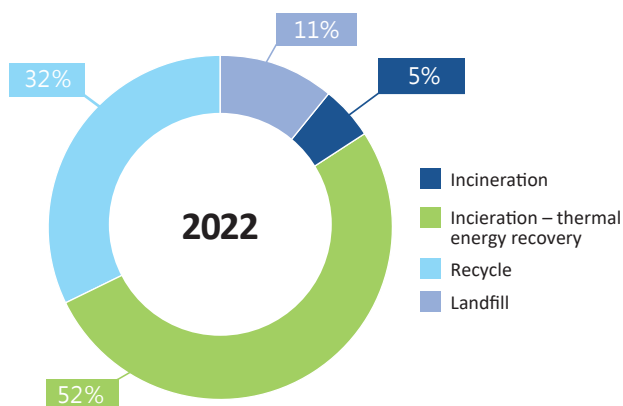


	Annual test projects (ongoing)
Clean emission	<ul style="list-style-type: none"> Categorization collection and statistical analysis.
Emission reduction	<ul style="list-style-type: none"> Increase in the usage ratio of recycled EVA waste as an alternative to raw materials in footwear factories to reduce the amount of EVA waste produced.
Recycling	<ul style="list-style-type: none"> Recycling experimentation with manufacturers to convert wastes into fuel rods, soundproof mats, carpets, plastic mats, etc.

Waste percentage by type



Waste percentage by treat method



Weight table of various types of waste treatment in the production areas

Unit: metric tons

Region	Year	Hazardous wastes	Non-hazardous wastes			Total
			General industrial wastes	Reusable wastes	Household wastes	
Mainland China	2022	641.3	3,714.9	2,208.1	950.1	7,514.4
	2021	872.0	3,221.3	1,673.7	1,614.1	7,381.1
	2020	793.9	5,872.6	1,178.9	4,632.5	12,477.9
	2019	878.7	4,058.2	1,847.0	7,601.3	14,385.2
Vietnam	2022	3,174.1	19,869.0	6,651.0	6,425.5	36,119.5
	2021	2,466.9	16,362.2	4,532.1	3,562.2	26,923.4
	2020	3,435.8	22,540.6	27,771.8	4,670.2	58,418.4
	2019	5,006.5	48,963.2	11,097.7	13,432.2	78,499.6
Indonesia	2022	2,238.9	21,661.2	2,086.0	6,883.5	32,869.6
	2021	2,023.9	15,115.7	2,696.4	6,795.9	26,631.9
	2020	1,753.8	13,072.7	635.5	6,081.2	21,543.2
	2019	1,662.0	15,299.7	1,581.0	11,363.3	29,906.0
Cambodia, Bangladesh and Myanmar	2022	166.5	1,178.7	559.5	641.6	2,546.3
	2021	179.3	973.4	490.9	1,519.5	3,163.0
	2020	206.4	435.6	153.3	794.6	1,589.9
	2019	148.4	705.5	156.8	737.0	1,747.7
Total	2022	6,220.8	46,423.8	11,504.6	14,900.7	79,049.8
	2021	5,542.1	35,672.6	9,393.1	13,491.7	64,099.4
	2020	6,189.9	41,921.5	29,739.5	16,178.5	94,029.4
	2019	7,695.6	69,026.6	14,682.5	33,133.8	124,538.5

Note: The amount of household wastes for employees in Mainland China is estimated based on the number of employees* 0.25 kg/person.

Weight table of waste treatment by treatment method in the production areas

Unit: metric tons

Region	Year	Landfill	Incineration	Incineration-thermal energy recovery	Recycle	Solidification	Total
Mainland China	2022	0.0	0.0	5,136.1	2,378.3	0.0	7,514.4
	2021	68.7	3,236.3	2,362.9	1,713.3	0.0	7,381.1
	2020	394.9	7,106.7	3,058.8	1,917.5	0.0	12,477.9
	2019	1,160.9	8,904.1	1,755.7	2,564.5	0.0	14,385.2
Vietnam	2022	2,216.0	3,281.9	20,640.1	9,981.5	0.0	36,119.5
	2021	1,639.9	14,556.4	4,601.9	6,125.2	0.0	26,923.4
	2020	3,250.0	16,637.0	5,909.8	31,008.0	1,613.6	58,418.4
	2019	7,889.0	23,809.6	26,112.7	19,186.5	1,501.8	78,499.6
Indonesia	2022	5,371.1	0.0	14,994.4	12,504.1	0.0	32,869.6
	2021	6,063.9	0.0	12,859.3	7,708.8	0.0	26,631.9
	2020	4,730.5	207.4	9,280.5	7,324.8	0.0	21,543.2
	2019	9,842.8	1,069.1	9,765.1	9,229.0	0.0	29,906.0
Cambodia, Bangladesh and Myanmar	2022	1,073.8	406.4	489.7	576.3	0.0	2,546.3
	2021	2,700.3	0.0	0.0	462.7	0.0	3,163.0
	2020	1,375.9	0.0	0.0	214.0	0.0	1,589.9
	2019	1,253.1	0.0	0.0	494.6	0.0	1,747.7
Total	2022	8,660.9	3,688.3	41,260.3	25,440.2	0.0	79,049.8
	2021	10,472.8	17,792.7	19,824.1	16,010.0	0.0	64,099.4
	2020	9,751.3	23,951.1	18,249.1	40,464.3	1,613.6	94,029.4
	2019	20,145.8	33,782.8	37,633.5	31,474.6	1,501.8	124,538.5

Note: Waste treatment is conducted in accordance with regulations by means of landfill, incineration, incineration-thermal energy recovery, recycle, etc., rather than by on-site storage or composting.

Waste Intensity

The major footwear production bases of Yue Yuen are mainly in Mainland China, Vietnam and Indonesia, accounting for more than 90% in total. Therefore, the waste intensity of footwear is estimated based on that of Mainland China, Vietnam and Indonesia. The hazardous waste intensity is approximately 0.03kg/pair, which is estimated according to total hazardous wastes; general waste intensity is 0.31 kg/pair (Waste statistics are calculated based on all the waste produced in the factories, including processed wastes and household wastes).

5.6 Management on Air Pollutant Emission

Management of Material Topics		
<p>What it means to Yue Yuen</p> <p>Air pollutants include volatile organic compounds (“VOCs”), sulfur oxides, nitrogen oxides and particulate pollutants from biomass fuel boiler gas. Fuel boiler flue gas is discharged through pipes and is regularly inspected to meet emission standards, while the VOCs are treated by establishing pollution prevention facilities in accordance with environmental laws and regulations of each country, and are discharged directly after meeting local emission standards.</p>	<p>Policy and Commitment</p> <ul style="list-style-type: none"> ➤ “Guidelines on Air Pollution Control Management” ➤ Prioritize compliance with local emission standards to reduce the impact of industrial activities on employees and residents around the factories. ➤ Comply with and conform to regulations on environmental protection, safety and health and other requirements, and establish relevant standard operating procedures for implementation. ➤ Install prevention equipment and conduct air pollution emission testing in accordance with local regulations to ensure compliance with local regulations on emission standards. 	<p>Impact</p> <ul style="list-style-type: none"> ➤ Reduce the impact of pollution on the environment and ensure the health and safety of employees and communities. ➤ The production bases fail to properly dispose of the wastes, which will pollute the environment. ➤ Risk of violation of environmental laws and regulations which will affect operations.
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ Install prevention equipment and conduct air pollution emission testing in accordance with local regulations to ensure compliance with local emission standards and reduce the impact of air pollution emissions on the environment. ➤ Set up source control mechanism for prevention equipment to ensure the processing efficiency of equipment installation, and conduct inventory and operation optimization of equipment type and operation parameters to ensure the processing efficiency of equipment already installed. 	<p>Actions</p> <ul style="list-style-type: none"> ➤ Establish equipment design review and control mechanism, regional environmental risk - checking mechanism. ➤ In 2022, the Company purchased 21 pieces of pollution prevention equipment, treatment technologies of which included dust treatment systems, activated carbon adsorption, and other air pollution prevention equipment, to ensure compliance with local regulations and standards. ➤ In accordance with the environmental risk checking mechanism of the factory, the Company will evaluate the installation requirements of pollution prevention facilities for high-risk events and carry out related improvement projects in advance to ensure that the treatment technology, quantity, and treatment efficiency of the air pollution prevention equipment installed at the factory end can meet the requirements of local regulations.

Management of Material Topics		
<p>Sustainability Indicators</p> <p>HKEx KPI A1 Emissions GRI 305 Emissions SDG 12 Responsible Consumption and Production</p>	<p>Evaluation Methods</p> <ul style="list-style-type: none"> ➤ Monthly environmental compliance risk check and improvement rate: The annual implementation rate of internal environmental risk assessment in 2022 was 100%. There are 66 incidents of risk management, and the completion rate of improvement is 95%. The remaining improvement works are in the process of completion and acceptance, which will be continuously tracked and managed. ➤ Hold the Company's management review and reporting meeting semi-annually. ➤ Hold an environmental energy and safety and health committee meeting in each quarter. 	<p>Stakeholder Engagement</p> <p>According to the stakeholder engagement mechanism, the Company will conduct regular or irregular communication and interaction, and will disclose the information in the ESG Report, relevant platform or website.</p>

Air pollutants from footwear include VOCs, sulfur oxides, nitrogen oxides and particulate pollutants from fuel boiler gas. With respect to the prevention and management of air pollution, the Company has formulated the “Guidelines on Air Pollution Control Management”. The first guiding principle is to keep the emission in line with the local emission standards. The Company has strengthened its daily environmental management efforts in terms of management, carried out complex pollution prevention and control projects and conducted air pollution emission tests in accordance with the requirements of local competent authorities to ensure compliance with the emission standards stipulated by local laws and regulations.

Since the fuel boilers at overseas production bases have gradually been outsourced, the control of VOCs generated from the manufacturing process has also gradually changed from fugitive emissions to pipeline collection and treatment. For the management of VOCs emissions, the Group has complied with the environmental assessment requirements stipulated by the competent authorities in every production base and has set up necessary and effective collection and treatment facilities. For the production bases in Mainland China, in addition to establishing facilities for comprehensive treatment and purification, the Group has gradually installed online monitoring facilities to tighten its management on air pollutant emission, so as to assume the corporate responsibility of improving air quality in the local areas.

Air pollutant emission from footwear manufacturing bases through collection and treatment pipes

Region	Year	Particulate (kg/year)	SO ₂ (kg/year)	NO _x (kg/year)	VOC (kg/year)
Mainland China	2022	4,266.3	49.5	891.4	5,428.5
	2021	6,097.8	35.3	5,668.2	3,377.0
Vietnam	2022	1,808.6	6,919.1	26,775.6	–
	2021	340.2	119.7	5,604.7	–
Indonesia	2022	5,973.7	1,618.8	7,149.9	–
	2021	4,708.7	1,131.7	9,816.2	–
Total	2022	12,048.6	8,587.4	34,816.9	5,428.5
	2021	11,146.7	1,286.7	21,089.1	3,377.0

Note: Emissions are recalculated because the flow measurement method in Vietnam was changed in 2021

Stakeholders are increasingly concerned about whether companies take into account the management of social and environmental issues in their procurement and manufacturing process, so as to reduce cost, prevent damages to reputation and mitigate the risk of supply interruptions. Yue Yuen incorporates the ESG performance of suppliers into the selection and management process, and creates a sustainable and resilient supply chain by establishing a responsible and transparent supply chain management framework. In addition, we follow the chemical management systems of brand customers to ensure safe use of products.

6.1 Raw Materials Procurement

Selection of Raw Materials

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

Create A Restricted Substances List (“RSL”)

Various chemicals, including but not limited to melt glue, leather treatment agents, accelerators and activators, are used in the process of leather, cloth and sole treatment, sewing and gluing for all kinds of shoes. In order to prevent the negative impact of chemicals on human health and the natural environment, Yue Yuen follows the RSL provided by various international brands, the RSL announced by the “Apparel and Footwear International RSL Management (AFIRM) Group” and the MRSL published by the ZDHC Alliance, to control the restricted substances in the raw materials purchased according to the limit of such regulations, and regularly update the restricted substances lists for companies on an annual basis according to the regulations of brands.

Links to list of restricted substances

ZDHC-MRSL	AFIRM	Brand RSL				
		Nike	Adidas	VF	Oberalp	Decathlon
https://mrsl.roadmaptozero.com/MRSL2_0	https://afirm-group.com/wp-content/uploads/2021/03/2021_AFIRM_RSL_2021_0226a.pdf	https://chemistry.nike.com/restricted-substances-list	https://www.adidas-group.com/media/filer_public/60/a3/60a38e1d-90aa-43a0-a749-a8350099aaed/2020_adidas_product_safety_policy_a-01.pdf	https://d1io3yog0oux5.cloudfront.net/vfc/files/pages/vfc/db/436/description/20211229/VF_2022_RSL.pdf	https://www.oberalp.com/website_images/CSR/CSR_Leading%20Products/Oberalp%20Group%20Chemical%20Policy_version%20VI.pdf	https://sustainability.decathlon.com/legal-documents

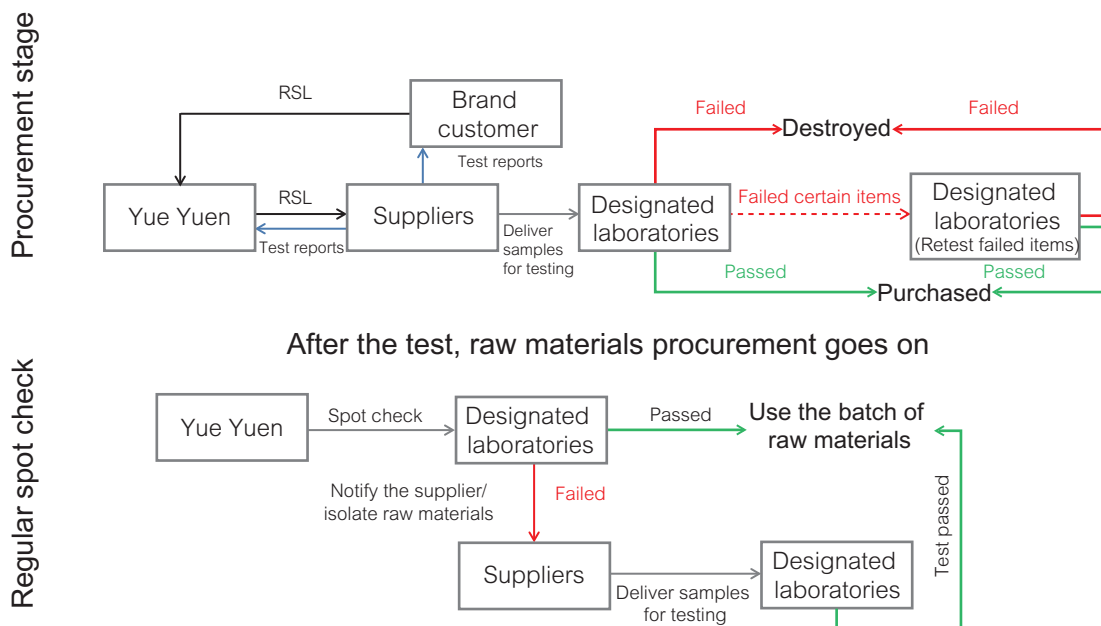
The procurement department of Yue Yuen strictly requires all raw material suppliers, in cooperation with designated laboratories, to provide samples of all raw materials for testing in accordance with the test standards. Only qualified raw materials with test reports would be purchased, and all test reports are valid for one year. Suppliers are required to regularly provide samples for testing to ensure that the test results meet the standards.

Prohibited Substances

Polyvinyl chloride (PVC), perfluorochemicals (PFCs) and volatile organic compounds VOCs are globally recognized hazardous chemicals, and some manufacturers also comply with the Conflict Minerals Reporting Template to prohibit the use of chemicals such as PVC or Hydrocarbon Solvent. Under the guidance of brand customers, Yue Yuen has, in addition to not purchasing substances prohibited by the brands, cooperated in carrying out projects for chemical reduction and prohibition target optimization, to reduce use of the specified chemicals or find alternatives.

Test Methods (Laboratories Designated by Brand Customers)

In order to ensure that the concentration of restricted substances in samples and products is within the limit of the regulations, Yue Yuen follows the usage proportion limit set by the brand customers and requires raw material suppliers to deliver samples to designated laboratories for testing in accordance with specific testing standards, to ensure that all raw materials do not contain hazardous substances or exceed the limits under the RSL regulations. In addition, Yue Yuen requires that all raw material samples must be delivered to the testing locations (where the laboratory is located) within the country of origin of the raw materials, instead of being delivered to another countries, for testing. The test results of all samples will be simultaneously notified to Yue Yuen and the brand customers, and only qualified products would be purchased. The test report of each chemical is valid for 12 months, but for the suppliers with any record of unqualified sample test results, all of their test reports are only valid for 6 months, and Yue Yuen will also conduct spot tests on raw materials on a monthly basis during such periods.



Yue Yuen adopts a two-stage management approach for the control of restricted substances: (1) if failed the pre-purchase test, the batch of raw materials/chemicals will not be purchased; (2) if passed the pre-purchase test, regular spot checks will still be carried out, failing which the factory will immediately isolate the batch of raw materials and deliver to the laboratories designated by the brand customers for re-testing. The raw materials will not be used until they pass the test, and the test report will be kept for 10 years for traceability.

Management Labeling and Storage of Chemicals

Attaching great importance to the safety of people and environmental protection, Yue Yuen has formulated the “Chemical Management Operation Guidelines” as the basis for chemical processing and storage to reduce the risks of harm caused by chemicals. All suppliers of the chemicals we purchased shall provide Material Safety Data Sheet (“SDS”) which contains the information of each chemical.

In order to manage all chemicals in a unified manner, a regularly updated inventory list is prepared in each factory of Yue Yuen, which records the name, composition, capacity, supplier name, storage location, production/storage date, shelf life and other information of the chemical. The chemicals are stored in designated warehouses that are dry, ventilated, and free from direct sunlight, and are strictly controlled by dedicated staff. Hazard labels are posted on all chemical containers, and SDS are posted in a conspicuous place within one meter of the storage location of chemicals in the warehouses.

All chemicals are used in accordance with the principle of “first in, first out” to ensure that they are used up before expired or gone bad. The designated warehouses are equipped with fire extinguishers, exhaust fans, lightning protection devices, eye washers and leakage prevention devices.

Staff Education and Training

Regular education and trainings are necessary for ensuring the safety of chemical users and employees who may be exposed to hazardous chemical in their workplaces. Yue Yuen conducts chemical leakage drills on a semi-annual basis and holds chemical education and training courses as well as leakage disaster prevention drills on an annual basis, to improve employees’ basic knowledge of chemicals and emergency response capabilities. We help employees learn more about emergency response measures to reduce the probability of disasters that may be caused by hazardous chemicals. In addition to its internal education and training, Yue Yuen also provides online training courses of its brand customers for on-site staff to learn the latest RSL list policy and practice, chemical/sample testing methods, review process, chemical management and other information. Furthermore, Yue Yuen also conducts chemical leakage drills on a regular basis, for which it assigns responsibilities within the disaster relief system and develops the response process according to the proposed drill plan.

Brand education and training materials



NIKE CHEMISTRY TRAINING GUIDE

Updated April 2021

Registration

1. Navigate to <https://nikechemistry.8fsmos.com/vf-self-signup>
2. Complete all required fields sign-up fields (marked with *)
 - a. First name, Last name, Email address and Confirm email address
 - b. Enter the Code + CHEMISTRY
This code is used for sign-up only and cannot be used at a later time
3. From your email (or junk email), click on the link in the automated email
 - a. Confirm your name and address
 - b. Username = your email address
 - c. Create a password
 - d. Confirm your password
4. Complete the "Additional information" section
 - a. The following fields are required: Language, Company, Email, Address, City, State, Country
5. Complete the "Product" and "Facility Information"



FACILITY CODE	FACILITY TYPE	BRAND	PRODUCT ENGINE
NIKE STORE	FACTORY	NIKE	SPORTSWEAR
FACILITY CODE	VENDOR	CONVERSE	FOOTWEAR
VP plant/retail	INDUSTRIAL	COMBO (multiple brands)	EQUIPMENT
Name of know your	OTHER	BRANDED	COMBO (multiple brands)
table can	NIKE EMPLOYEE	OTHER	DON'T KNOW
UNIVERSITY	LAB	DON'T KNOW	DON'T KNOW
OTHER			
DON'T KNOW			



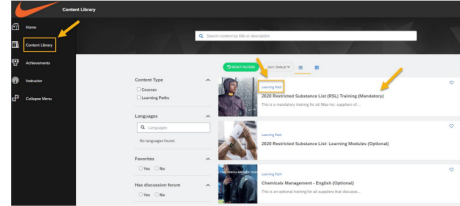
Taking a Course

All training material are listed in the Content Library (menu on left hand side). Courses are listed in Learning Paths. Look for the following Learning Paths:

MANDATORY – 2021* Restricted Substance List (RSL) Training (Mandatory)

OPTIONAL – We offer a wide range of optional courses. The main courses are 2021* Restricted Substance List (RSL) Training (Optional) and Chemicals Management – English (or choose your preferred language)

*2020 to 2021



Key Updates

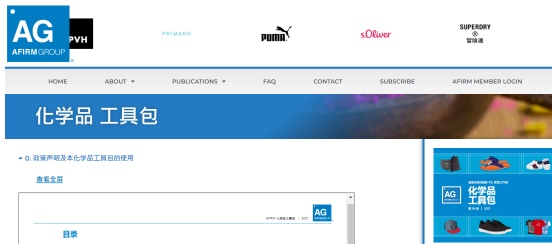
Section	Item	Type	Update
C	Bisphenols 双酚类化合物	New section	BPA with limit 25mg/kg BPS, BPF, BPAF with Reporting requirement

C. Bisphenols

Chemical Substance	CAS Number	Limit Value Final Product (mg/kg)	Test Method
Bisphenol A (BPA)	80-05-7	25*	Acetonitrile extraction (OECHA method)/ LC-MS
Bisphenol S (BPS)	80-09-1		
Bisphenol F (BPF)	620-92-8	Reporting requirement	
Bisphenol AF (BPAF)	1478-61-1		



AFIRM chemical toolkit



4. 供应链教学

本系列课程的 RSL 课程 (如第 2 系列) 需要品牌和供应商通力合作。品牌有责任提供 RSL 要求和程序 (如供应链的识别图), 对供应商进行教育, 提供情况下, 供应商有责任提供 RSL 要求, 并及时对上游供应商进行更新, 确保供应链中所有环节都符合 RSL 要求。

图 2. 在整个供应链中识别 RSL 要求



ZDHC online training platform

Welcome to the ZDHC Academy Platform

The ZDHC Foundation oversees implementation of the Roadmap to Zero Programme and is a global industry collaboration of more than 120 contributors within the sports, fashion, luxury and outdoor industry. The vision is widespread implementation of sustainable chemistry, driving innovations and best practices in the textile, apparel, leather and footwear industries to protect consumers, workers and the environment. Through collaborative engagement, standard setting and large-scale implementation ZDHC advances the industry towards zero discharge of hazardous chemicals. ZDHC takes a holistic approach to sustainable chemical management and enables tangible progress in the wider industry by a number of reference guidance and practical tools, capacity building and innovation projects.

Our trainings aim to reach all parts of the value chain: brands, chemical suppliers, manufacturers and other relevant stakeholders to understand and adopt the basics as well as best practices for a holistic sustainable chemical management.

The ZDHC Academy offers:

- Training sessions in local languages in key sourcing regions across the globe with new countries being added frequently.

[Help](#) as to certified training materials discussed during the training sessions.



Stay tuned!

ZDHC regularly launches new training courses and webinars so stay tuned via the ZDHC Facebook, LinkedIn, Twitter and

ZDHC Intro to Chemical Management	ZDHC Intro to Chemical Management for Leather Suppliers	Top 10 Issues of Chemical Management	ZDHC CMR T10 Training	ZDHC Wastewater Management	ZDHC CMR Framework Training for Brands & Retailers	ZDHC CMR Framework Training for Suppliers
Bangladesh	India	Italy				
City	City	City				
Dhaka	Dhaka	Como				
Mar 10 - 16	Apr 01 - 04	Feb 14				
Q1	Q1	Q1				
Online	Online	Online				
May 08 - 09	May 08 - 09	May 08 - 09				
Q1	Q1	Q1				
Jun 14 - 15	Jun 14 - 15	Jun 14 - 15				
Q1	Q1	Q1				
Online	Vietnam					
City	City					
Hanoi	Hanoi					
Feb 07 - 09	Feb 07 - 09					
Q1	Q1					
Help	Help					

Procurement of Raw Materials for Footwear Manufacturing

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

In 2022, the Group purchased a total of approximately 16,690,000 tons of raw materials for footwear manufacturing, of which 12,480,000 tons were non-renewable materials and approximately 4,210,000 tons were renewable materials.

The weight of each preferred raw material is presented based on the purchase amount as follows:

Preferred raw material	Raw materials	
	Type	Weight (tons)
1	Knitted fabrics	533,000
2	Natural leather	129,000
3	Chemical raw materials	2,266,000

Note: Strategic suppliers of natural leather are 100% certified by the Leather Working Group (LWG) and the purchase weight is approximately 53,000 tons.

In 2022, the Group procured approximately 260 million units (2021: approximately 200 million units) of shoe boxes, including inner and outer boxes, weighing a total of approximately 69,421 tons (2021: 51,640 tons). A box for each pair of shoes weighs an average of 0.00026 tons (2021: 0.00026 tons).

Note: Yue Yuen started process improvement and system integration from 2019, and the weight information of purchased materials was disclosed in stages depending on the degree of integration.

6.2 Supply Chain Management

Management of Material Topics		
<p>What it means to Yue Yuen</p> <p>The purpose is to provide customers with quick-response services, continuously improve manufacturing processes, enhance capacity of flexible production and build a material supply system that responds quickly and keeps up with the market.</p>	<p>Policy and Commitment</p> <p>Supplier Management Policy</p> <ul style="list-style-type: none"> ➢ Improving supplier management ➢ Supply chain management <p>Supplier – Friendly Workplace Guideline</p> <ul style="list-style-type: none"> ➢ Strengthening the management mechanism for procurement ➢ Innovative, research and development 	<p>Impact</p> <ul style="list-style-type: none"> ➢ Substantial impact on: cost, revenue, operational risk and commercial competitiveness. ➢ The stability and speed of material supply, while improving the sustainable management of the Company’s overall supply chain.
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➢ strengthening supply chain management/improving manufacturing process/innovative design, to serve manufacturing/customers in the most innovative way. <p>2022 goals:</p> <ul style="list-style-type: none"> ➢ Improving supplier management: (1) rapid response in the supply chain (L4L/SLT/strategic outsourcing); (2) supplier evaluation to retain qualified suppliers and weed out disqualified ones; (3) procurement trend analysis and response. ➢ Strengthening the management mechanism for procurement: (1) optimizing the procurement process; (2) improving system management efficiency; (3) refining project contracting. 	<p>Actions</p> <ul style="list-style-type: none"> ➢ Adhere to the procurement principle of “develop locally and source nearby”, and actively cooperate with local suppliers. ➢ Evaluate suppliers’ performance regularly and implement hierarchical management. ➢ Organize supplier product exhibition to promote innovation technology and communications on product information between the industry and suppliers. ➢ Launch SAP ERP system. ➢ Continue to implement supplier contract signing to ensure the rights of both parties and legal compliance of cooperation. ➢ Evaluate the overall performance of suppliers according to quantitative indicators such as quality and sustainable development, and hold discussion for improvement plan to intensify the management. ➢ Through the supplier product exhibition, the Group’s R&D staff and suppliers can face to face discuss and share information of innovative materials, automatic production equipment information and environmental protection and energy conservation issues. ➢ Strengthen the supply chain system of the Group; improve the supplier management mechanism; enhance the procurement contracting process.
<p>Sustainability Indicators</p> <p>HKEx KPI B5.2, B5.3 & B5.4 Supply Chain Management</p> <p>GRI 308 Supplier Environmental Assessment</p> <p>GRI 414 Supplier Social Assessment</p> <p>SDG 12 Responsible Consumption and Production</p> <p>SASB Industry Standards for Apparel, Accessories & Footwear</p> <p>CG-AA-430a Environmental Impacts in the Supply Chain</p> <p>CG-AA-430b Labor Conditions in the Supply Chain</p>	<p>Evaluation methods</p> <p>Report at regular meetings, review the target achievement rate, and continue to promote material procurement management and supplier management according to the established goals.</p>	<p>Stakeholder engagement</p> <p>Business communication/e-mail and telephone contact, regular assessment and review meetings for suppliers.</p>

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



The main suppliers of the Company comprise of: material suppliers, shoe equipment suppliers, engineering contractors and service contractors. In 2022, there were no significant changes in the location of our suppliers of materials/shoe equipment, supply chain structure and supplier relationships as compared to the previous year, while service contractors were subject to necessary adjustments or changes depending on their contract terms.

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

Local Purchase







To conform with the brand strategy and quickly respond to market demand, the Company adheres to the procurement principle of “develop locally and source nearby” and actively cooperates with local suppliers to reduce supply risks, operating costs and carbon emissions caused by long-distance transportation.

The Company’s footwear production bases include Mainland China, Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar. The proportion of local purchase in each country is as follows:

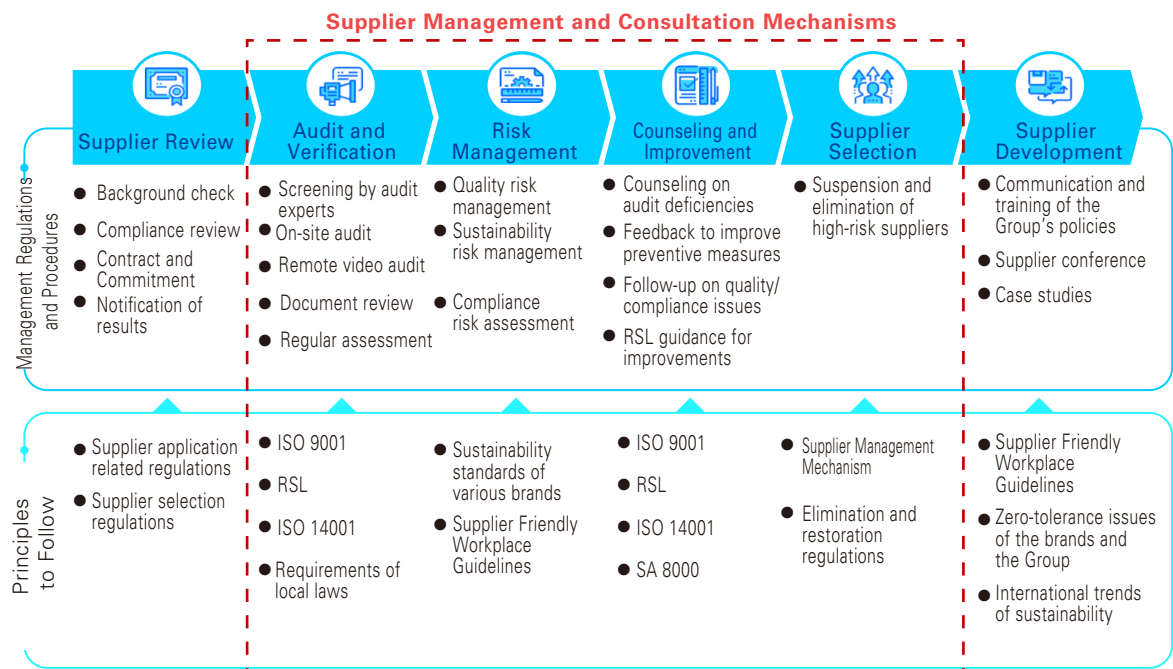
Countries	Shoe material	Mechanical equipment
Vietnam	65.2%	22.1%
Indonesia	53.6%	12.1%
Mainland China	55.1%	74.3%
Cambodia	14.4%	17.2%
Bangladesh	13.4%	0.8%
Myanmar	13.5%	9.0%

Supplier Management Policy

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

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

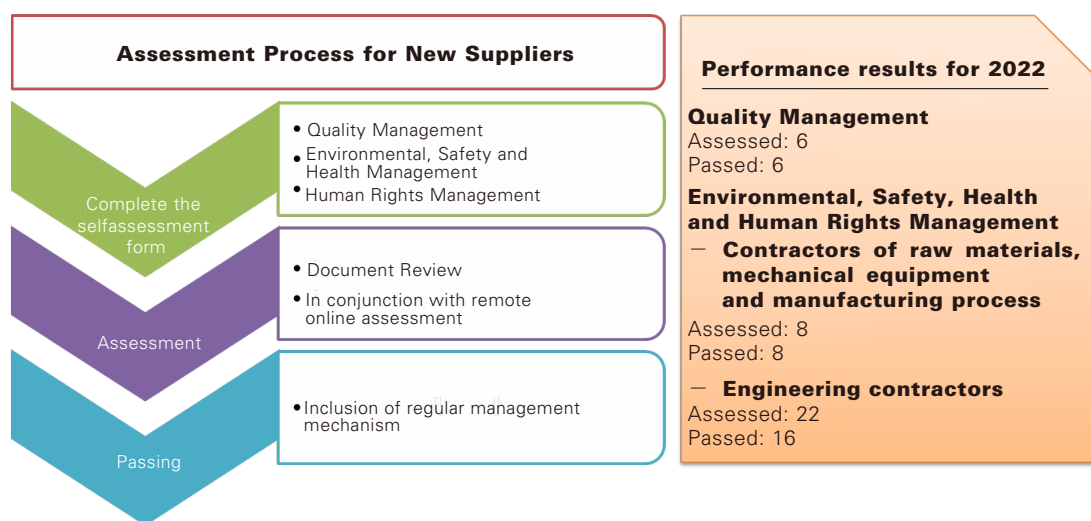
Supplier Management System and Framework



Supplier Review

We actively implement supply chain management initiatives, setting up dedicated units and personnel, conducting internal and external training to obtain professional qualifications in various fields, such as ISO9001, RSL, ISO14001, ISO14064, ISO45001, SA8000 and other auditor qualifications, as well as performing risk assessment and audit verification on suppliers' quality, environmental, safety, health and human rights management to verify the compliance with laws of suppliers and establish long-term and efficient cooperation relations.

Except for customer's designated or specific material suppliers, the Group selects new suppliers in accordance with ISO 9001:2015 quality standards, ISO14001: 2015 environmental standards and the human rights standards in the Group's friendly workplace guidelines, and adopts management indicators that comply with local environmental protection and labor and human rights regulations and other preventive measures. All of the new suppliers are selected in accordance with these standards. In 2022, the Group still replaced site visits with document review or in conjunction with remote video audit due to the COVID-19 pandemic.



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

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

Supplier Management and Consultation Mechanisms

In addition to the continuation of the selection criteria in assessing new suppliers, we also integrate specifications of the brand customer. In terms of the operation of sustainable development management for existing suppliers, we screen out the key suppliers with which Yue Yuen Group has strategic cooperation and large transaction amount from the suppliers with actual production and direct transactions as the first-tier suppliers for management disclosure. Management and counseling methods include regular written assessments, annual reviews and consultation (through remote video), as well as on-site assessments with and without warning based on the importance of the partnerships with suppliers. The auditing methods cover written confirmation of statutory licenses and permits, environmental, safety, health and human rights related policy documents, labour code of conduct and the derived implementation records, site visits, dormitory inspections, CCTV inspections, communication with management as well as sample group or individual interviews in non-production areas based on the size of the supplier, in order to gain a comprehensive understanding of the current situation of each supplier and to initiate communication and consultation on non-compliance issues. In addition, in order to encourage suppliers with excellent performance to promote circular economy, we also collect and recognize highlight projects of suppliers including but not limited to green design, green production, green procurement, green marketing, green products and green recycling.

Furthermore, we have continued to commit to the compliance risk identification and training programs of our suppliers. We require all first-tier suppliers to obtain environmental protection related permits and establish a regular inspection mechanism in accordance with the law. A total of 29.9% of the suppliers have manufacturing processes that can cause sewage pollution, and 100% of them have obtained statutory permits and installed effective sewage treatment facilities, with regular inspection reports show no abnormalities. In combination with regular written assessment mechanism, we have been proactively searching for cases in which suppliers have been penalized by local authorities for environmental, safety and health or labor-related issues and filing them since 2019. The material risk of supplier management evaluation is defined as the compliance of local regulations and environmental protection permits. In 2022, a total of 438 suppliers were enquired and 17 of which were identified as having been penalized for non-compliance within the past year, and we proactively tracked and followed up on noncompliance cases. No supplier with material risks was found in 2022.

From 2022, we have incorporated the advanced operations of supplier sustainable development into the communication and consultation mechanisms to measure the effectiveness of inventory and consultation. A total of 18.3% of the first-tier suppliers are being assessed for the Higg Facility Environmental Module (Higg FEM) or have obtained certification. We also included the freedom of association of suppliers' employees as an issue of concern, with a total of 23.2% of suppliers participated in the negotiations of collective labor agreements, benefiting 92.7% of their employees.

Standards for Regular Supplier Management and Consultation Mechanisms		
Quality Management	ESH Management	Human Rights Management
<ol style="list-style-type: none"> 1. Incoming Quality Control Supplier Management 2. Manufacturing Process Control 3. Quality System 4. Finished Product and Shipment Inspection 5. Laboratory Management 6. Non-conformity Product Control 7. Education and Training 8. Storage and Delivery 9. Customer Service 10. Document and Record Control 11. Environment and Labeling 	<p><u>Environmental Management</u></p> <ol style="list-style-type: none"> 1. Environmental Protection Management System 2. Stationary Pollution Source Operation Permit 3. Water Pollution Control Compliance Management 4. Hazardous Wastes Disposal <p><u>Fire Safety</u></p> <ol style="list-style-type: none"> 5. Fire Safety Inspection 6. Fire Safety Equipment Maintenance and Repairs 7. Inspection of Fire Safety Facilities 8. Fire Evacuation Drill <p><u>Safety and Health</u></p> <ol style="list-style-type: none"> 9. Occupational Safety and Health Management System 10. Operation Environment Monitoring 11. Personnel in Safety and Health, First Aid, Dangerous Machinery and Equipment Operator 12. Management of Dangerous Machineries and Facilities 	<p><u>Compliance Practice</u></p> <ol style="list-style-type: none"> 1. Recruitment and Appointment 2. Working Hours 3. Remuneration and Benefits 4. Complaint Mechanism 5. Forced Labour 6. Anti-discrimination <p><u>Management Attitude</u></p> <ol style="list-style-type: none"> 7. Freedom of Association 8. Prohibition of Forced Labour 9. Protection of Employees with Special Needs 10. Migrant Worker Management <p><u>Other Support</u></p> <ol style="list-style-type: none"> 11. Dormitory Inspection 12. Employee Interviews

The selection of suppliers to be evaluated is based on the Company’s procurement strategy, together with the supplier management center or the customer’s concern to propose the list of suppliers to be implemented for the current year. As suppliers vary in size, management capability and level of cooperation, we will help suppliers who fail to meet our sustainability management standards to improve. If the suppliers fail to improve within the deadline, the percentage of procurement will be reduced accordingly to establish a quality supply chain management system. In 2022, there were no suppliers whose percentage of procurement were reduced due to failure in improving their standards.

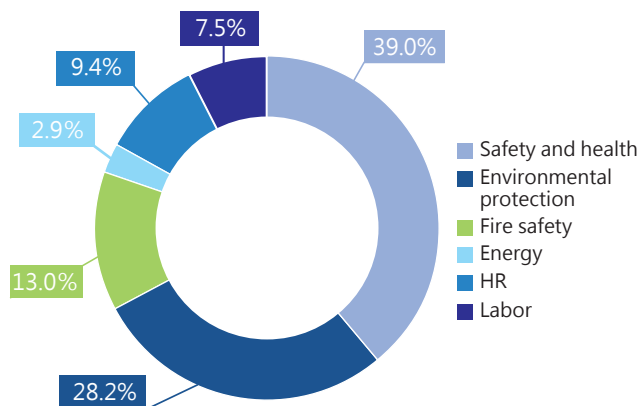
The common major deficiencies of the suppliers with potential risks include safety and health, such as malfunctioning or removal of safety protection devices of mechanical equipment; environmental protection, such as irregularities in the temporary storage management of hazardous wastes; fire safety, such as blocked fire exits or clear zones; HR management, such as working hours exceeding local statutory standards; and labor related issues, such as failure to establish a complete complaint system. We will assign designated personnel to assist and coach the suppliers to improve and summarize excellent implementation projects as an improvement model. The 2022 sustainability audit results and proportion of deficiencies are summarized in the chart below. During the year, no cases of child labor, discrimination, forced labor or prohibition of employees’ freedom of association were found among the first-tier suppliers assessed.

2022 Supplier Sustainability Audit Results

In 2022, there were no suppliers whose percentage of procurement were reduced due to failure in improving their standards

Evaluation Method	Number of Suppliers Audited	Improvement Rate
• Regular written assessment	• 438	• 96.1%
• Annual reviews and consultation	• 48	• 99.6%
• On-site assessments without warning	• 3	• 90.0%
• On-site assessments	• 74	• 94.0%

Proportion of Deficiencies Found in the 2022 Supplier Sustainability Audit



Suppliers Development

We consider our suppliers as our partners and value the interaction and communication with them. We assist and provide guidance to the suppliers in strengthening product qualities and sustainable development management, so as to improve the suppliers' competitiveness and increase the value of the overall supply chain.

In the area of quality management, document inspections and training courses were conducted on RS management for 3 overseas suppliers in 2022, which included RSL management system validation, SDS document management, RSL test reports of products, RSL undertaking introduction and MRSL management system, with an objective to fulfill our corporate responsibility.

In the area of sustainable development management, we have proposed different levels of projects based on partnerships with suppliers. In addition to holding supplier meetings with brand customers, training and promotions of compliance standards as well as promotions of supplier friendly workplace guidelines and invitations to sign commitments, we also introduced carbon management counseling projects to expand suppliers in line with international sustainable trends. Besides, for key suppliers with close partnerships, we have introduced projects such as occupational risk reduction and establishment of a complaint mechanism.

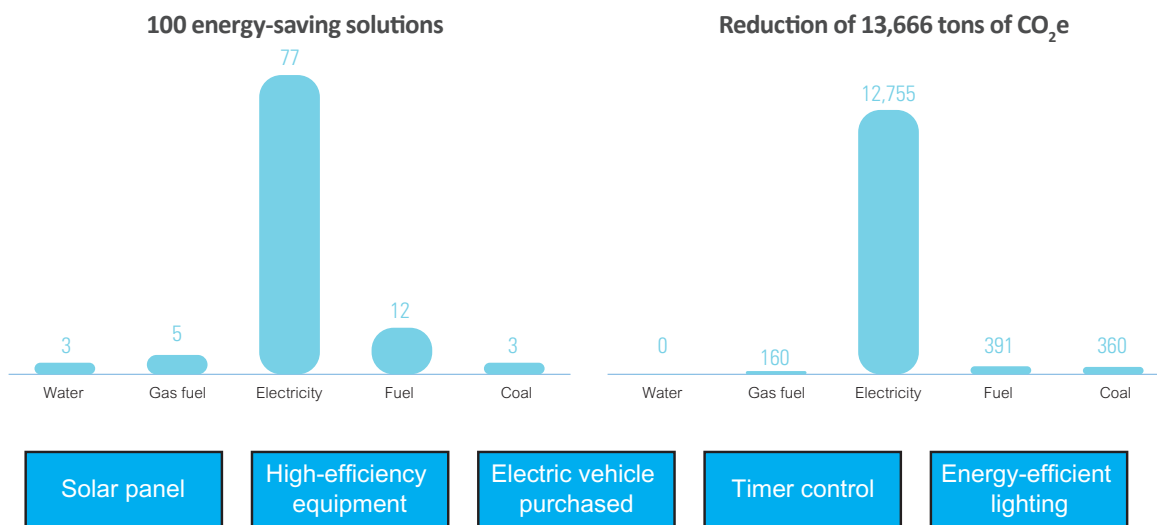
Establishment of Supplier Friendly Workplace Guidelines and Supplier Compliance Conference

To gradually enhance the sustainable management of our partner suppliers, the Yue Yuen's supplier friendly workplace guidelines were developed in 2020 with reference to the FLA, international standards and specification of brand customers, including but not limited to areas such as forced labor, child labor, discrimination, remuneration and benefits, working hours, freedom of association and collective bargaining, disciplinary action, recruitment and employment. In 2021, the guidelines were published on the official website in Traditional Chinese, Simplified Chinese, English, Vietnamese and Indonesian. The guidelines were promoted to suppliers, who were required to follow the guidelines and commit to respecting relevant labor standards and eliminating human trafficking, so to protect and promote the basic rights of suppliers' employees at work, and to spread the guidelines to their suppliers at the same time. During the year of 2022, we have continued to promote to first-tier suppliers and invite suppliers to commit to abide by Yue Yuen's supplier friendly workplace guidelines, and 75.8% of first-tier suppliers have signed confirmation letters.

In the area of improvement of suppliers' sustainable development capabilities, in conjunction with the influence of brand customers, suppliers were gathered together to promote compliance standards. Two sessions were attended by 59 suppliers.

Carbon Management among Suppliers

In view of the global climate change issue, Yue Yuen promoted the 2021 COP26 Glasgow Climate Pact and customers’ low-carbon vision to suppliers in 2022. The Group also strengthened suppliers’ carbon management knowledge, and promoted 218 cooperative supplier factories to complete the organizational greenhouse gas emissions inventory operation in 2021.

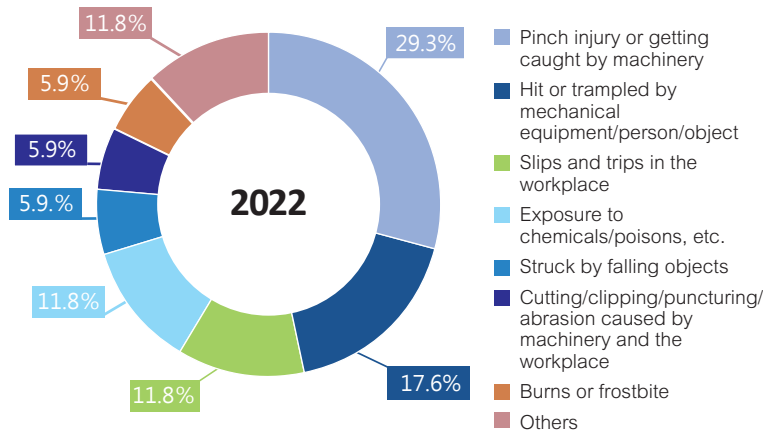


Occupational Risk Reduction

Leveraging on the Yue Yuen team experience and expertise, the Group has continued to assist key suppliers in introducing high-risk machineries protection projects centered on the intrinsic safety of the machineries since 2020. In view of the common types of occupational risks (e.g. mechanical cutting, slicing rolling and clipping), the first to eighth batches, a total of 29 types of high-risk machineries and their corresponding safety protection device standards were announced by the end of 2022, and 23 key suppliers were instructed to take inventory and update the existing equipment. At the same time, suppliers were required to include all safety protection devices in the acceptance criteria for newly purchased equipment.

In addition, 5 key suppliers were given guidance on the actual causes of occupational hazards. The supplier’s sustainability project personnel assisted in the analysis of occupational hazards, investigation of the actual causes. During the year of 2022, there were a total of 17 cases of occupational injuries, and 100% of the cases were tracked and improved.

Causes of occupational hazards by suppliers



2022 statistics for occupational hazards of key suppliers:

Disabling frequency rate (FR)	1.8
Disabling severity rate (SR)	35
Frequency-severity indicator (FSI)	0.25

FR = Number of Disabling Injuries X 1,000,000 / Total Working Hours Experienced
 SR = Total Number of Working Days Lost X 1,000,000 / Total Working Hours Experienced
 FSI = $\sqrt{((SR \times FR) / 1000)}$

Establishment of Complaint Mechanism

In addition to disclosing the contact channels that the stakeholders can contact directly on the official website to the public, since the establishment of the advanced complaint mechanism in 2019, we counseled 5 key suppliers during the year of 2022, covering original case handling personnel capability enhancement, diversified complaint channels, complaint handling procedures and non-retaliation policies, and we even directly opened an online channel for independent complaint consultation, and invited supplier representatives to participate in symposiums. A total of 12 sessions were carried out. Together with the existing complaint mechanism, in 2022, a total of 154 appeals/complaints/suggestions/consultations/thanks/compliance deficiencies were received from employees of key suppliers, covering issues such as food, living environment, health consultation, improvement of the working environment, support for epidemic prevention, transportation vehicles, etc., and 100% of the cases have been handled, among which the more representative consultation cases are as follows:

Date	Description of Complaint	Suggestion for Improvement	Results
March 2022	The employees of the supplier reported that each unit in the factory has installed fingerprint punches. Because the number of employees in this unit is relatively large, it takes a long time to queue up for clock in and out, so it is recommended to install an additional punch.	Supplier ER and HR personnel are requested to confirm the current clock-in and clock-out status on the spot. There is indeed a problem of long queues. It is recommended to add it after taking stock of all units in the factory.	A punch has been installed for each of two busy units that have to queue up for clock-in and clock-out, and the case has been closed.
March 2022	The employees of the supplier reported that there are too many people using motorcycles as a means of transportation, and there is not enough parking space in the factory area. It is recommended to expand the parking shed to avoid parking outside.	Suppliers are requested to take stock of the required parking spaces and the space for parking sheds that can be set up in the factory area. After communication and discussion with the management, it is agreed to expand.	It has been clearly planned to add a parking lot in the factory area and start leveling and clearing the site. It will be officially opened after completion, and has obtained the approval of the employees. The case has been closed.

Regarding the case handling personnel capability enhancement project, it was strengthened in 2022, and the number was expanded to 23 key suppliers. A total of 42 participants attended two online trainings on empathy and conflict management.

6.3 Products and Services

Customer Service

Yue Yuen has long-term cooperation relations with multiple international eminent brands, and is an indispensable business partner for the sustainable operation of brand customers. By continuously strengthening the research and development of key technologies for green footwear manufacturing and the manufacturing process modular development of the production process, we can flexibly adjust the production mode according to different needs, and strive to provide brand customers with fast, flexible and value-added manufacturing services. At the same time, under the wave of consumers pursuing green and sustainable low-carbon products, Yue Yuen is also actively developing carbon reduction production strategies, in line with customers' environmental protection and sustainable goals, and with comprehensive value planning and strong execution to grow steadily on the journey to sustainable operation.

Yue Yuen attaches great importance to the protection of customers' trade secrets, and will provide comprehensive protection for the privacy and trade secrets of brand customers. According to the needs of individual customers, a dedicated independent development center was set up, with strictly separated production areas and zoned processing operation areas according to different customers. From product development to product production, we work closely with brand customers. Internal product safety management standards for the development center and mass production unit are formulated to ensure the Group's operation secrets, product safety and information security, and to protect the interests of the Group and customers. As for employees, they are obliged to protect the confidential information and intellectual property rights through the implementation of the Group's "Ethical Corporate Management Best Practice Principles", the signing of the "Confidentiality Undertaking" by the employees and regular educational trainings on trade secrets, information security, competition prohibitions and so on. The Group also requires the suppliers to sign confidentiality agreements or confidentiality terms and the appended product safety undertakings, and strictly abide by the confidentiality provisions and provisions of the undertakings. The Group also conducts educational trainings for suppliers on issues such as trade secret protection and information security. The Group conducts assessments on the suppliers from time to time and assessment results are one of the bases of the Group in evaluating suppliers. In the event of any breach discovered in the protection of trade secrets, privacy or intellectual property rights, the Group will immediately stop the breach, review the mechanism and take improvement measures. The Group respects the intellectual property rights of brand customers. The brand customers' intellectual property rights (such as trade marks) are only applied to products according to the scopes authorized by the brand customers.

In 2022, there were no complaint cases of customer privacy infringement.

Product Quality and Safety Management

The Company provides high-quality product manufacturing services for international well-known brands. All footwear products on the production lines at the stage of design development, including material selection, manufacturing process execution, use of adhesive and packaging materials, etc, will only be scheduled for formal production on the production lines after they have undergone the health and safety hazard assessment and met the MRSL specifications of the brands development center.

All materials on the production lines must pass strict physical and chemical testing standards, and will go through sampling tests before warehousing to prevent inappropriate materials from being used in footwear production. After a standardized production process and full-process control of production and manufacturing, it can be ensured that 100% of the manufactured and shipped footwear products can meet the principles of friendly environment and human health. It also can be ensured that footwear products are safe for customers to use and comply with laws and regulations. There is no harmful impact on the environment when footwear products are disposed of at the end of its useful life.

All finished shoes must, before packaging, go through inspection by specialists or metal detection devices scanning to ensure there is no metal scrap or sharp objects remaining. The packaging for all qualified finished shoes is carried out under the supervision of trained staff and CCTV with the employment of seals to record shipments so as to prevent any placing of dangerous items into the packages during delivery.

In response to the brand safety policy and trade secret management requirements, the Company strictly distinguishes and controls the production plants of each brand customer, and also strictly implements product safety management guidelines and process management. The Company conducts regular educational training on trade secrets, product safety, information security or competition prohibitions every year to strengthen the behavioral awareness of all personnel. At the same time, in order to prevent the leakage of digital data, CCTV was set up in each of the development centers, the production plants, the entrances and exits and the confidential work rooms. Video recording devices (including camera phones) are strictly controlled. The Group launches regular factory production safety audits to ensure the lowest security management risk in the factory area.

Cooperating suppliers are required to sign confidentiality agreements or confidentiality terms and the appended product safety undertakings with the legal person of the development center, and strictly abide by the confidentiality provisions and provisions of the undertakings, the development center's regulations on product and information security, and legal requirements. The development center conducts educational trainings for suppliers on issues such as product safety, trade secret protection and information security. The development center has the right to conduct audits on the suppliers from time to time and audit results are one of the bases of the development center in evaluating suppliers.

As the products manufactured and supplied by the Company are not directly sold to consumers, there is no mechanism in place for the return of defective products or the recycling of packaging materials. Nevertheless, the Company has kept close business relationship with our brand customers and all of our products need to pass high product quality standards required by the customers, and we follow the customers' requirements and the exporting countries' specifications to provide a reasonable packaging and detailed product information label which includes product size, material, ingredients, instructions, etc. As such, not only can the consumers obtain related product information and service through the brand customers, but also identify the production plant through the factory code on the product information label, and contact the relevant production plant to inquire about product related issues.

In 2022, there were no incidents of non-compliance of product standards in the footwear products manufactured by the Company, and no complaints or fines were received due to safety and health hazards posed to consumers.

Product Label and Service Information

Label matters	Label Information Description
Source of product components/ingredients or supplier of services	Product components are supplied by suppliers that meet the customer's product requirements and standards, and are not otherwise marked on the product label.
Product content ingredients	Main material label.
Safe use of product or service	Instruction label.
Subsequent disposal of the product and its environmental/social impact	The Company's OEM product is not directly sold to customers, so there are no impact assessment of product waste and subsequent disposal measure in place.

Upholding the idea of “Focus on People, for the People”, Yue Yuen believes that employees are important assets, and has planned a holistic approach of recruitment, employment, training and retention of employees. Various team events were organized to build the employees’ sense of belonging, as well as to increase the employees’ understanding of the Company and recognition of the Group’s core values of “Professionalism, Dedication, Innovation and Service”. To attract talents, we actively develop diversified recruitment channels and provide competitive compensation and benefits, comprehensive training system and streamlined promotion channels with aim to improve the employees’ professionalism and enthusiasm at work. We also introduce the performance management system to motivate the employees to engage in continuous development, help the employees in career planning, and achieve succession of talents. Efforts are committed to providing the best workplace with respect for human rights, healthy and safe work environment to achieve the Company’s objective of sustainable operation.

The proportion of factories from the footwear production bases in 2022 certified by Social & Labor Convergence Program (“SLCP”) is 21%.

7.1 Manpower and Talent

Management of Material Topics		
<p>What it means to Yue Yuen</p> <p>Creating a good mutual trust and smooth communication between the employer and employees, and maintaining a good labor and employment relationship as well as competitive benefits system not only have significant positive effect on factories’ smooth production operating, but also improve the recognition and sense of belonging of employees and local communities to the Company. Nurturing the Group’s key talents and building the succession team are the foundation of the Group’s sustainable development, even the advantage of its competitiveness. We set up a dedicated comprehensive training process and provide systematic and essential education and training to improve the employees’ knowledge and skills and create operational efficiency and value.</p>	<p>Policy and Commitment</p> <ul style="list-style-type: none"> ➢ Design remuneration systems compatible to the local markets with reference to the local government decree, the salary levels in the industry as well as market conditions in production and operation bases, so as to encourage local overseas employees to work long-term and grow together with the Company. ➢ Through a systematic, diversified and comprehensive talent development mechanism and professional training, we aim to broaden our talents’ international perspectives, deepen their professional knowledge, instill corporate culture and create competitive advantages, in order to lay a foundation for the Company’s sustainable development. ➢ Key technical data integration and management “Knowledge Management (KM) Platform”. ➢ Enhance talent strength, promote the key positions’ nurturance and succession/ reduce talent and technical faults/establish a talent self-sufficiency mechanism/make explicit and implicit knowledge written/ develop internal lecturers. 	<p>Impact</p> <ul style="list-style-type: none"> ➢ Improve business competitiveness and talent quality. ➢ Affect human resource in talents’ recruitment and retention, which in turn has impact on operations and production. ➢ Increase demand on talent and technical knowledge.

Management of Material Topics		
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➢ Review the remuneration policies regularly to make sure our salary standards are competitive, and are linked to performance management for reward differentiation to facilitate the recruitment and retention of talents, with the principle of compliance with the local government decree of its global operating bases. ➢ Carry out the "Training for High Potential Talents" middle-senior management to strengthen the talent pool of the Company, explore key potential talents, improve their risk management and decision-making ability and strengthen the leadership of middle-senior talents, and prepare a sustainable and long-term talent training plan. ➢ Analyze the structural faults of the Group's key technical talents for continued nurture to the Group's key technical talents, and it is expected to narrow the fault range with controllable risks the next 5 years. ➢ Cooperate with the Group's digitization promotion, purchase external digital resources and simultaneously establish in an internal knowledge inheritance system, to immediately and appropriately transmate and share material issues related to operation or employee care through internal experts. 	<p>Actions</p> <ul style="list-style-type: none"> ➢ Follow the long-term regular practices, no specific actions in project management are implemented. ➢ Regularly review the personnel recruitment and turnover status, salary structure and implementation status of performance appraisal system, adjust salary and bonus based on the performance of the Company and employees. ➢ Continuous personnel recruitment, turnover rate analysis and salary structure review to ensure adequate supply of talents required by the each operation unit. ➢ High potential talents training (including leadership echelon management ability training and high-level factory management personnel training). ➢ Set up technical classes for footwear manufacturing. ➢ Promote internal knowledge transfer using the platform of Yue Yuen P-Talks
<p>Sustainability Indicators</p> <p>HKEx KPI B1.1&1.2 Employment HKEx KPI B3.2 Development and Training GRI 201 Economic Performance GRI 202 Market Presence GRI 401 Employment GRI 402 Labor/Management Relations GRI 404 Training and Education GRI 405 Diversity and Equal Opportunity GRI 406 Non-discrimination SDG 3 Good Health and Well-being SDG 5 Gender Equality SDG 8 Decent Work and Economic Growth</p>	<p>Evaluation Methods</p> <ul style="list-style-type: none"> ➢ Understand the reason for resignation according to the analysis of turnover rate, and discuss the countermeasures with business units so as to improve and follow up such issue. ➢ Match performance management and reward system and results with an aim to review and adjust regularly. ➢ Feedback questionnaire before and after class/trainees interview after training/plan P community. ➢ The human resources department in headquarters reviews the performance and promotion of the trainees in the special training classes every six months, and timely assesses the development and contribution in the organisation. 	<p>Stakeholder Engagement</p> <p>Provide a variety of channels, including but not limited telephones hotlines, social media, suggestion boxes, employee forums, internal referrals, direct communication and interviews, for internal and external person to raise problems and complaints.</p>

7.1.1 Bring Together Talents of Diverse Backgrounds

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

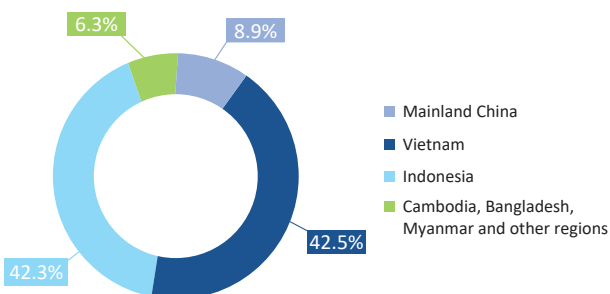
Global production sites of Yue Yuen are located in Mainland China, Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar etc., the footwear production bases are mainly located in Vietnam, Indonesia and Mainland China, and are conducted talent analysis according to age, gender and region, etc.

As of December 31, 2022, the total number of regular employees was 284,221 (2021: 287,631). 8.9% (2021: 8.4%) of our employees were in Mainland China, 42.5% (2021: 44.0%) in Vietnam, 42.3% (2021: 41.6%) in Indonesia, 6.3% (2021: 6.0%) in Cambodia, Bangladesh, Myanmar and other regions. In line with the local laws and regulations in different regions, overseas employees (non-local nationality) in these regions and local employees (local nationality) in Myanmar are employees with regular contract term, and the number of which accounts for 2.2% of the total number in regular employees. No dispatched employee is hired now.

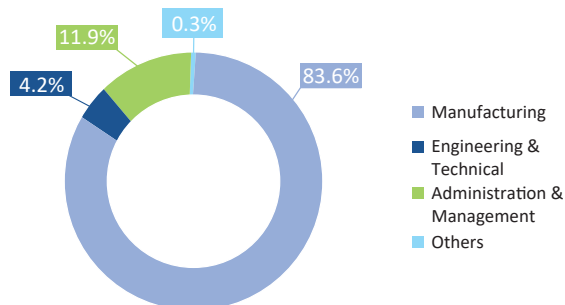
The Company sincerely welcomes talents from all industry to join our team to accumulate professional experiences. The process in talent recruitment strictly abides by local laws and upholds the principle of openness and transparency with an aim to bring in new talents from different industries and select appropriate personnel to stimulate innovative ideas.

Yue Yuen has long upheld the employment philosophy of "talents without borders", has integrated multiple cultures with transparent and fair promotion channels, and no discrimination based on gender or nationality. The male to female employee ratio is about 22.3%: 77.7%. In the major operating bases, the ratio of senior management staff with local nationality is 20.5%, and female management staff account for 56.3% in total, to ensure the localization and diversity of human capital.

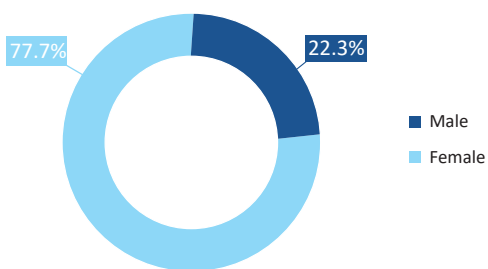
Manpower Statistics by Region



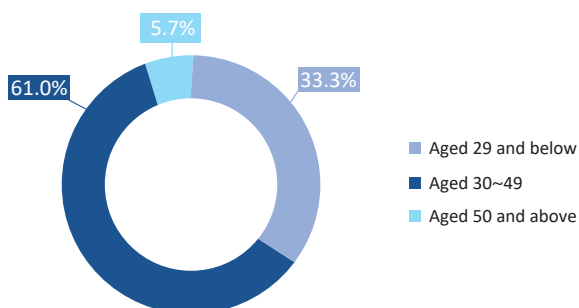
Manpower Statistics by Job Function



Manpower Statistics by Gender



Manpower Statistics by Age



Percentage of Local Management ^{Note 1}				
Region	Senior Management Percentage		Overall Management Percentage ^{Note 2}	
	2021	2022	2021	2022
Hong Kong, Macau and Taiwan	47.1%	100.0%	85.4%	94.5%
Mainland China	7.7%	9.1%	92.0%	92.6%
Vietnam	5.2%	8.7%	78.0%	78.2%
Indonesia	37.0%	34.5%	83.6%	85.6%
Overall	19.5%	20.5%	83.0%	84.1%

Note 1: Definition of senior management: Staff serving as manager or roles of higher hierarchy in Vietnam and Indonesia, and deputy manager or roles of higher hierarchy in other regions.

Note 2: Definition of management: Staffs erving as management personnel above grade 5.

Proper Assignment of Roles and Responsibilities

The Company actively invites talents and recruits personnel with different nationalities, genders, ages, and religious backgrounds in a fair and equal manner, and carries out strategic human resources planning. In addition to recruitment via job banks, professional training institutions, community websites, group visits and consulting firms, we also promote internal employee referrals with the principle of conveying “finding the best partner”, and we encourage employees to join in the activity of finding excellent talents. The Company also participates in annual campus recruitment activities. Through campus job fairs, induction meetings, corporate internships, management trainee programs and more, students will be able to integrate with the industry more quickly.

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

The number of overall new employees in 2022 is 54,903 in total, and the new joiner rate is 19.3%. The number of voluntary leavers is 24,153, and voluntary turnover rate is 8.5%. Detailed informations are as follows.

	Recruitment rate ^{Note 1 and 2}		Voluntary turnover rate ^{Note 3}	
	2021	2022	2021	2022
By gender				
Female	21.0%	19.3%	8.6%	8.3%
Male	19.7%	19.5%	8.6%	9.1%
By age				
Aged 29 and below	38.3%	35.2%	11.1%	12.1%
Aged 30~49	9.3%	10.6%	7.0%	6.6%
Aged 50 and above	29.0%	20.4%	9.4%	8.1%
By region				
Mainland China	27.6%	39.6%	10.8%	8.9%
Vietnam	11.4%	14.1%	12.6%	10.7%
Indonesia	25.0%	14.3%	3.7%	5.7%
Cambodia, Bangladesh, Myanmar and other regions	48.4%	59.5%	9.3%	12.0%
Overall	20.7%	19.3%	8.6%	8.5%
Note 1: New Recruits refer to staffs with seniority less than one year by the end of December 2022.				
Note 2: Recruitment rate = no. of new recruits in the respective category/No. of employees in the respective category in the end of the year.				
Note 3: Voluntary turnover rate = no. of voluntary leavers in the respective category/no. of employees in the respective category in the end of the year.				
Note 4: Other regions: Hong Kong, Macau and Taiwan, the United States, Mexico, Israel and Brazil etc.				

7.1.2 Employee Care and Attention

Diversified welfare

The Company attaches great importance to the physical and mental health and welfare of employees, and provides diversified and flexible welfare measures in accordance with the actual local situation to ensure the quality of life of employees and promote work-life balance.

Major overseas regions

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

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



Indonesia - Volleyball Match



Vietnam - Baking Contest



Myanmar - Staff Lucky Draw



Cambodia - Staff Birthday Party

Diverse and Extensive Club Activities

Overseas regions

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

The internal employee activities include cultural integration of festival celebration, sports contests that strengthens interactions and cohesion, and the Company's community engagement focusing on education and health. In addition, local officials and labor unions are also invited to internal activities, and through these activities, employee cohesion and recognition are enhanced. In 2022, a total of 188 internal employee activities were held overseas, with approximately 129,767 employees participated.



Vietnam - Women's Football Match



Mainland China – Chess Competition



Indonesia - Basketball Match



Vietnam - Singing Competition

Employee Retirement Plans

A pension scheme with appropriate contributions helps in attracting talents and ensuring the stability of the team, thus playing a supportive role to the employer's long-term financial and strategic planning.

The Company provides pension fund contributions for employees according to law, and the retirement systems have been established in compliance with the laws and regulations of its operating bases across the globe for providing stable pension contributions and benefits, so as to safeguard employees' retirements.

Retirement systems of Yue Yuen's main production bases

Region		Mainland China	Vietnam	Indonesia		Bangladesh	Cambodia
Retirement System		Pension Insurance under Social Insurance	Pension under Social Insurance	Social Insurance		Retirement System	Pension System under Social Insurance
				Insurance for elderly	Retirement insurance		
Contribution Ratio	Employer	13.0%~19.0%	17.5%	3.7%	2.0%	Fully borne	2.0%
	Employee	8.0%	8.0%	2.0%	1.0%	No contribution required	2.0%

Note: The above information includes data for each major production base (there is no statutory retirement system in Myanmar).

Care for Employees

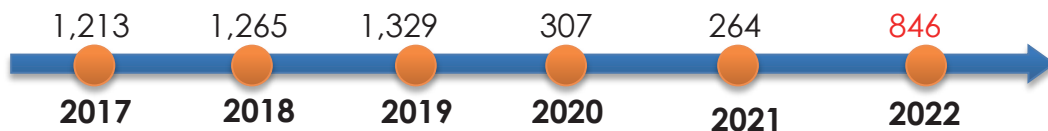
Since 1999, Yue Yuen has been actively developing a humanised management initiative in the footwear industry - the employee life counseling system - by setting up a "life counseling room" in the factory, training professional psychological counselors for counseling skills through the use of professional psychological counselors and systems, and holding employee seminars in the factory to provide employees with psychological counseling and grievance counseling on life and work, which effectively relieves employees' physical and mental stress and problems, thus not only gaining their trust, but also significantly improving production efficiency and stability. The factory also collects complaints and suggestions from employees to adjust and improve the operating environment and management behavior for mutual benefits.



Employee Home Visits

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

Employee home visit has been one of the Company’s long-running projects. Yue Yuen understands the needs of employees’ families and the communities they live in and establishes a good interactive relationship with their families through frequent employee home visits. The visits also introduce community-friendly actions such as volunteer medical consultations and health education services, housing construction and renovation, scholarship programs, etc. The Company aspires to bring an overall life quality enhancement and sustainable development to the community. In 2022, while fully complying with strict local pandemic prevention regulations, Yue Yuen visited the families of 846 employees, including excellent employees, impoverished employees, pregnant employees, injured employees, etc., with the total hours spent in home visits reaching 6,007 hours in total.



Myanmar - Employee Home Visit



Cambodia - Employee Home Visit



Mainland China - Employee Home Visit



Vietnam - Employee Home Visit

7.1.3 Talent Development and Training

Competitive and Fair Remuneration Policy

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

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

Ratios of Standard Entry Level Wage Compared to Local Minimum Wage in Major Operating Locations

1.2- fold	1.0-fold
Vietnam	Mainland China, Indonesia, Cambodia, Bangladesh, Myanmar

Ratio of Basic Wage Plus Compensation for Female Compared to Male

Region	Type	Overall average annual remuneration ratio of female employees to male employees
Mainland China	Direct Staff	0.86 : 1
	Entry-Level	0.72 : 1
	Mid-Level	0.86 : 1
	Senior-Level	Not applicable
Vietnam	Direct Staff	1.05 : 1
	Entry-Level	0.98 : 1
	Mid-Level	0.98 : 1
	Senior-Level	Not applicable
Indonesia	Direct Staff	1.12 : 1
	Entry-Level	0.99 : 1
	Mid-Level	0.87 : 1
	Senior-Level	Not applicable

Note: The wage statistics in this table are for regular employees in Mainland China, Indonesia and Vietnam who have been employed for at least one year (inclusive) as of December 31, 2022.

Talent Development and Performance Management

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

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

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

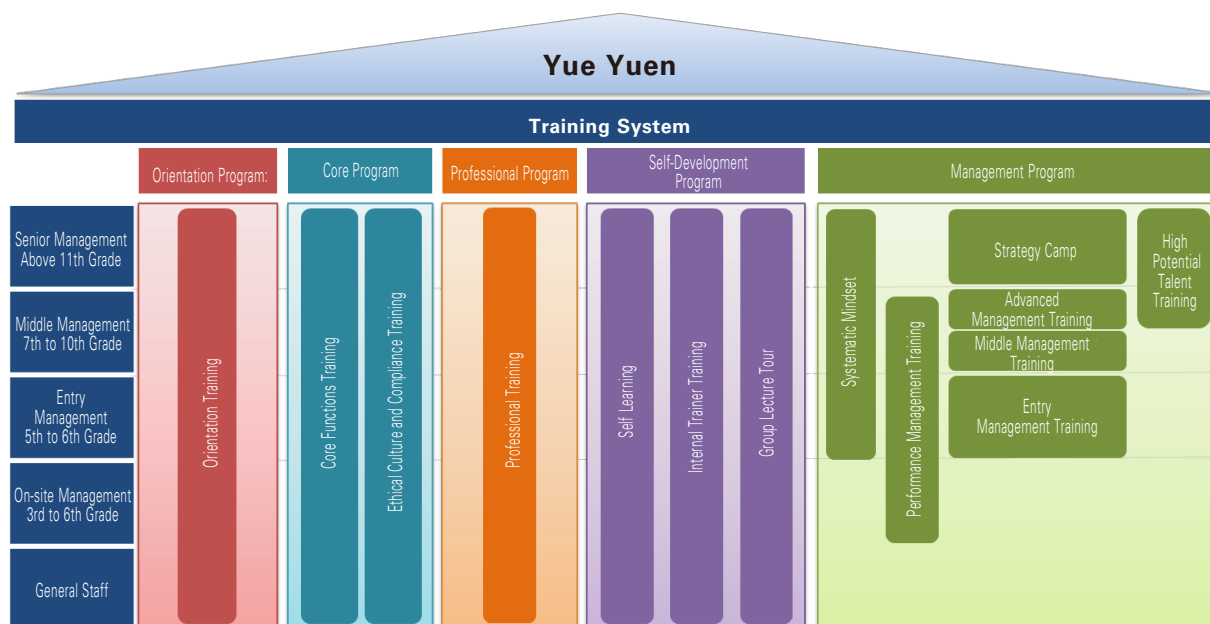
Complete Education and Training Mechanism

Policy and Commitment

Talent plays a pivotal role in the sustainable development of a corporation. Yue Yuen is the best strategic partner of the world's leading sports brands and is committed to being the company of choice for talents, we actively nurture core talents and through a systematic, diversified and comprehensive talent development mechanism, we aim to broaden our talents' international perspectives, deepen their professional knowledge, instill corporate culture and create competitive advantages, in order to lay a foundation for Yue Yuen's sustainable development.

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

Blueprint of Yue Yuen Training System



Education and Training Development Planning

Through a systematic structure and method to achieve the purpose of training and development, we continuously improve the quality of human resources and work skills, motivate employees to work and meet challenges, and create higher corporate value to achieve operational goals and plan future development.


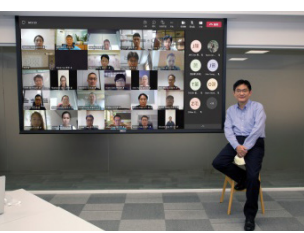




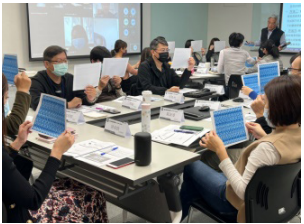





In order to achieve the Company’s strategies and goals, the training and development plan not only takes into consideration the management vision and target needs, but also evaluates the performance results and functional gaps of employees, and establishes an education and training framework in line with its training system, planning new recruits training, core program, management program, professional program, self-development program, etc.. In addition, we use physical or digital learning methods to provide employees with comprehensive training so that Yue Yuen employees can continuously improve their professional and managerial skills, and at the same time find a stage for their own career development, so that they can grow with the Company and become long-term, stable partners. To strive for excellence, education and training are introduced into the TTQS (Talent Development Quality Management System), and the effectiveness of training is self-checked by reference to international ISO standards. It was formally applied to the Ministry of Labor for evaluation, and was recognized with a silver medal in the Enterprise & Organization Edition.

Training System Programs

Yue Yuen's annual talent development training planning combines the Company's missions, vision, and management strategy and goals, collects and understands development points and training requirements of each business division, continuously innovating and introducing new technology, concepts and tools, facilitating personal growth and organization learning, providing diverse learning channels, encouraging self-paced learning. Simultaneously, we also consider the personal development plan of employees, the training system of each level of function and the relevant regulations of the law and other professional skills certification courses, and formulate the "Education and Training Management Measures (教育訓練管理辦法)" to facilitate the operation.

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

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

			
<p>Management Program Leadership ladder management skills training</p>	<p>Management Program Leadership ladder management skills training</p>	<p>Management Program AIM Program</p>	<p>Management Program Intermediate and Advanced Management Training</p>
			
<p>Management Program Intermediate and Advanced Management Training</p>	<p>Management Program Strategy Consensus Camp</p>	<p>Management Program Systematic Mindset</p>	<p>Self-Development Program P-TALK</p>
			
<p>Professional Program Shoe-making Technology Program (TW)</p>	<p>Professional Program Shoe-making Technology Program (VN)</p>	<p>Core Program Accountability</p>	<p>Orientation Program New Joiners Training</p>

Education and Training: Promoting self-directed learning and responding to operational needs

Digital learning: internal knowledge accumulation, online seminars (P Talks)

As we enter the post-pandemic era in 2022, the challenges of the industry are still severe and companies need to respond more quickly. To maintain the direction of digital learning and respond to operational needs, Yue Yuen recruited experts from various fields to share short talks like TED talks to deliver key information to all employees in the most immediate and rapid manner. Meanwhile, the training mode, which used to require management approval and assignment, has been changed to a self-enrolled active learning method.

P Talks are produced and broadcasted live every two months in the Company. The five topics, including the Group's operation trends - digital transformation, digital office, RPA process robots, and soft power themes - multicultural understanding and stress resistance to enhance mental toughness, have been viewed and learned by 4,156 people with an average satisfaction rate of 4.5. 20-30 minutes were spent to convey the Group's important management and caring issues and the culture of internal independent learning has been established.

Making Technologies Rooted: Specialized Seminars to Cultivate Talents and Keep Technologies Uninterrupted

Apart from virtual digital learning, with the gradual recovery from the pandemic, Yue Yuen has also appropriately resumed major on-site learnings, such as specialized technical seminars that require extensive practical operation. In compliance with the epidemic prevention regulations, the seminars were actively conducted in Taiwan and Vietnam respectively. The technical seminars that have been launched simultaneously include not limited to footwear manufacturing, molds, leather, etc., as well as in-house (technical) instructor training.

First, we collect the technical gaps of each unit/production line, compile statistics on training needs, summon technical staff on duty, develop common learning templates for actual production technologies at different levels. The external recruitment and internal selection are conducted to address the gap in human resources specific to front-end operation, and suitable targets are selected for training. The experience is accumulated through classroom-type teaching, or conceptual teachings are used to understand the process division. They are evaluated through tests and project reports, and assigned to the work posts to become key technical personnel for continuous training.

Training for High Potential Talents

Leadership Management Training Program (P Program)

The P Program has been in operation for many years, and it is an important plan for Yue Yuen to cultivate and expand senior executives and to undertake the strategic layout of the Group. We expect the trainees to pass on the spirit of Yue Yuen, in terms of leadership, decision-making and talent cultivation, also to continue to improve their management vision and expand their management mindset. Especially the higher the position, the more multidimensional and complex the management situation they confront with will be.

In order to assist our partners in overcoming challenges, the P Program is continuously refined and optimized. For example, the Critical Thinking and Business Problem Solving courses directed trainees to tackle the challenges of solving unfamiliar problems, and we have also strengthened the Trust Building and Coaching courses so that we could achieve our goals together through good communication.

Yue Yuen, as a global company has presences in different countries and regions. We expect good talents to adapt to the Group's development and go to different posts whenever the task demands. Therefore, cross-cultural management is also a skill that Yue Yuen's leaders should possess. They should be able to quickly integrate into the local culture and customs, and bring their own professionalism and enthusiasm to the tasks given by the organization.

Despite the constant changes in the environment, the Group's vision of talent development remains unchanged and we will continue to be people-oriented.

Training Program for Senior Factory Operation Management (AIM Program)

Yue Yuen has shoe-making factories in six countries, including Mainland China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar, each of them plays an important role in generating profits. Profits of each factory come from the contribution of dedicated employees and factory managers who developed effective strategies. It is the task and mission of each factory manager to produce high quality products, to obtain continuous customer satisfaction and orders, and to generate higher revenue for the company.

Recognizing the importance of factory management talent cultivation and experience inheritance, Yue Yuen launched the "AIM Program" in 2021, which was continuously optimized in 2022. The composition of trainees also reflects its global and diversified layout, enabling Yue Yuen to leverage its core strengths and competitive advantages, continuously strengthen its operational efficiency and profitability, and strive to achieve quality and solid growth in long term.

The content of training covers a number of internal and external management issues that senior factory managers need to encounter in practice, for example, trainees can then understand that preparation and prevention can be done on factories of various countries by effective analysis of the international political and economic situation. Trainees could further contemplate through the perspective of brand customers, on how the factory can effectively negotiate with customers, or even strive to become customers' preference, so that they will continue to place orders, thus creating a stable production, profitability and creating win-win opportunity.

In addition, this training also adds a new cross-organizational factory practice forum. After the training, the trainees will integrate and summarize what they have learned, and apply them to the factory improvement proposals. Through the sharing of topics from different business units, trainees can learn from a variety of insights, which will help us expand our horizons and truly learn knowledge, put it into practical use and make achievements.

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

Implementation of the Group's Education and Training

All employees of Yue Yuen receive annual training (100% of employees are trained). In 2022, the Group invested approximately 3,564,038 training hours for education and training, with a total of 1,269,657 employees participated in these trainings, and average training hours of approximately 12.5 hours per employee ^{Note 1}. In addition, a new online training system was introduced in 2017, so that employees can make full use of their time to learn on the online platform without being restricted by country, environment and time, and can achieve the all-around sharing of the Group's learning resources.

In the future, we will continue to optimize this platform and develop more digital programs and tools for online platform, so that employees can make use of more improved learning resources.

Average training hours received by employees^{Note 2}

(Unit: hours)	2022
By gender	
Male	12.2
Female	12.6
By employee category	
Entry-Level	12.4
Mid-Level	17.9
Senior-Level	19.3

Note 1: Average training hours of employees = Total training hours/Total number of employees in the current year.

Note 2: Average training hours of the team = Total training hours of employees of the team/Total number of employees of the team in the current year.

7.2 Human Rights Management

Management of Material Topics		
<p>What it means to Yue Yuen</p> <p>Human capital is the basis of business operation. We create a friendly workplace and ensure labor rights, and improve the system to protect the rights of employees.</p>	<p>Policy and Commitment</p> <p>We adhere to the Group's Code of Conduct, conduct internal human rights management, and take actions consistent with the FLA Workplace Code of Conduct, while treating all employees with dignity and protecting their rights.</p>	<p>Impact</p> <p>Human rights management directly affects employees' rights and retainment, which in turn affects operations and production. It is also an issue of concern to government agencies, shareholders/investors and NGOs, and affects stakeholders in the value chain, such as customers and suppliers, to varying degrees.</p>
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ We reduce operational risks, minimize possible hazards at work, and provide labor rights protection to maintain good communication based on mutual trust and to create a win-win partnership between labor and management. ➤ We comply with global regulations, the Group's code of conduct, and international human rights standards in all locations where we operate, and implement legal compliance in our daily operations, as well as align with international trends through external third-party verifications/certifications. 	<p>Actions</p> <ul style="list-style-type: none"> ➤ Conduct annual PCG compliance KPI assessment (social responsibility assessment) for all wholly-owned footwear factories under the Group, and complete social responsibility assessment for 32 wholly-owned footwear factories in 2022 as scheduled, accounting for 91% of the total. ➤ Promote the infrastructure project to review and understand the daily compliance of factories through daily risk monitoring. In 2022, a total of 35 wholly-owned footwear factories were assessed, accounting for 100% of the total.
<p>Sustainability Indicators</p> <p>HKEx KPI B4.1 & B4.2 Labour Standards</p> <p>GRI 407 Freedom of Association and Collective Bargaining</p> <p>GRI 408 Child Labor</p> <p>GRI 409 Forced or Compulsory Labor</p> <p>SDG 5 Gender Equality</p> <p>SDG 8 Decent Work and Economic Growth</p> <p>SDG 10 Reduced Inequalities</p>	<p>Evaluation Methods</p> <ul style="list-style-type: none"> ➤ Internal - Based on the internal PCG compliance KPI assessment, the Company's wholly-owned footwear factories and suppliers are subject to annual internal audits and graded according to their compliance performance to effectively review and manage their overall compliance. ➤ External - Through regular or irregular audits by customers and third-party organizations, continuous improvement and follow-up are carried out. 	<p>Stakeholder Engagement</p> <p>Hotline telephone, social media or mobile APP, SMS, suggestion box, e-mail, employee seminars, cadre communication meetings, labor-management meetings, internal and external referrals, direct communication/interviews, employee consultation room/life counseling room.</p>

7.2.1 Human Rights Management

To achieve sustainable corporate development, the Group has always complied with the laws and regulations of the countries in which it operates in a rigorous, open and transparent manner, and in case of discrepancies or conflicts between different standards, the higher standard will be followed. The Group also makes reference to the codes of conduct set by large NGOs and many brand-name customers as the core standards for all employees to perform their work. Through internal and external audits, potential problems are identified and used to continuously improve the working environment and control risks, and to further an harmonious labor-management relationship and create a happy enterprise.

Code of Conduct	Human Rights Management Measures
<ol style="list-style-type: none"> 1. Employment Relationship 2. No Discrimination 3. Harassment or Abuse 4. Forced Labor 5. Child Labor 6. Freedom of Association and Collective Bargaining 7. Health, Safety and Environment 8. Working Hours 9. Remuneration 10. Community Connectivity 	<p>Human rights issues and management measures applicable to all employees:</p> <ol style="list-style-type: none"> 1. Responsible recruitment 2. Fair pay 3. Prohibition of child labor 4. No forced and compulsory labor 5. Minimum notice period for major operations 6. Freedom of association 7. Collective bargaining 8. Voice of employees 9. Staff grievance mechanism 10. Diversity and inclusiveness

Human Rights Training: Friendly Workplace

The Group is committed to building a friendly and harmonious workplace, hoping to create a warm image of workplace, where colleagues can interact with each other with warmth, respect, care and mutual assistance. We have set up a unified code of conduct and standards for the Group, so that all of our employees can share the same values and behavioral standards no matter where they are in the Group. In 2019, Pou Chen Group has set up a friendly workplace program, which focused on mutual respect in workplace interactions, message transmission, behavior boundaries, and other related concepts to achieve respect and friendliness in the workplace. In 2022, a total of 115 participants attended the online and on-site training held by us, with a completion rate of 77%.

Friendly Workplace Program

It mainly consists of:

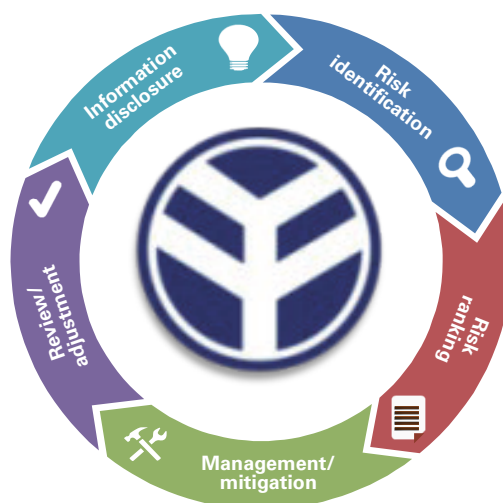
- The Group's regulations (including Group Code of Conduct)
- The Group's Discipline/Engagement Committee Measures
- Management Measures of Complaints and Punishments for Prevention and Treatment of Sexual Assault and Sexual Harassment
- National sexual harassment and abuse laws
- Practical cases sharing
- The Group's channels of grievance and consultation
- Management Measures for Complaints of the Group's Employees
- The internal communication flow chart for general appeal cases
- Workplace emotional control help

7.2.2 Human Rights Due Diligence

Purpose of promotion

In order to implement the human rights policy and ensure its effectiveness, we have initiated a human rights due diligence since 2022 to gain an in-depth understanding of employees’ awareness of our human rights policy. The Group is committed to creating a supportive, friendly and healthy work environment.

Human Rights Due Diligence Process



Risk identification

Risk identification is conducted according to the UN and FLA international documents, industry human rights trends, and the development of risk lists. See “Risk Identification” below for details.

Risk ranking

Identification and risk assessment of potential human rights issues are conducted by analyzing such issues in accordance with “frequency of human rights risks” and “impact on the Company and its employees”. The survey covers all employees, trade unions and NGOs of the Group’s wholly-owned factories. See “Risk ranking” below for details.

Management/mitigation

Based on the internal and external audit assessment, we investigate risk issues and design mitigation and compensation measures to fulfill our commitment to human rights protection and investigation responsibilities. See 7.2.3 “Management and Mitigation of Human Rights Issues” for details.

Review/adjustment

The Group reviews impacts and makes corresponding adjustments to the practices, and adjusts the policies in a timely manner to reduce the impact of human rights risks.

Information disclosure

The Group reviews and identifies risk issues every three years, and discloses the results of due diligence.

Risk Identification

The Group commits to abiding by international human rights standards, such as the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Elimination of All Forms of Discrimination against the United Nations Convention on the Rights of the Child, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, and the FLA Code of Conduct and Standards of Compliance for the Workplace, establishing a list of potential human rights issues based on the human rights concerns of relevant stakeholders, and conducting human rights due diligence accordingly.

Human Rights Issue	Areas of Focus
Responsible recruitment	Employers shall adopt and adhere to rules and conditions of employment that respect their employees and provide basic rights protection for their employees under national and international labor and social security laws and regulations.
Anti-discrimination	No employee shall be subject to any discrimination in employment, including employment, wages, benefits, promotion, discipline, termination or retirement, etc., on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social status or minority status.
Respect for religion diversity	
Harassment or Abuse	Each employee shall be treated with respect. No employee shall be subject to physical, sexual, psychological or verbal harassment or abuse.
Forced Labor	Any form of forced labor and human trafficking, including the use of prison labor, indentured labor, bonded labor, or involuntary labor through any penalty, is prohibited. Restrictions on freedom of movement or withholding of personal documents are prohibited in the workplace or through employment agencies, and employees are required and ensured to understand their terms and rights in recruitment and employment. We must sign employment contracts in the employee's native language and ensure that agencies do not use forced labor and do not charge employees recruitment fees.
Prohibition of Child Labor	No individuals aged below 15 or under the age of completing compulsory education shall be employed, or the other stakeholders' higher standards shall prevail.
Freedom of Association and Collective Bargaining	Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.
Occupational Health and Safety	Employers shall provide a safe and healthy workplace setting to prevent accidents and injury jeopardizing health when employees engage in work-related tasks or the operation of the employers' facilities. Employers shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.
Reasonable Work Hours	Employers shall not require employees to work more than normal working hours and overtime hours required by the laws of the country where the factory is located.
Fair Remuneration	Each employee has the right to be paid for any normal work week that meets his/her basic needs and generates some discretionary income.
Privacy/Personal Data Protection	Employers are responsible for protecting the privacy of their employees and preventing the leakage of their personal information.

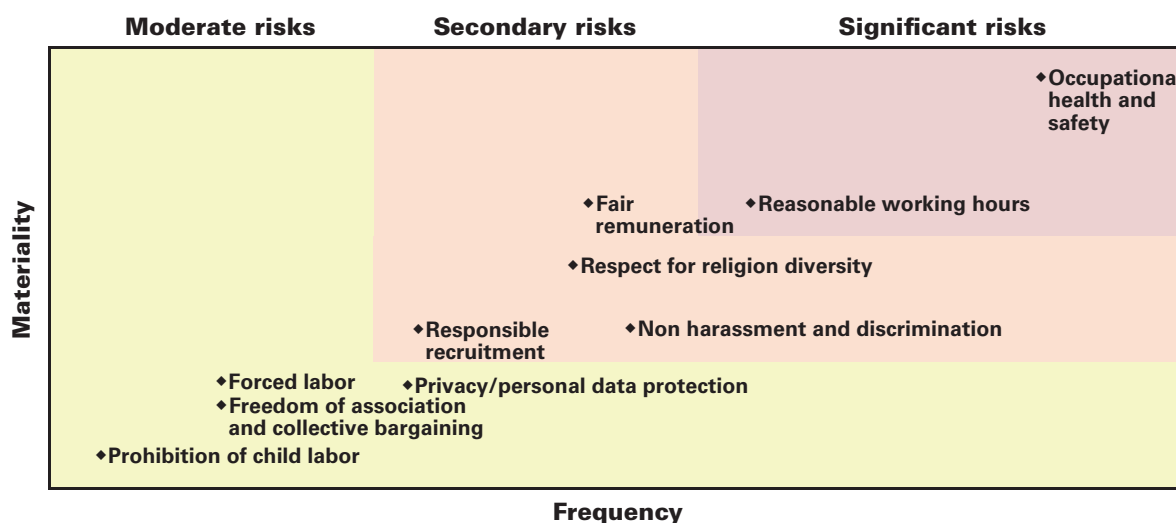
Clarification of Issues of Stakeholders' Concern in 2022 - Myanmar

Certain employees in the Myanmar production area applied to the local government to set up a trade union, but the local government did not approve the establishment. In October 2022, a small number of employees in the region requested a basic salary adjustment in social media and local news media, and based on the respect for the employees' right to freedom of association and collective bargaining, the management, together with Worker Coordination Committee ("WCC") employee representatives, communicated with such employees several times, but failed to reach an agreement. Those employees subsequently gathered in late October. Considering the complex political and economic situation in the region, the management gave priority to the safety of all employees and had to dismiss 26 employees in accordance with working rules, leaving no impact on the safety of the whole workforce as a result of this gathering. For the 26 employees who disagreed with the termination of their employment contracts, Myanmar factory actively mediated between the parties through arbitration, and communicated directly with the employees several times for more than three months. As of February 9, 2023, 13 employees have opted to return to work at the Myanmar plant at the same rate of pay and are entitled to the same salary for the period of suspension. 13 employees have opted to complete the agreed severance process, with all personnel processes in compliance with local laws and regulations.

Risk Ranking

In 2022, the Company initiated a questionnaire on human rights risks, covering all employees of the Group's wholly-owned factories, labor unions and NGO. 122 valid questionnaires were returned, and the Company has analyzed such questionnaires according to the "frequency of human rights risks" and the "impacts on the Company and employees" to establish a human rights risk matrix.

Human rights risk matrix



7.2.3 Management and Mitigation of Human Rights Issues

FLA Engagement and Certification

The significance of becoming a member of the international human rights organization FLA and obtaining FLA certification is showing the Group's commitment to responding to the call of the United Nations' Sustainable Development Goals

Item 8 of the United Nations' SDGs states that the goal is to promote persistent, inclusive and sustainable economic growth, full employment opportunities and dignified work. Yue Yuen strongly believes that every employee has the right to work at a safe and equal environment. Through participation in the FLA, Pou Chen Group, the parent company of Yue Yuen, conducts annual independent assessments on the global footwear production sites in conjunction with the FLA SCI audit. Pou Chen Group also continuously works with the FLA on international human rights issues in order to maintain compliance with human rights and labor standards.

Pou Chen Group actively joined the FLA in 2011. As a supplier member of the FLA, Pou Chen Group is committed to abide by the "FLA Workplace Code of Conduct" and the "Principles of Fair Labor & Responsible Production" and its corresponding key performance indicators(KPI). Through FLA's annual SCI audit, on-site observations at production sites and head office visits, Pou Chen Group is unanimously agreed by the FLA board of directors to be qualified for FLA certification and has become the only footwear manufacturer in the world accredited by the FLA.

Principles of Fair Labor & Responsible Production of the FLA we are committed to and voluntarily abide by the "FLA Workplace Code of Conduct" and the "Principles of Fair Labor & Responsible Production"	
Top Management Commitment and Workplace Standards	Member company is committed to achieve transparency and accountability according to the established workplace standards.
Responsible Production Practices	Member company conducts sales, planning and production practices based on its commitment to workplace standards.
Responsibility and Head Office Training	Member company identifies and trains employees who are responsible for implementing workplace standards and responsible manufacturing practices, and provides trainings to all head office employees.
Production Staff Training	Member company provides trainings on workplace standards to all management and employees at its own production facilities and tracks the effectiveness of the training.
Monitoring	Member company conducts compliance monitoring of workplace standards.
Effective Grievance Mechanisms	Member company provides effective grievance mechanisms for employees to use, including multiple communication channels, at least one of which is confidential.
Collection and Management of Compliance Information	Member company collects, manages and analyzes compliance information on workplace standards.
Timely and Preventative Remediation	Member company conducts timely and preventative remediation.
Consultation with Civil Society	Member company identifies, researches, and collaborates with relevant non-governmental labor organizations, labor unions, and other civil society.
Verification Requirements	Member company meets FLA's verification and project requirements.

FLA has conducted audits and published qualified public reports for 12 consecutive years

The Group continues to enhance the transparency of its manufacturing conditions and has been proactively conducting the annual assessment and compliance review under the Sustainable Compliance Initiatives ("SCI") at FLA-selected factories under Yue Yuen since 2011. It makes improvements and gives regular feedback on the action plan every year according to the recommended actions given in the audit report, and systematically and periodically accepts human rights review and evaluation/supervision of NGO groups.

The FLA SCI assessment covers the main production and operation sites of the Group worldwide. All inspection reports on working conditions are published on the official FLA website (<https://live-flarebuild.pantheonsite.io/member/pou-chen-group/>).

Production base	Indonesia	Mainland China	Vietnam	Cambodia	Bangladesh	Myanmar	Taiwan
Audit date	2012/11/5-9 2013/08/27-30 2014/11/2-7 2020/9/9-10	2015/10/12-16 2017/9/26-29 2022/08/22-24	2011/12/20-22 2021/9/27-29	2019/9/5-6	2016/11/1-3	2018/9/5-7	2018

Note: The review report of the VP Factory in Vietnam for 2017 is available on the internal member website of the FLA

In August 2022, FLA entrusted a third-party audit unit to conduct a three-day compliance assessment at Yue Yuen's Bao Li Factory in Tây Ninh Province, Vietnam. Through document review, on-site visits and observations and interviews with employees and management, recommendations on legal and compliance were provided to the factory, which had actively and continuously improved the working conditions and working environment.

In 2012, the Group set up a factory in the Phuoc Dong Business Park, Tây Ninh Province, Vietnam, creating approximately 4,000 jobs. The Group further conducted a compliance check of its production plants through a third-party audit of the FLA, which has made it possible to implement a safe, inclusive and respectful working environment, striving to create a dignified employment environment.

Internal Evaluation Mechanism: SD-KPI

Since 2012, Yue Yuen has established an internal evaluation mechanism, the content of which can be divided into Social Responsibility Evaluation ("ERC") and Environment, Safety and Health ("ESH"). The scope of the evaluation covers its production operating bases in Mainland China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar, and annual compliance assessments are conducted on the production units of the Company's wholly-owned footwear factories. The assessment criteria include the implementation status of human rights, environment and safety management. Factories will then be classified in a hierarchical manner based on their compliance performance, so that the overall compliance status can be actively and effectively reviewed and managed.

Internal Evaluation Mechanism (SD-KPI)

Social Responsibility Evaluation (human rights risks management) ERC		Environment, Safety and Health ESH
<ul style="list-style-type: none"> • No harassment and discrimination • Forced labor • Recruitment and appointment • Education and training • Working hours management, salaries and benefits • Employee development and promotion • Termination/release of contract 	<ul style="list-style-type: none"> • Rewards, penalties and workplace conduct • Grievance mechanism • Slacking and strike • Internal communication (employee involvement/ social feedback) • Protection for special employees • Freedom of association and collective bargaining 	<ul style="list-style-type: none"> • Safety and health • Fire safety • Environmental management • Energy management

For human and labor rights management, the Social Responsibility Evaluation SD-KPI inspection of the Group's wholly-owned factories has been completed on schedule in 2022. We conducted the evaluation in accordance with the provisions on labor rights and human rights protection measures listed in the Code of Conduct of Yue Yuen, the FLA Workplace Code of Conduct and the Principles of Fair Labor and Responsible Production, including non harassment and discrimination, forced labor, recruitment and appointment, education and training, salaries and benefits, working hours management, employee development and promotion, termination/release of labor contract, foreign employee management, contractors management, rewards, penalties and workplace conduct, grievance mechanism, freedom of association and collective bargaining, protection for special employees, slacking and strike and internal communication (employee involvement/community feedback), etc. The evaluation method includes detailed review of relevant documents, spot checks on Closed Circuit Television (CCTV) footages in factory and employee interviews to achieve an objective, fair and comprehensive review.

Examples of improvements in human rights risk issues in 2022 are as follows:

Audit Date	Scope of Human Rights Risk	Findings	Corrective remedies
2022.7.11	contractors management	After conducting an on-site document spot check, it was found that the labor contract of an outsourced regular staff of a factory in mainland China did not specify the working hours and wage items	<ol style="list-style-type: none"> 1. After the audit, the factory has discussed with the contractor about the inadequacy of the employee contract and completed the revision of the contract and information supplement. 2. The factory has requested the window in charge of the outsourced contractor to strengthen the confirmation of the proposed contract items to ensure the integrity of the contract, to avoid the risk of legal non-compliance.
2022.7.18	Protection for special employees	After reviewing the factory policy documents, it was found that the Measures for the Administration of Child Labor/Underage Workers of a factory in Vietnam have not been updated in accordance with the 2019 Labor Law (effective in 2022).	<ol style="list-style-type: none"> 1. After the audit, the factory completed the revision of the measures for the administration of child labor/underage workers and updated such measures in accordance with the 2019 Labor Law. 2. In addition to this document, the factory thoroughly reviewed all policy documents to see if they have been updated in accordance with the new law, to ensure that written documents were in line with the factory's implementation.
2022.9.19	Salaries and benefits	After conducting an document random check, it was found that the employees could receive the childcare allowances in the same month when they submitted the relevant documents, however, the factory actually paid the allowances but did not update the management measures.	<ol style="list-style-type: none"> 1. After the audit, the factory has revised the Salary Management Measures and updated such measures according to its actual status of implementation. 2. The factory regularly reviewed all the management measures to ensure that written documents were in line with the factory's implementation.
2022.10.17	Working hours management	After conducting an on-site document spot check, it was found that in response to the adjustments to the Vietnam Labor Law in 2021, the form for voluntary overtime list for a factory in Vietnam had to be executed in accordance with Protocol No. 145, Appendix IV of but the factory did not stamp it with the company seal.	<ol style="list-style-type: none"> 1. After the audit, the factory revised the overtime application form to comply with the laws and regulations and stamped it with the company seal. Then the factory will check regularly to make sure that such thing will not happen again. 2. SD/HR conducted a comprehensive review and checked whether the adjustments to items of the new Vietnam Labor Law have been fully implemented in the factory, to comply with the local laws and regulations.

In 2022, we continued to improve the Group's standards of labor rights and human rights in our factories. At present, all the factories have implemented policies to protect child labor, underage workers and female employees, and there were no cases of forced labor or human trafficking. Meanwhile, factories actively provided relevant trainings to advocate on no harassment, no discrimination, prohibition of forced labor and freedom of association and relevant training. The Group utilizes the internal platform (Master Action Plan, "MAP") to track the improvements of issues identified during the audits. Through root cause analysis, improvement plans and discussion with factories, immediate rectification and reviews are carried out. All 111 findings from the previous year (i.e. 2021) have been followed up and concluded in 2022.

Going forward, Yue Yuen will continue to dedicate in implementing relevant regulations and spirits of the international standards advocated by the International Labour Organization ("ILO") and the FLA, providing a friendly working environment and a better relationship between employers and employees.

Management Practices on Human Rights Issues

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

Responsible Recruitment

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

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

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

Based on such principles, Yue Yuen will implement responsible recruitment in its daily operations and take into account the recommendations of NGOs/stakeholders: if an enterprise has a cooperative agency or recruitment unit, in this case, forced labor or human trafficking is more likely to occur. Therefore, Yue Yuen has prepared a responsible recruitment commitment letter and invited the cooperative agency or recruitment unit to sign it, to effectively eliminate the risks of forced labor and human trafficking. In 2022, after checking the Company internal labor dispatching status, all factories in the operating bases recruited employees directly and did not recruit or enter into labor contracts with employees through labor agencies; if there is any relevant cooperation in the future, such company will be invited to sign such responsible recruitment commitment letter and ensure legal compliance through the annual internal audit mechanism.

Fair remuneration

The Global Living Wage Coalition (GLWC) on the definition and standard of living wage/fair remuneration:

The remuneration received by employees during a standard working week in a given location should be sufficient to provide a decent standard of living for employees and their families. Elements of a decent standard of living include food, water, housing, education, medical care, transportation, clothing and other basic needs, and coping with unforeseen events.

As a responsible supplier member of the FLA, Pou Chen Group, the parent company of Yue Yuen is committed to the ongoing development of fair compensation to support the livelihood of our employees and their families by conducting remuneration survey on the Group in line with the FLA Code of Conduct and the GLWC's definition of fair compensation, and following the FLA's fair compensation research methodology.

In addition to the audit mechanism to review the compliance status of working hours and remuneration in production plants, Yue Yuen also utilizes the FLA compensation data collection tool and Fair Compensation Dashboard to proactively monitor the remuneration structure of the Group's factories. Spot checks were conducted on 21% of the footwear production plants* in 2022, which includes factories in Vietnam, Indonesia and Cambodia. It was found that 100% of the sampled factories conform to the local basic salary and fair compensation standard.



* Note: " footwear production plants " here is based on the number of factories in the FLA Member Factory List.

Prohibition of Child Labor

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

At the time of interview, the Company will request the job applicants to produce valid identification document to verify their actual age. Where a mistakenly-employed case is discovered, the person in question will be suspended from work immediately and sent to the original residing address for the supervision by the parents or guardians, and the Company will be responsible for paying the necessary transportation and accommodation expenses, as well as the wages for the actual work period. According to the internal compliance mechanism, there was no incident of child labor at the Company's operating bases in 2022.

No Practice of Forced or Compulsory Labor

Yue Yuen does not employ any laborers who are subjected to coercion, imprisonment or illegal contracts, including prison laborers, indentured labor, bonded labor or other forms of forced labor, and does not employ any labors who are involved in any form of human trafficking, whether by way of force, fraud, coercion or any form of involuntary labor or slavery. Meanwhile, Yue Yuen does not require the employees to pay any recruitment fees to ensure that employees have freedom of movement, keeping their own identity or immigration documents. The contracts signed by employees are written in their mother tongue to clearly inform employees of their basic terms and conditions of employment. The day-to-day management mechanism of Yue Yuen ensures that all work is voluntary and that employees have the right to work overtime and to leave their positions freely with reasonable notice given. According to the internal compliance mechanism, there was no incident of forced or compulsory labor in 2022.

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

Minimum Notice Periods Regarding Operational Changes

The Company strives to build a harmonious employer-employee relationship, and the minimum notice periods regarding operational changes is given according to the Collective Bargaining Agreements (“CBA(s)”) or local labor laws.

In the operation and production bases where the CBAs have been signed, such agreements are signed by the local labor unions and the Company under the approval of the local competent authority, clearly specifying the minimum notice periods regarding the relevant employment conditions, rights or operational changes. All the signed documentation of CBAs shall be submitted to the local competent authority for filing. Operating and production bases that are not yet a party to a CBA or are not specifically covered by a CBA will follow the minimum notice periods regarding material operational changes governed by local labor laws.

Regulations on minimum notice periods regarding operational changes	Local labor laws	CBA: not less than 30 days
Operating bases	Indonesia Cambodia Bangladesh Myanmar	Mainland China Vietnam

Freedom of Association

Yue Yuen upholds respect for employees’ right to freedom of association and collective bargaining. The Company recognizes the legal labor unions established by employees, support employees to form labor unions freely, respect their right to negotiate with the management and actively communicate and interact with labor unions pursuant to the Code of Conduct of Yue Yuen.

The factory sites of Yue Yuen in Mainland China, Indonesia, Vietnam and Cambodia have all set up labor unions of the employees’ free will to assist them in communicating with the Company on labor issues, including reviewing labor rights stated in the employee handbooks, stipulating relevant labor standards and engaging labor negotiation or events on delegation etc.. The factory sites in Bangladesh and Myanmar have also set up employee representative committees through elections according to local laws and regulations. The WCC was established at the Myanmar factory, and the Worker Participation Committee (“WPC”) was established at the Bangladesh factory site.

The CBAs Covering Nearly 240,000 Employees Worldwide

As a consensus has been reached between the employer and employees, labor unions of each region may sign CBAs with local branches of the Company in each region. The unions can also jointly hold relevant employee caring events and activities with the Company, enhancing the communications between the Company and employees and the employees' sense of identity. CBAs were made under agreement between the employer and employees at the factory sites of Yue Yuen in Mainland China, Indonesia and Vietnam. The number of employees protected by the CBAs is 232,287 in total, accounting for approximately 92.9% of the total number of employees in the footwear manufacturing business.

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

The number and percentage of employees covered by the CBAs of major operating bases (Average)

Operating bases	Vietnam	Indonesia	Mainland China
Number of employees covered by the CBAs (people)	119,898	87,620	24,769
Percentage of employees covered by the CBAs (%)	100% ^{Note 1}	100% ^{Note 1}	98.2% ^{Note 2}

Note1: The CBAs signed in Vietnam and Indonesia cover the rights and obligations of all employees and employers under the corporate title.

Note2: Only employees in the "footwear manufacturing" business unit in Mainland China participate in the labor union; the percentage in Mainland China is calculated based on number of employees covered by the CBAs/total number of employees.

Note3: The employers and employees in Cambodia, Bangladesh and Myanmar have not yet entered into any CBAs by mutual agreement.

Voice of the Employee

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

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

With the intention of increasing communication between management and employees, the Company has provided a variety of employee interaction channels since the 1990s, including telephones/hotlines, social media or mobile app, short message service (SMS), suggestion boxes, email boxes, employee forums/heart bridge communication meetings/management communication meetings, internal and external referrals, direct communication/interviews, consultation/life guidance and counseling office and factory self-inspections.

Since 2012, Yue Yuen has included employee conversations as a necessary part of the Company’s internal compliance management. Before the outbreak of COVID-19, a majority of factories under the Group are able to host at least one employee forum a month. In 2022, the overseas COVID-19 pandemic was relatively stable, and pursuant to regulations on social gathering and mass gathering and due to the shutdown of operation in some factories, the forum began to resume as usual, with 538 employee forums held during the year, and the total number of employee forum held increased by 107.7% as compared to 2021, with a total of 18,864 employees who participated in the forum.

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

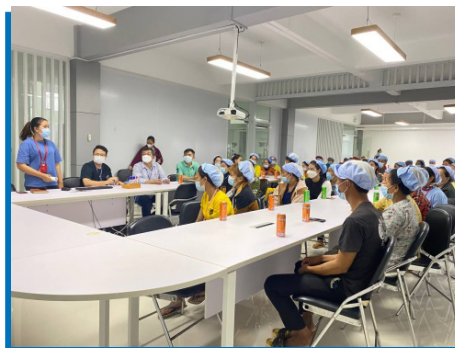
Voice of the Employee

Source of Cases	Subtotal
Labor Union	51
Factory Self-inspections	31
Internal Referrals	27
Short Message Service (SMS)	72
External Referrals (Brand Customers, Government, Third-Party Referrals)	4
Direct Communication/Interviews	81
Social Media or Mobile App	1,684
Employee Forums/Heart Bridge Communication Meetings/Management Communication Meetings	2,002
Suggestion Boxes	38
Email	19
Telephones/Hotlines	231
Counseling/Life Guidance Office	186
Total	4,426

In 2022, the Employee Relationship Management System ("ERMS") recorded a total of 4,426 cases of complaint and consultation, 93.7% of closed cases were closed within 10 working days, of which 99.5% of the cases were concluded within 2 months. At present, there are 10 cases that have not yet been concluded, most of which occurred in December and still need time for investigation and processing. The issues of concerns to the employees were primarily related to topics of living environment, internal communication, social security and provident fund.



Indonesia – Union Communication and Exchange Meeting



Cambodia - Employee Forum

Handling Mechanism for Complaints of Employees

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

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

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

Handling of Major Management Attitude and Workplace Misconduct

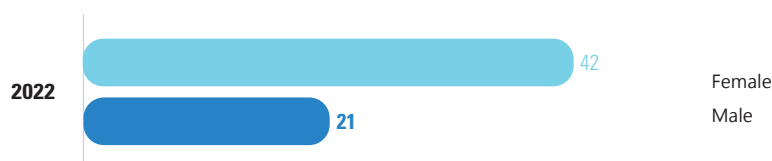
In 2022, the ERMS recorded a total of 4,477 cases of complaint and consultation, with 34 cases of major management attitudes and workplace misconduct, including 16 cases of speech and behavior misconduct caused by emotional agitation of the management during production, and 18 cases of conflicts among employees, all of which were properly handled and concluded. 5 of the cases were sexual harassment cases, which after investigation, we had taken appropriate role adjustments and relevant disciplinary actions, and had continuously showed care for the victims. According to the audit of internal compliance mechanism, there have been no reprisals concerning the complaints in 2022.

Diversity and Inclusiveness

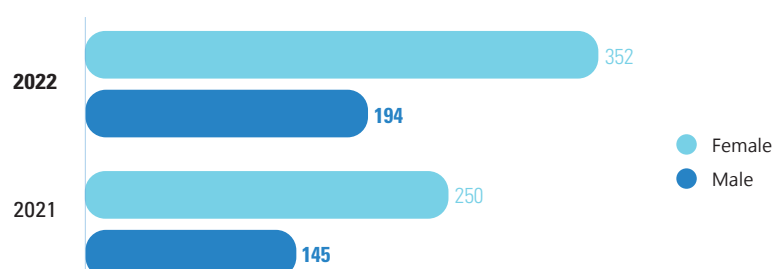
- Woman Empowerment

According to social expectations and international trends, the Group is committed to creating an equal and inclusive workplace. In recent years, the Group continues to strengthen the influence of women in leadership, decision-making, talent cultivation and management vision. The proportion of female colleagues serving as project lecturers and management positions is increasing. In the future, the Group will continue to develop more assistance programs and digital competency training to help female employees to enhance their professional capabilities and develop their leadership skills, so as to achieve substantive equality.

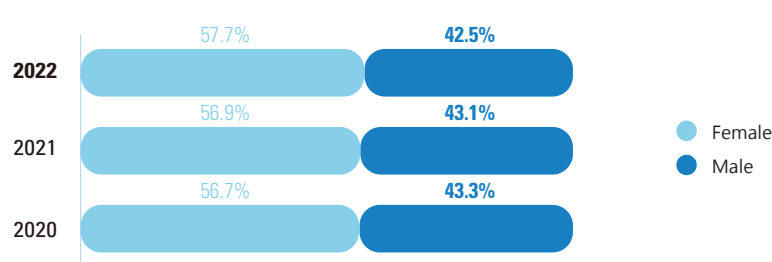
Transforming the Attitude of Entry Level Management – Interactive Management Workshop Seed Lecturer Training (Unit: People)



Local Talent Development – Legal Compliance and Code of Conduct Training (Unit: People)



Gender ratio of footwear factory management in the last three years (Unit:%)



- Talents without Borders

The Group has long upheld the employment philosophy of "talents without borders", has integrated multiple cultures, with transparent and fair promotion channels, and no discrimination based on gender or nationality. Global operating sites of Yue Yuen are located in Mainland China, Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar etc., and the footwear production bases are mainly located in Vietnam, Indonesia and Mainland China, and talent analyses are conducted according to age, gender and region, etc. (Please refer to Chapter 7.1.3 for details)

- Respect for Religion Diversity

There are thousands of religious beliefs in the world that provide spiritual support and solace, while also regulating the moral order of believers. The Group supports and protects the freedom of religious belief of its employees and flexibly adjusts its management system to support employees to follow the rituals of their faith even during working hours. At our Myanmar factory, for example, the employees there are devout Buddhists, thus large Buddha statues are placed in the factory sites for the staff to find spiritual sustenance in faith.

Over approximately 90% of the employees at the Indonesia and Bangladesh factories believe in Islam. According to the Islamic scripture "Koran", Muslims must worship five times a day in the direction of Mecca, Saudi Arabia, to show that they remember Allah every day. The Group respects the religious beliefs of its employees, it has therefore built several prayer rooms, also called musalla, in the factories, which can be freely used by the employees. Small separate prayer rooms are also provided in the working areas for the employees' free use. As of 2022, there are 111 religious building facilities within the Company.

Islam fasting requires Muslim not to eat or drink from dawn to sunset during Ramadan, and the Company is considerate towards the physical condition of employees. Should any employee feel unwell, there are ambulances in place in the factories and medical rooms have been set up to provide immediate care services for them. The annual Eid al-Fitr marks not only the end of Ramadan but also the New Year in Indonesia, when Muslims cheerfully dress up in festive clothes, eat after the morning prayers, listen to the Koran at the mosque, and worship collectively in the direction of Mecca, thanking Allah for strengthening their faith and restoring the ties between friends and relatives.

The Group's factories in Indonesia and Bangladesh hold Eid al-Fitr Eid feasts, while those in Indonesia factories also organize fast-breaking ceremonies at local orphanages together with the residents of the local community. Freebuses are arranged for employees to go back to hometown while working hours are flexibly adjusted, such that employees can pack their luggage to return home earlier to enjoy the Indonesian New Year together.



Vietnam – Welcome to Vietnam Women’s Day



Myanmar – Ka Htain Festival



Mainland China – Mid-Autumn Festival,
Love for Pou Chen

Indonesia – Eid al-Adha Events

- Gender Friendliness

- Equal Pay

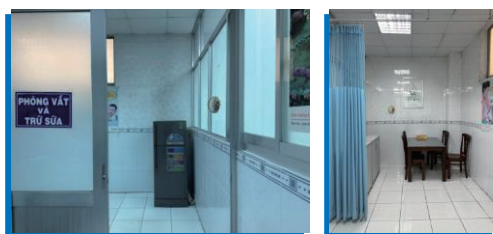
The Company recognises its employees as the Company's greatest assets. In order to attract, motivate and retain talents, the Company offers attractive and competitive remuneration packages, and upholds the principle of equal pay for the same position regardless of gender, race, religion, political affiliation, sexual orientation or marital status of the employees. (Please refer to Chapter 7.1.3 for details)

- Elimination of Discrimination

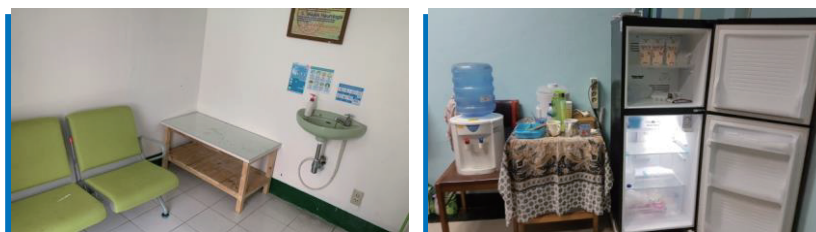
In order to eliminate discrimination, in addition to the principle of non-discrimination in the Code of Conduct, the Group also provides a comprehensive and transparent channel and process for the grievance and consultation, and an internal document, "Discipline/Engagement Committee Measures" was duly passed in 2017. With emphasis on the cultural perspectives of local employees and the perspective of the Company's local sustainable operation, local employees were appointed as chairman of the committee. Meetings are conducted on a monthly basis, to discuss and decide on the complaint cases as well as to review the handling status of internal complaint cases, with an aim of settling complaints in a fair and impartial manner. Meanwhile, the Group adheres to the anti-retaliation principle. Any acts of retaliation by any departments or individuals for whatever reason will not be tolerated, and can be reflected and reported through various channels.

- Good Maternity Arrangement and Benefits

Raising healthy children not only benefits the family, but also contributes to the Group's sustainable operation and the country's social progress and development. In order to create a friendly workplace environment, the Group is committed to implementing breastfeeding-related measures and setting up a good breastfeeding room to provide a private and safe space for female employees, so as to meet the needs of employees in taking care of their children in a more comprehensive and considerate manner.



Breastfeeding room in Vietnam



Breastfeeding Room in Indonesia

According to the laws and regulations of each country and the brand's expectations, the Group transfers pregnant workers who are engaged in heavy workload to lighter work positions, and will allow them to take six months of maternity leave in Mainland China and one hour less per day in Vietnam and Indonesia with full pay. Pregnant women in the factories are entitled to benefits that are better than those required by law, such as early meals, maternity meals, and separate restrooms. In accordance with the schedule of each factory, a variety of nutritional supplements, such as milk and bread, are offered regularly each month to provide pregnant women with complete nutrition and vitality. In order to avoid crowded commuting to and from work, the Indonesia factory provides a special card access for pregnant women to go to and from work to protect their safety.

Management of Material Topics		
<p>What it means to Yue Yuen To provide a safe and healthy workplace setting to prevent accidents and injuries which cause bodily harm when employees engage in work-related tasks or the operation with employer’s equipments.</p>	<p>Policy and Commitment</p> <ul style="list-style-type: none"> ➤ The occupational safety and health management policy is “to provide a safe and healthy workplace setting to prevent accidents and injuries which cause bodily harm when employees engage in work-related tasks or the operation of the employer’s facilities” based on the “Code of Conduct”. ➤ The commitment of providing a safe and healthy working environment to the employees, with the establishment of organizations, horizontal cross-division cooperation and top-down execution. 	<p>Impact</p> <ul style="list-style-type: none"> ➤ Occupational safety and health risks affect the health, attendance and quality of life of employees, and indirectly affect the staffing schedule of production lines. ➤ To establish a friendly working environment to protect the physical and mental health of employees and increase their sense of security. ➤ To reduce potential hazards and build employee cohesion.
	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ Gradually establish a standardized management system with the establishment of organizations, horizontal cross-division cooperation and top-down execution. In the event that an employee suffers a major illness, the medical rescue mechanism and emergency rescue measures in the factory will be activated to handle. ➤ Based on the law, Yue Yuen continues to operate the epidemic prevention guidelines so as to reduce the impact of the pandemic on operations. ➤ 2022 management objective: 20% reduction in the number of occupational injuries; 0 occupational death. 	<p>Actions</p> <ul style="list-style-type: none"> ➤ Promotion of Corporate Safety Culture: gradually promotes the three-in-one chain of fundamental development, ESH partners and a top-down system. ➤ Promotion of ESH Restricted Equipment and Safety Management. ➤ Training for Professional Safety and Health Management Personnel. ➤ Implementation of pandemic prevention.
<p>Sustainability Indicators HKEx KPI B2.1 Health and Safety GRI 403 Occupational Health and Safety SDG 3 Good Health and Well-being SDG 8 Decent Work and Economic Growth SDG 12 Responsible Consumption and Production</p>	<p>Evaluation Methods Through the implementation of SD common alignment system, ESH partner system and occupational risk map, the results verify their implementation, gradually building a complete safety culture in the Company.</p>	<p>Stakeholder Engagement The ESH committee keeps monitoring and follows up on related topics on a monthly basis.</p>

8.1 Occupational Safety and Health Management

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

In 2022, footwear manufacturing plants implemented the occupational safety and health management system ISO 45001, with 55% of the total number of plants passing the external inspections. The Occupational Safety and Health Management System covers a total of 250,000 persons consisting of not only employees in the offices and footwear manufacturing plants but also non-employees in the areas such as outsourcing, contractors and suppliers for the maintenance of related manufacturing plants in all of the Company's operating locations. We have a total of 3,340 personnel dedicated to occupational safety and health management, supervision and maintenance of the Company's daily operations among all the operating bases, of which 365 are dedicated occupational safety and health management personnel and 2,975 are ESH personnel. Our employees refer to regular employees, while non-employees refer to contractors, dispatchers, security and cleaning personnel, etc.

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

For the management of occupational disasters, the management procedures of occupational hazard investigation are standardized according to the existing regulations of the Company's "Abnormal Incident Management Regulations" and systematically managed with the "Abnormal Incident Management System" to ensure that incident reporting, tracking and confirmation are put into effect. By systematically analyzing the data, we evaluate the risk matrix of the production-related machines in each location, list the types of machines with higher risk of disasters in the factory production, and carry out safety control at the source of procurement and the rectification project of the machines hosted in the factory to create a safe environment where employees can be assured of production. In June 2020, we initiated the "Accident Investigation and Handling Mechanism" to formulate an investigation and handling system for moderate and serious occupational accidents in the Company. Through instant discussion meetings between the incident unit, the administration center, the business department and the safety and health management personnel of the head office, we will consolidate the accident investigation and reporting mechanism, identify the incident causes, and clarify the segregation of powers and responsibilities between the incident units and the relevant units to enable them to perform their respective duties. The information of the instant discussion meetings will be transmitted to the safety and health management personnel of each operating site through the internal SD PUBLIC mailbox and ESH Committee. Assistance is provided by safety and health management personnel from various regions to confirm the effect and level of rectifications and to push forward the hardware improvement and software management measures in accordance with the hazard index analysis of respective regions, of which the implementation progress and the effectiveness of improvement are subsequently followed up by the Factory ESH Committee monthly and the Administration Center and Headquarter ESH Committee quarterly.

Statistics for the Cases of the Accident Investigation and Handling Mechanism in 2022 :

Region	Cases of Accident Investigation
Mainland China	7
Indonesia	11
Vietnam	14
Cambodia, Bangladesh and Myanmar	4
Total	36

As a result of the above measures, the number of occupational accidents of the Company has gradually decreased in the past three years

	2020	2021	2022
Number of Occupational Accidents	264	201	160
Days Lost due to Disabling Injury	17,170	9,685	6,853
Number of Fatalities	1	1	0
Total Number of Employees (shoe factories)	239,743	252,502	253,463
Total Working Hours	542,381,076	476,230,683	559,980,904
Disabling Frequency Rate (FR)	0.49	0.42	0.29
Disabling Severity Rate (SR)	18	20	12
Fatality Rate of Employees	0.00042%	0.00040%	0

8.2 Occupational Safety and Health Measures

ESH Self-management

Promotion of Corporate Safety Culture - Safety Three-in-one (fundamental development, ESH partners and a top-down system)

The Company regards employees as our most valuable asset. The Company controls and manages safety risks, provides employees with a safe and friendly workplace environment that is physically and mentally sound. It carries out the safety culture activities from 2022, through the gradual promotion of the three-in-one chain of fundamental development, ESH partners and a top-down system, encouraging all employees to participate in the identification and improvement of hazards, enhancing the safety awareness of all employees in identifying hazards and developing proactive safety habits.

- 1. Fundamental Development :** In terms of the ESH self-management system, our factories have established a dedicated ESH unit and personnel (or ESH person) to implement ESH management on a day-to-day basis by adopting the five principles of standardized operation, i.e., standardization of organization, standardization of work, standardization of process, standardization of tools, standardization of competence. By regularly inspecting the implementation of fire prevention and safety and health protection in the production plant, and immediately informing the authorized personnel for the relevant violations for timely processing, the ESH specialists of each business unit and the ESH units of each regional administration center inspect the implementation of the issues required by customers or local regulations and the Company's internal management rules through projects. The head office also arranges annual project audits as needed from time to time, and systematically tracks deficiencies in order to effectively implement relevant improvement measures to continuously improve various safety and health management issues.
- 2. ESH Partners :** In addition to the dedicated ESH personnel in the plant and the total public works system, ESH Partners are selected in accordance with five elements: selection method, job responsibilities, capacity building, problem solving, and incentive measures, to build ESH infrastructure and incentives, perform daily simple/specific ESH inspections, go deep into the workplace, and cultivate field partners, raise safety awareness, increase exposure to potential risks and reduce the chance of accidents. ESH partners was implemented in Indonesia in 2020, promoted to share the results in parallel, and expanded to the world in 2021 to strengthen the correct hazard awareness and safety attitude of all employees. Take ESH partners as the starting point, subliminally affecting field employees. Discovery of unsafe conditions for the production environment and active raising unsafe issues will not be punished by the field supervisor. It brings the benefits of protecting other colleagues, which is a correct behavior. The establishment of safety concepts can strengthen the staff 's own operating environment safety, timely discover safety problems to protect themselves. Even if they leave the unsafe environment, it will not be subject to any punishment by the Company. Timely solve safety hazards and create a safe environment and establish safety awareness.
- 3. Top-down system:** It also demonstrates senior management's attention and commitment to ESH work, showing their concerns for the health of their employees and making employees feel more secure. In 2021, the superior supervisor conducted inspection, and the deficiencies discovered can be more effectively improved. Through one-to-many safety promotion and accident reminders, the Company can reduce the occurrence of the same accidents. We have been effectively utilizing the purpose of upward and downward actions, diversifying the safety management in the workshop, and gradually constructing our safety culture by investing resources in both hardware and software at the same time.

Domestic and International Sustainability Management Measures in 2022

1. **Training for Professional Safety and Health Management Personnel** : In addition to the dedicated safety and health management personnel in our factories, we have established a pre-service training system for high-risk machines, requiring operators and maintenance personnel to receive training with specified materials. As of 2022, a total of 23 types of high-risk machines have been designated for training, and 64,538 high-risk machine operators/maintenance employees have received training and passed the test, representing a 100% completion rate of training for designated personnel.

Internal training subjects and necessary training subjects:

Subjects	Necessary training subjects
New personnel	General safety and health knowledge (including common hazards, introduction and use of personal protective equipment, prevention of occupational hazards and occupational diseases, fire safety and emergency response and other safety and health knowledge)
In-service personnel	General knowledge of chemical use, use of personal protective equipment, description of mechanical equipment hazards, emergency response drills for hazardous situations, fire rescue drills and exercises and first aid training
Special worker	Legal special equipment/machinery operation, chemical use and exposure hazards, production environment physical hazards and prevention and personal protective equipment types and use
Safety and health related business personnel	High-risk machine types and hazard prevention, chemical hazard prevention, physical hazard prevention, high-risk operation types and hazard prevention and human engineering hazard prevention

2. **ESH Restricted Equipment and Safety Management:** According to the results of the Company's hazard identification and risk assessment, the hazards caused by machinery and equipment are the primary risk to the Company. Therefore, machinery safety management is the primary objective of the Company's risk management, and the source management of key machinery and equipment procurement and acceptance mechanism management are increased year by year according to the risk classification of machinery and equipment every year to improve the safety of existing machines. Since 2020, the key task of occupational safety and health has been to strengthen "machine safety" and "management measures". In the area of "machine safety", the first batch of newly purchased machinery and equipment source and acceptance control was implemented by the Company in 2015. In 2021, the eighth batch of controlled equipment included 3 types of machinery, and a total of 42 types of controlled machinery and equipment (including shoe-making and chemical equipment: cutting machine, thermal media oil machine, shaping/bottom/hot press machine, kneader/intensive mixer, oil press machine) were accumulated from 2015 to 2022. In terms of the improvement of existing machines, the Company had pushed forward the rectification of existing machinery and equipment in 2018, which lasted until 2022, and 20 types of existing equipment safety improvements had been completed, and the improvement had been remarkable. The number of work-related injuries caused by machinery and equipment in 2022 has been decreased by 24%, as compared to that in 2021. In the area of "management measures", we will promote a training and certification system for machine and equipment operators and maintenance personnel, launch safety and health inspections by on-site supervisors, and implement a campaign to accumulate disaster-free days. In 2022, we promoted ESH partners and top-down projects around the world to gradually build our corporate safety culture by investing resources in both hardware and software.
3. **Audit Management Mechanism:** Our internal safety and health audits are conducted through annual KPI audits, which include safety and health, fire safety, environmental management, energy management and human rights risk management, etc., with on-site inspections and audits of relevant activities and documents of each factory. The audited factories are 35 selected plants that have started production. It covers both in-service employees and non-employees. The audit results will be based on the risk items in each region, and the response will be prepared in advance and an overall project action will be set. As a result of the 2018 SD-KPI assessment, the top priority in occupational safety and health concerns was given to the daily maintenance and operation of machine/equipment. Therefore, in 2019, the safety and health-related plan is to develop a safety labeling and operation certification system for high-risk machines, and to focus on machine safety issues from both the hardware and software perspectives. In addition, through the evaluation mechanism, it is found that the factory's daily operation of ESH has been gradually on track, and the internal training mechanism of ESH has been carried out since 2014, and a ESH specialists grading system was implemented in the factory in 2018. Based on the grading results, we started to implement the training classification mechanism for the initial and advanced ESH professionals in 2019 and focused on the practical application of risk identification in the workplace for ESH specialists in 2020 to continuously improve the implementation of ESH daily execution and management internally. In 2021, due to the impact of the COVID-19 epidemic, the Company focused on ESH staff infrastructure, on-site ESH partners and ESH staff worked together to review the risks, and alongside the risk map of each factory area produced, the supervisor reviewed the top high-risk areas, track and improve, and implement the internal environmental safety and health of the factory independently. In 2022, due to the epidemic, the audit was carried out by the administration center in each district. The main deficiency is the safety management of internal machinery and equipment, according to which the Company will promote the relevant response plan for improvement in 2023.

Employee Engagement

Each of the factories and administrative centers of the Company has set up an “Environmental Energy and Safety and Health Committee” (the “ESH Committee”) and holds regular meetings to review relevant management issues related to safety and health in a fixed organizational structure. By formulating various safety and health management regulations, to enable each unit to implement ESH business smoothly and to continuously improve performance, we review ESH related management matters regularly, set up a safety and health management performance system to track management performance, and establish an abnormal incident management system to help focus on the prevention mechanism of major occupational safety risks with data analysis.

According to the Administrative Measures for the Environmental, Energy and Safety and Health Committee of the Company, the committee shall comprise of at least seven members, of which include the chairman, a director general, a director and at least four committee members. The chairman shall be the highest supervisor of each unit or an agent appointed by the highest supervisor. As a permanent position, it shall not be replaced without special reasons. The director general shall be the head of SD and the director shall be the person in charge of ESH or, if there is no ESH staffing, the person who performs the relevant ESH duties shall serve as the director. Both the director general and the director are permanent and shall not be replaced without special reasons.

Committee members of the ESH Committee of the factories shall be appointed or selected from the officers and employees of each unit and shall consist of at least four members and at least half of them shall be reappointed or selected at least once every two years. If a vacancy arises due to the shall be departure or transfer of a member, the vacancy must be filled within one month. On behalf of the unit, members labour representatives. The committee members in the operation of the committee, discuss and provide suggestions for improvement of ESH related issues in a timely manner. The ESH Committee is composed of onsite representatives, except for the management and the dedicated person, and the actual percentage of onsite employees in the ESH Committee of overseas factories is about 80.0%, which highlights the participation of employees and the representativeness of the ESH Committee. Management continues to monitor and follow up on relevant issues through the ESH Committee.

ESH Committee

The ESH Committee of each of the factories meets monthly and the ESH Committee of each of administrative centers meets quarterly (January, April, July, October), and a temporarily meeting will be held when necessary. The following 12 topics will be discussed at the ESH Committee meeting. If there is any issue that requires consensus of the members, it will be resolved by voting at the meeting, considering the opinion of each member representing the unit. The participation of ESH Committee members, the 12 topics discussed at the meeting, the implementation of the meeting, the sign-in sheet and the provision of minutes of the completed sign-in sheet are all included in the evaluation of the annual audit management mechanism.

Topics at ESH Committee meeting	
1. Government decree, customer requirements, additions/ amendments to company specification.	6. Health management and promotion matters.
2. ESH inspection/risk inventory/audit results (including project inspection, on-site supervisor safety inspection, ESH-MPA assessment, external audits, etc.).	7. Contractor safety and health issues.
3. ESH education and training plan and execution status.	8. Environmental and energy issues.
4. Preventive measures for electrical, equipment and chemical hazards.	9. ESH incident review.
5. Results of the work environment and pollution emission testing and countermeasures.	10. ESH improvement proposals/ grievances/disputes/conflicts.
	11. ESH project plan.
	12. Other ESH related matters.

Occupational Health Service and Promotion

The Company is committed to promoting a healthy life to employees and helping employees to change their living habits to achieve an ideal state of health. In addition to regular employee health checkups and hierarchical management in accordance with laws and regulations, it also provides general health checkups to employees in Mainland China that is better than the laws and regulations. Although there are no relevant laws and regulations in Myanmar, the Group still provides special health checkups for special workers. In case of abnormal medical examination results, we will arrange other irrelevant jobs that may not cause abnormalities through the production and personnel operation mechanism, and enable him continuously to serve the Company, so that employees' work rights and interests will not be compromised due to abnormal medical examination results. Furthermore, we will conduct a re-examination to confirm whether occupational diseases are caused by work-related factors in accordance with the legal regulations and take appropriate cares of the employee's health while serving our Company. The information of employee health examination is kept confidential and is not readily available to anyone other than the employee himself, the SD unit and the human resources unit. In addition to health checkups, the Company also organizes annual health promotion activities, and actively addresses workplace-related health risks through various stress-relieving methods such as drawing, essay writing, seminars, massage, muscle-building and fat-loss classes, and medical consultation, as well as organizing annual sports events for employees such as soccer games, road races, tug-of-war competitions, etc. to strengthen employees' workplace health. Although affected by the COVID-19 pandemic in 2022, various regions were unable to organize health promotion activities in accordance with the existing annual plans, the Group still strives to assist employees in living a healthy life within the restrictions on public gathering.

Analysis of Health Checkups for Employees in Various Regions of the Company in 2022

Region	General Health Checkup	Special Hazardous Operations Health Checkup	Total Checkups
Mainland China ^{note 1}	1,384	8,979	10,363
Indonesia	34,677	21,128	55,805
Vietnam ^{note 2}	111,872	92,567	204,439
Cambodia, Bangladesh and Myanmar ^{note 3}	6,918	1,554	8,472
Total	154,851	124,228	279,079

Note 1: General health checkup in Mainland China: The Company's welfare available for supervisors. Health checkup for special hazardous operations in Mainland China: According to laws and regulations, such checkup shall cover new, current and resigned employees.

Note 2: Vietnamese regulations have stipulated that health checkup shall be performed to employees once every 6 months.

Note 3: Myanmar Government does not have laws and regulations related to employee health checkup.

To strengthen the health management of our employees, the Company has set up medical facilities in each of our overseas operating bases to service our employees. In addition to the stationing of a professional medical team, it also has basic medical facilities and equipment to provide timely and light treatment of injuries and professional medical consultation to keep our employees healthy. The "Health eGO" service platform has been set up on the Company's internal website, covering information on health promotion activities, health education information sharing (self-care, special health education, workplace maternal health, etc.), medical office service and doctor's on-site service information, employee health Q&A, etc. The content covers a wide range of topics aiming at all-round employee health care. Moreover, in response to the COVID-19 pandemic, the Company has coordinated with the government in organizing corporate COVID-19 vaccination and has worked with the local pediatrician's office to provide in-house vaccinations to our employees.

Safety and Health Indicators

The Company has established the “Abnormal Incident Management System” for internal information occupational hazard management, and the domestic and international tracking of safety and health management performance indicators, including the number of occupational injuries, total days lost, Disabling Frequency Rate (FR) and Disabling Severity Rate (SR) and so on. According to the 2022 statistics for occupational hazards management, the total number of occupational injuries was 160, the total number of occupational accidents has decreased by 20.4%, and the amount of losses due to occupational accidents has increased by 383.4%, with zero fatality rate. Total days lost due to work-related injury were 6,853 calculated based on the days lost due to disabling injury (excluding traffic accidents). The annual target predefined: 20% decrease in the number of occupational accidents and zero fatalities, has been accomplished.

The number of severe occupational accidents for the year in the Company was 6 with the rate of serious occupational injuries at 3.8%, the rate of severe occupational accidents increased by 100%. However, for the severe occupational accidents that occurred in this year, the analysis of the occupational accident discussion meeting showed that the main disasters were caused by the personnel being pressed by machine and equipment or contacting energy resources. The Company carried out hazard source isolation measures and leakage prevention measures of machine and equipment for severe occupational accidents, and enhanced the safety awareness training for employees using the machine, held safety committee meetings in each factory to promote and prevent the recurrence of the incidents. The Company will also continue to be committed to creating a safe and healthy workplace.

With a further view to the statistics, excluding deaths due to occupational hazards, there is a significant downward trend from the overall and regional FR and SR. This is mainly attributable to the “ESH Restricted Equipment and Safety Management” measure implemented by the Company, which can be reflected from the number of occupational injuries caused by machinery and equipment being decreased by 24% as compared with 2021. Thus, the number of occupational injuries caused by machinery and equipment are still the primary target of the Company’s continuous improvement. In order to reduce the risk of the reoccurrence of occupational accidents, The Company will continue to strengthen its investigation and analysis of the cause of occupational accidents, improving from the root causes, driving the machine safety management and implementing day-to-day safety and health management based on the Company’s policies.

The Statistics of Safety and Health Indicators 2022 in Footwear Factories:

Items	Number of occupational incidents			Rate of occupational injuries		Rate of days lost (%)		FR			SR			
	Region	Total	Male	Female	Male	Female	Male	Female	Total	Male	Female	Total	Male	Female
Total		160	87	73	1	0	38.2	61.9	0.3	0.7	0.2	12	20	9
Mainland China		17	8	9	1	0	5.6	94.4	0.3	0.6	0.2	55	14	67
Indonesia		26	17	9	0	0	41.5	58.5	0.2	0.4	0.1	1	2	1
Vietnam		98	50	48	1	0	68.4	31.6	0.4	0.9	0.2	9	32	3
Cambodia, Bangladesh and Myanmar		19	12	7	1	0	87.7	12.4	0.5	1.1	0.2	11	38	1

Note 1 The source of statistical data of occupational accidents comes from the Company's internal information "management system for abnormal incidents", tallying occupational hazards with one or more days lost, and the total working hours is calculated by multiplying the working days and working hours with the number of staff for each unit.

Note 2 The data on occupational accidents indicators in this report does not include data on non-employees (contractors, dispatched workers, security and cleaning staff) because information on the total number of hours of non-employees is not available.

Note 3 The occupational injury ratio is an indication of the number of incidents per unit of time (million working hours) for each male and female employee, rounded to the nearest whole number.

Occupational injury rate (male) = number of disabling frequency (male)/total working hours (male) x 1,000,000.

Occupational injury rate (female) = number of disabling frequency (female)/total working hours (female) x 1,000,000.

Note 4 Disabling hazard frequency (FR) = number of disabling frequency x 1,000,000/total working hours.

Disabling hazard frequency (male) = number of disabling frequency(male) x 1,000,000/total working hours (male).

Disabling hazard frequency (female) = number of disabling frequency (female) x 1,000,000/total working hours (female).

Note 5 Disabling severity rate (SR) = total working days lost x 1,000,000/total working hours.

Disabling severity rate (male) = total working days lost (male) x 1,000,000/total working hours (male).

Disabling severity rate (female) = total working days lost (female) x 1,000,000/total working hours (female).

Note 6 Total working hours = 559,980,904 hours.

Occupational Disease Risk Prevention

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

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

According to the internal management and control mechanism, the Company had no deaths due to occupational disease in 2022, and there were eight cases of occupational disease in Vietnam related to occupational hearing loss. The Company has conducted job transfers in accordance with local laws and regulations, and continues to track and interview the related employees from time to time to show its concern for their adaptation situation after job transfers. For employees in the same job positions, the Company will continue to provide personal protective equipment and training, and adopt the concept of area-based prevention and control to limit the areas of high noise exposure.

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

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

New Lifestyle of Epidemic Prevention

Faced with the impact of the COVID-19 pandemic and its continuous spread in late 2019, in order to mitigate the various challenges brought about by the pandemic, in addition to following the pandemic prevention measures regulated by the local governments, the Company also adopted autonomous epidemic prevention, and at the end of 2019, we also set up the “District Epidemic Prevention Command System”, which held daily meetings to track the domestic and international epidemic situation and develop supporting measures, and integrated epidemic prevention materials in a timely manner. The main focus of the Company’s pandemic prevention measures for 2022 was to cooperate with the pandemic prevention guidelines of the local governments in its operating bases, including daily monitoring of changes in the pandemic, daily temperature measurement, regular environment disinfection, establishment and preparation of pandemic prevention materials, hygiene education and promotion of pandemic prevention measures, strengthening access control at the factory and office premises, and encouraging and promoting vaccination of employees, in the hope of ensuring the health and safety of all employees. The total COVID-19 vaccination coverage rate of all operating bases in 2022: First dose 99.1%; Second dose 98.0%, and Third dose 85.9%.

In view of the fact that the global epidemic gradually mitigated after July and different countries around the world slowly returned to normal life, the Company considered the need to balance the health and safety of all employees with normal life, gradually changed its epidemic prevention policy to lay equal emphasis on both epidemic prevention and life, and continued to make rolling adjustments so that the Group’s high-intensity epidemic prevention measures slowly receded and became more compliant with local government regulations. The Company focuses on the user-friendliness of SOP, which involves the normalization of pandemic prevention measures from the user’s point of view. In addition to adjusting measures according to local conditions, consistency is still required for regional works to show our care and warmth. The Group’s six major principles for continuous operation based on national policies and its pandemic prevention guidelines and supporting measures are as follows:

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

9.1 Community Involvement

Collaborating with Local Governments and NGOs to Promote Community Participation

Yue Yuen has been established for over 50 years, each of production bases has been actively communicating with local governments and organizations in order to localize and sustain the operation of the factories, and each factory has been organizing various external activities. Following the expansion of overseas operation and production bases, the Group is dedicated to meeting the demands of local living environmental conditions and the needs of the communities, actively devoting the Company's resources for community-friendly activities, thus enhancing local communities' living standard and strengthening the relationship of interdependence and co-prosperity between the Group and the communities.

Since 2016, the Yue Yuen has had an in-depth understanding and participation in the activities of the Civil Society Organization ("CSO") of various factories, which are in line with the vision of the Company's core value of service for respect, care and creation of a harmonious enterprise, formulating the Group's aspect and principle of participation in the community, with an expectation of achieving a sustainable development and promotion of the co-operation with CSO.

In order to demonstrate the spirit of service as a core corporate value and to actively give back to employees, in addition to internal employee activities, the Company continues to participate in external community activities focusing on education, health care and local relations. Adhering to a diverse and inclusive service spirit, the Group has different key development goals in different regions. In 2022, Yue Yuen invested a total of approximately US\$81,000 in community activities.

The data of community participation activities in 2022 were as follows: 1,662 participants in a total of 17 overseas education activities, 1,172 participants in a total of 6 medical care and health activities, 1,329 participants in a total of 28 local relations activities.

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



Vietnam – “Seeds of Hope Scholarship” Award Ceremony



Mainland China – Community Home Visits and Autumn Harvest Plucking Peanuts Activities



Vietnam – “Heart to Heart” Community Activity



Mainland China – Visiting Elderly People Living Alone



Indonesia – Community Road Maintenance Activity

Provide Quality Education

In response to the objective 4 of the United Nations SDGs, Yue Yuen provides inclusive and equal quality education so that children in the key operating regions have access to learning.

A “Seeds of Hope Scholarship” plan has been set up in Vietnam since 2012 to support the education of school-age children. As of 2022, there were a total of 24,629 children who benefited from the Group’s contribution of US\$535,000.

Since 2013, Yue Yuen has built kindergartens in Vietnam’s Dong Nai and Binh Chanh and as of 2022, a total of 2,203 children have benefited from this. Among the kindergartens, the Little Flower Kindergarten in Bien Hoa, Dong Nai Province, is a green building that combines natural landscape with environmental protection and energy conservation, which not only demonstrates Yue Yuen’s corporate value of sustainable development, but also enables the children of our employees to learn and grow happily in the kindergartens.

Since 2016, Yue Yuen has promoted the “Scholarship for Children of Employees” scheme, and as of 2022, there were a total of 14,154 students who benefited from the Group’s contribution of US\$127,000.



Vietnam – Award Scholarship to Children of Employees



Vietnam – Gift Giving for Disabled Children

Ensuring a Healthy Life and Promoting Well-being for People of All Ages

In response to the objective 3 of the United Nations SDGs, Yue Yuen provides a healthy life for community employees and promotes well-being for people of all ages in the communities of important operation bases.

In view of the relative lack of medical resources in some areas, Yue Yuen collaborates with professional medical organizations to provide voluntary medical services in remote areas, provide health education from time to time and promotes health knowledge, as well as takes specific actions such as donation of materials and visit of the underprivileged to enhance a closer connection between Yue Yuen and the local community. In 2022, there were 6 medical health related activities organized with a total of 1,172 participants (including employees, external volunteers and locals).

Set up medical station that meets international standard

Since 2017, Yue Yuen has launched the “Enterprise and Medical Co-operation” project at Vietnam factory sites, and set up medical station conforming to international standards of Marie Stopes International. By providing high-quality and essential maternity health and family planning services as well as education campaigns, female employees’ awareness of maternity health can be increased. At the same time, female employees can also save time and expenses needed for outpatient visits. In 2022, the Healthy Production Female Workers Movement Award was awarded to the Indonesia factory sites.



Indonesia – Blood Donation



Vietnam – Free Medical Consultation

Eliminate Poverty of the Disadvantaged Groups

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

In our Vietnam factories, which account for the largest proportion of employees among our factories, Yue Yuen listens to the voices of employees and expands the implementation of the “Employee Home Visit” project, receiving requests for urgent assistance from employees’ families. The “Charity Housing Construction” Scheme has been officially launched in Vietnam by Yue Yuen since 2009, and by 2022, the Group made a total contribution of US\$549,000 and a total of 297 houses were built and renovated.



Vietnam – Charity Housing Construction and Donation

Yue Yuen Supports Indonesia Natural Disaster Relief and Recovery

In 1992, Yue Yuen purchased land, prepared land and established a production base in Indonesia. Over the past 30 years, Yue Yuen has been committed to the belief of giving back to society, and has actively devoted the Company's resources to community-friendly activities, thus enhancing local communities' living standard and strengthening the relationship of interdependence and co-prosperity between the Group and the communities.

In 2022, severe natural disasters occurred one after another in Indonesia, such as floods, large-scale earthquakes, and volcanic eruptions, resulting in the loss of lives and property damage of most residents. In order to support the local disaster relief work, Yue Yuen took immediate actions to raise funds and launched a relief plan (including government disaster relief funds donation, food delivery to residents in disaster area, home reconstruction support and disaster area employees care) to deliver support and care to where it is needed.

In early 2022, a flood occurred in Banten, Indonesia. The water level was as high as 3 meters due to heavy rain and surging rivers which overflowed the embankment. Affected by the flood, most houses, buildings and passages were submerged, which caused serious damage and casualties. Nearly 1,500 houses were damaged, and 3,500 people were forced to leave their homes or were affected. In response to the disaster, Yue Yuen also launched a fundraising and flood relief project. The Company's management cooperated with the labor union and the community to hold a fundraising event in the factory area to encourage employees to donate for disaster relief. A total of more than Rp250 million (approximately US\$16,000) was donated to the social service unit of Serang government, which was recognized and appreciated by the government. In addition, Yue Yuen Indonesia also sent love funds to the affected employees and residents, provided basic daily necessities for the victims, and funded an affected Islamic boarding school for the students.

On November 21, 2022, an earthquake with a magnitude of 5.6 occurred in Cianjur, Indonesia. As of November 28, 2022, according to government's statistics, more than 100,000 local people were affected, 323 people died, more than 2,000 people were injured, and 63,000 houses were damaged or collapsed. Yue Yuen immediately delivered disaster relief materials to the affected employees and residents in the disaster area, planned a home reconstruction fund, and donated government disaster relief funds, etc., to support and care for the affected people. By the end of November, Yue Yuen had sent donations directly to the disaster areas, with a total of about 9,900 condolence gifts (including one-week meal kits and buckets). It amounts to approximately Rp86 million (approximately US\$5,591). The Company also launched a plan to support the reconstruction of homes in the disaster area, raising a total of almost Rp5.53 billion (equivalent to approximately US\$360,000). The Company also directly sent the love fund to the residents in need and employees whose relatives died or whose houses were severely damaged. A total of approximately 2,771 families benefited, and each family received approximately Rp1.5 million to Rp2 million as condolences. Yue Yuen also donated cash and materials (including cement, bricks, etc.) to the local government, and carried out corporate social responsibility activities and community home visits to support the recovery and reconstruction of the disaster area.

In addition to financial support, the Company has also continued to offer condolences to the affected residents, visited their homes and initiated the Company volunteers care to help and care for the residents. The employees of the Company represented that “we are very lucky to have the management and labor union of Yue Yuen Indonesia to care for the affected residents and communities. We appreciate the direct help provided by the Company, and hope that the Company can continue to drive employees to pay attention to community participation activities, to assist local development and stability.”



Indonesia – Materials Donation to Earthquake Victims



Indonesia – Community Assistance Recovery from Floods



We have Continued to Develop Local Communities in our Overseas Operating bases since 1988

Mainland China	Indonesia	Vietnam
<p>1999 - Exclusive Medical Center Construction for Employees, Dongguan Gaobu Hospital (東莞高步醫院) Donation, Adult High School Set Up for Employees, Factory Kindergarten Set Up, Local Nursing Center/Children Center Visit and Donation</p> <p>2010 - 2019 Left-behind Children Care Program (Summer Camp/Winter Camp for Employees' Children)</p>	<p>1988 - Employee Adult High School, Orphanage Visit and Donation, Community Free Medical Consultation, Eid al-Adha Donation</p> <p>2016 - 2022 Children Scholarship Scheme</p>	<p>1988 - Community Free Medical Consultation</p> <p>2009 - Charity Housing donation</p> <p>2012 - Vietnam Yue Yuen "Seeds of Hope Scholarship (希望種子獎助學金)"</p> <p>2013 Green Building Little Flower Kindergarten (綠建築小花朵幼兒園) Construction</p> <p>2017 - 2020 "Enterprise and Medical Co-operation" Project</p> <p>2018 - 2022 International Medical Program Participation</p>

Appendix A. HKEX KPI Index

A. Environmental			
Aspects	General disclosure and key performance indicators (KPI)		Chapter(s)
A1 Emissions	General disclosure	Emissions of exhaust and greenhouse gases, discharges to water and land, generation of hazardous and non-hazardous wastes, etc.: (a) Policy; and (b) Information on compliance with relevant laws and regulations that have a material effect on the issuer.	5.1 Climate Change Response 5.5 Waste Management 5.6 Air Pollutant Management Chapter 2 2022 Highlights (Compliance Management)
	KPI A1.1	The types of emissions and respective emissions data	5.6 Management on Air Pollutant Emission
	KPI 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).	5.1.2 GHG Management
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.5 Waste Management
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.5 Waste Management
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	5.1.2 GHG Management 5.6 Management on Air Pollutant Emission
	KPI 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.	5.5 Waste Management

A. Environmental			
Aspects	General disclosure and key performance indicators (KPI)		Chapter(s)
A2 Use of Resources	General disclosure	olicies for efficient use of resources (including energy, water and other raw materials).	5.3 Energy Management 5.4 Water Resources Management 5.5 Waste Management
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.3 Energy Management
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.4 Water Resources Management
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.3 Energy Management
	KPI 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.	5.4 Water Resources Management
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	6.1 Raw Materials Procurement
A3 Environment and Natural Resources	General disclosure	Policy on minimising the significant impact of the issuer on the environment and natural resources.	5.2 Environmental Management 5.3 Energy Management
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5.2 Environmental Management 5.3 Energy Management
A4 Climate Change	General disclosure	Policy on identifying and responding to significant climate-related issues that have had and may have an impact on the issuer.	5.1 Climate Change Response
	KPI 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.	5.1 Climate Change Response

B. Social

Employment and Labour Practices

Aspects	General disclosure and key performance indicators (KPI)		Chapter(s)
B1 Employment	General disclosure	In relation to pay and dismissal, recruitment and promotion, hours of work, leave, equal opportunities, diversity, anti-discrimination and other entitlements and benefits: (a) Policy; and (b) Information on compliance with relevant laws and regulations that have a material effect on the issuer.	7.1 Manpower and Talent Chapter 2 2022 Highlights (Compliance Management)
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	7.1.1 Bring Together Talents of Diverse Backgrounds
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	7.1.1 Bring Together Talents of Diverse Backgrounds
B2 Health and Safety	General disclosure	In relation to the provision of a safe working environment and the protection of employees from occupational hazards: (a) Policy; and (b) Information on compliance with relevant laws and regulations that have a material effect on the issuer.	Chapter 8 Safety Culture Chapter 2 2022 Highlights (Compliance Management)
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	8.1 Occupational Safety and Health Management
	KPI B2.2	Lost days due to work injury.	8.1 Occupational Safety and Health Management
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	8.2 Occupational Safety and Health Measures

B3 Development and Training	General disclosure	Policy on enhancing the knowledge and skills of employees to perform their job duties. Describe training activities.	7.1 Manpower and Talent
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	7.1.3 Talent Development and Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	7.1.3 Talent Development and Training
B4 Labour Standards	General disclosure	In relation to the prevention of child labour or forced labour: (a) Policy; and (b) Information on compliance with relevant laws and regulations that have a material effect on the issuer.	7.2 Human Rights Management Chapter 2 2022 Highlights (Compliance Management)
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	7.2 Human Rights Management
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	7.2 Human Rights Management
Operating practices			
Aspects	General disclosure and key performance indicators (KPI)		Chapter(s)
B5 Supply Chain Management	General disclosure	Environmental and social risk policy for managing the supply chain.	6.2 Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	6.2 Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	6.2 Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	6.2 Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	6.2 Supply Chain Management

B6 Product Responsibility	General disclosure	Health and safety, advertising, labelling and privacy issues and remedies in relation to products and services provided: (a) Policy; and (b) Information on compliance with relevant laws and regulations that have a material effect on the issuer.	6.3 Products and Services Chapter 2 2022 Highlights (Compliance Management)
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	6.3 Products and Services
	KPI B6.2	Number of products and services related complaints received and how they are dealt with.	6.3 Products and Services
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.3 Products and Services
	KPI B6.4	Description of quality assurance process and recall procedures.	6.3 Products and Services
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	6.3 Products and Services
B7 Anti-corruption	General disclosure	Prevention of bribery, extortion, fraud and money laundering: (a) Policy; and (b) Information on compliance with relevant laws and regulations that have a material effect on the issuer.	3.3 Integrity Management and Anti-corruption Chapter 2 2022 Highlights (Compliance Management)
	KPI 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.	3.3 Integrity Management and Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.3 Integrity Management and Anti-corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	3.3 Integrity Management and Anti-corruption
Community			
B8 Community Investment	General disclosure	Policy on community engagement to understand the needs of the communities in which issuers operate and to ensure that their business activities take into account community interests.	9.1 Community Involvement
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	9.1 Community Involvement
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	9.1 Community Involvement

Appendix B. GRI Standards (2021) Index

Statement of use	From 1 January 2022 to 31 December 2022, Yue Yuen refers to (quotes) GRI Standards for reporting.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Nil

GRI Indicators	Disclosure Requirement(s)	Chapter(s)
2-1	Organizational details	Chapter 1 About This Report
2-2	Entities included in the organization's sustainability reporting	Chapter 1 About This Report
2-3	Reporting period, frequency and contact point	Chapter 1 About This Report
2-4	Restatements of information	Chapter 1 About This Report
2-5	External assurance	No external confirmation
2-6	Activities, value chain and other business relationships	Chapter 1 About This Report 6.2 Supply Chain Management
2-7	Employees	7.1 Manpower and talent
2-8	Workers who are not employees	7.1 Manpower and talent
2-9	Governance structure and composition	3.1 Corporate Governance
2-10	Nomination and selection of the highest governance body	Please refer to the Annual Report (Corporate Governance Report)
2-11	Chair of the highest governance body	Chapter 1 About This Report
2-12	Role of the highest governance body in overseeing the management of impacts	3.1 Corporate Governance
2-13	Delegation of responsibility for managing impacts	Chapter 3 Corporate Governance and ESG Governance Structure
2-14	Role of the highest governance body in sustainability reporting	Chapter 4 Stakeholder Engagement
2-15	Conflicts of interest	3.3 Integrity Management and Anti-corruption
2-16	Communication of critical concerns	Chapter 4 Stakeholder Engagement
2-19	Remuneration policies	Please refer to the Annual Report (Directors' Report and Corporate Governance Report)
2-20	Process to determine remuneration	Please refer to the Annual Report (Corporate Governance Report)
2-21	Annual total compensation ratio	Please refer to the Annual Report (Notes to the Consolidated Financial Statements: Directors' and Employees' Emoluments)
2-22	Statement on sustainable development strategy	Introduction

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GRI Indicators	Disclosure Requirement(s)		Chapter(s)
2-23	Policy commitments		7.2 Human Rights Management
2-24	Embedding policy commitments		7.2 Human Rights Management
2-25	Processes to remediate negative impacts		7.2 Human Rights Management
2-26	Mechanisms for seeking advice and raising concerns		3.3 Integrity Management and Anti-corruption
2-27	Compliance with laws and regulations		5.2 Environmental Management
2-28	Membership associations		Chapter 2 2022 Highlights
2-29	Approach to stakeholder engagement		Chapter 4 Stakeholder Engagement
2-30	Collective bargaining agreements		7.2 Human Rights Management
3-1	Process to determine material topics		Chapter 4 Stakeholder Engagement
3-2	List of material topics		Chapter 4 Stakeholder Engagement
3-3 Management of material topics			
GRI 201 2016	201-1	Direct economic value generated and distributed	Chapter 2 2022 Highlights
	201-4	Financial assistance received from government	Please refer to the Annual Report (Notes to the Consolidated Financial Statements: Other Income)
3-3 Management of material topics (integrity management and anti-corruption)			3.3 Integrity Management and Anti-corruption
GRI 205 2016	205-1	Operations assessed for risks related to corruption	3.3 Integrity Management and Anti-corruption
	205-2	Communication and training about anti-corruption policies and procedures	3.3 Integrity Management and Anti-corruption
	205-3	Confirmed incidents of corruption and actions taken	3.3 Integrity Management and Anti-corruption
3-3 Management of material topics (climate change response)			5.1 Climate Change Response
GRI 201 2016	201-2	Financial implications and other risks and opportunities due to climate change	5.1 Climate Change Response

GRI Indicators	Disclosure Requirement(s)		Chapter(s)
GRI 305 2016	305-1	Direct (Scope 1) GHG emissions	5.1.2 GHG Management
	305-2	Energy indirect (Scope 2) GHG emissions	5.1.2 GHG Management
	305-3	Other indirect (Scope 3) GHG emissions	5.1.2 GHG Management
	305-4	GHG emissions intensity	5.1.2 GHG Management
	305-5	Reduction of GHG emissions	5.1.2 GHG Management
3-3 Management of material topics (energy management)			5.3 Energy Management
GRI 302 2016	302-1	Energy consumption within the organization	5.3 Energy Management
	302-3	Energy intensity	5.3 Energy Management
	302-4	Reduction of energy consumption	5.3 Energy Management
3-3 Management of material topics (waste management)			5.5 Waste Management
GRI 306 2020	306-1	Waste generation and significant waste-related impacts	5.5 Waste Management
	306-2	Management of significant waste-related impacts	5.5 Waste Management
	306-3	Waste generated	5.5 Waste Management
	306-4	Waste diverted from disposal	5.5 Waste Management
	306-5	Waste directed to disposal	5.5 Waste Management

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GRI Indicators	Disclosure Requirement(s)		Chapter(s)
	3-3 Management of material topics (air pollutant management)		5.6 Air pollutant management
GRI 305 2016	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	5.6 Air pollutant management
	3-3 Management of material topics (supply chain management)		6.2 Supply chain management
GRI 308 2016	308-1	New suppliers that were screened using environmental criteria	6.2 Supply chain management
	308-2	Negative environmental impacts in the supply chain and actions taken	6.2 Supply chain management
GRI 414 2016	414-1	New suppliers that were screened using social criteria	6.2 Supply chain management
	414-2	Negative social impacts in the supply chain and actions taken	6.2 Supply chain management
	3-3 Management of material topics (manpower and talent)		7.1 Manpower and talent
GRI 201 2016	201-3	Defined benefit plan obligations and other retirement plans	7.1 Manpower and talent
GRI 202 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	7.1 Manpower and talent
	202-2	Proportion of senior management hired from the local community	7.1 Manpower and talent

GRI Indicators	Disclosure Requirement(s)		Chapter(s)
GRI 401 2016	401-1	New employee hires and employee turnover	7.1 Manpower and talent
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	7.1 Manpower and talent
	401-3	Parental leave	7.1 Manpower and talent
GRI 404 2016	404-1	Average hours of training per year per employee	7.1 Manpower and talent
	404-3	Percentage of employees receiving regular performance and career development reviews	7.1 Manpower and talent
GRI 405 2016	405-2	Ratio of basic salary and remuneration of women to men	7.1 Manpower and talent
GRI 406 2016	406-1	Incidents of discrimination and corrective actions taken	7.1 Manpower and talent
3-3 Management of material topics (human rights management)			7.2 Human Rights Management
GRI 408 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	7.2 Human Rights Management
GRI 409 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	7.2 Human Rights Management
GRI 402 2016	402-1	Minimum notice periods regarding operational changes	7.2 Human Rights Management
GRI 40 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	7.2 Human Rights Management

GRI Indicators	Disclosure Requirement(s)		Chapter(s)
3-3 Management of material topics (occupational safety and health)			Chapter 8 Safety Culture
GRI 403 2018	403-1	Occupational health and safety management system	Chapter 8 Safety Culture
	403-2	Hazard identification, risk assessment, and incident investigation	Chapter 8 Safety Culture
	403-3	Occupational health services	Chapter 8 Safety Culture
	403-4	Worker participation, consultation, and communication on occupational health and safety	Chapter 8 Safety Culture
	403-5	Worker training on occupational health and safety	Chapter 8 Safety Culture
	405-6	Promotion of worker health	Chapter 8 Safety Culture
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Chapter 8 Safety Culture
	403-8	Workers covered by an occupational health and safety management system	Chapter 8 Safety Culture
	403-9	Work-related injuries	Chapter 8 Safety Culture
	403-10	Work-related ill health	Chapter 8 Safety Culture
GRI 405 2016	405-1	Diversity of governance bodies and employees	3.1 Corporate Governance 7.1 Manpower and Talent

GRI Indicators	Disclosure Requirement(s)		Chapter(s)
GRI 303 2018	303-1	Interactions with water as a shared resource	5.4 Water Resources Management
	303-2	Management of water discharge-related impacts	5.4 Water Resources Management
	303-3	Water withdrawal	5.4 Water Resources Management
	303-4	Water discharge	5.4 Water Resources Management
	303-5	Water consumption	5.4 Water Resources Management
GRI 204 2016	204-1	Proportion of spending on local suppliers	6.2 Supply Chain Management
GRI 301 2016	301-1	Materials used by weight or volume	6.1 Raw Materials Procurement
GRI 416 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	6.3 Products and Services
GRI 417 2016	417-1	Requirements for Products and Services information and labeling	6.3 Products and Services
	417-2	Incidents of non-compliance concerning Products and Services information and labeling	6.3 Products and Services
GRI 418 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.3 Products and Services
GRI 413 2016	413-1	Operations with local community engagement, impact assessments, and development programs	9.1 Community Involvement

Appendix C. SASB Indicators Index

SASB Index: Industry Standards for Apparel, Accessories & Footwear				
Disclosure Topics	Code	Metric Description	Category	Chapter(s)
Management of Chemicals in Products	CG-AA-250a.1	Discussion of processes to maintain compliance with restricted substances regulations	Qualitative	6.1 Raw Materials Procurement
	CG-AA-250a.2	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Qualitative	6.1 Raw Materials Procurement
Raw Materials Procurement	CG-AA-440a.3	Describe the environmental and social risks related to raw materials (materials used in main products)	Qualitative	6.1 Raw Materials Procurement
	CG-AA-440a.4	Describe the amount of priority raw materials purchased, and the amount of each priority raw material that is certified to a third-party environmental and/or social standard, by standard	Quantitative	6.1 Raw Materials Procurement
–	CG-AA-000.A	Describe the amount of Tier 1 suppliers and suppliers beyond Tier 1	Quantitative	6.1 Raw Materials Procurement
Environmental Impacts in the Supply Chain	CG-AA-430a.1	Percentage of suppliers in compliance with wastewater discharge permits or contractual agreement	Quantitative	6.2 Supply Chain Management
	CG-AA-430a.2	Describe the percentage of Sustainable Apparel Coalition's Higg Facility Environmental Module assessment or an equivalent environmental data assessment	Quantitative	6.2 Supply Chain Management
Labor Conditions in the Supply Chain	CG-AA-430b.1	Audit the percentage of suppliers' labor code of conduct	Quantitative	6.2 Supply Chain Management
	CG-AA-430b.2	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits	Quantitative	6.2 Supply Chain Management
	CG-AA-430b.3	Describe the greatest labor and environmental, health, and safety risks in the supply chain	Qualitative	6.2 Supply Chain Management

Appendix D. TCFD Index

Types	Company's Strategies and Actions	Chapter(s)
Governance	<ol style="list-style-type: none"> 1. Describe the board's oversight of climate-related risks and opportunities. 2. Describe management's role in assessing and managing climate-related risks and opportunities. 	5.1 Climate Change Response
Strategy	<ol style="list-style-type: none"> 1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. 2. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. 3. Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario. 	5.1 Climate Change Response
Risk Management	<ol style="list-style-type: none"> 1. Describe the organization's processes for identifying and assessing climate-related risks. 2. Describe the organization's processes for managing climate-related risks. 3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. 	5.1 Climate Change Response
Metrics and Targets	<ol style="list-style-type: none"> 1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. 2. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. 3. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. 	5.1 Climate Change Response

Appendix E. GHG Inventory Principle 2022

Inventory Principle	<ul style="list-style-type: none"> ➤ Scope 1&2: Data collection is based on the operation control method in accordance with the ISO 14064-1 (2018) Guidelines for Quantification and Reporting of Greenhouse Gas Emissions and Removals at the organizational level. ➤ Scope 3: Refer to Green House Gas Protocol, Calculation Guidance, Supporting Documents.
Inventory Scope	Footwear manufacturing areas: Mainland China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar.
GHG	Carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF ₆), and nitrogen trifluoride (NF ₃).
Inventory Items	<ul style="list-style-type: none"> ➤ Scope 1 (Category 1 : Direct GHG emissions): total direct GHG emission <ol style="list-style-type: none"> (1) The GHG does not include hydrofluorocarbons that have been included in the Montreal Protocol specifications, such as R-22, etc. (2) Biomass fuels is calculated separately and is not included in the total emission items (purchased steam and self-run boiler biomass fuel). (3) The amount of purchased steam and biomass fuel for self-run boilers is estimated by using the purchased steam (produced by biomass fuel boilers), assuming that the boiler produces steam at a pressure of 10.0 kgf/cm³ and the boiler efficiency is 85.0%, and the calorific value of solid biomass fuel is 3,600.0 kcal/kg, and after a thermodynamics calculation, the ratio of steam to biomass fuel is 0.2173. (4) Methane emissions from septic tanks are calculated using fugitive staff time. (5) As for refrigerant/other hydrofluorocarbon (HFC), perfluorocarbon (PFC) and sulfur hexafluoride (SF₆), a small amount of SF₆ are only used as an insulation filler for high-voltage distribution equipment and its daily leakage rate is very low according to the supplier's data. The carbon emission resulted by evaporation will be included in calculation when equipment is filled (as per its purchase volume) and regarded zero when it is not filled. ➤ Scope 2 (Category 2 : Indirect GHG emissions from energy inputs) total indirect GHG emissions from energy sources. ➤ Scope 3 (Category 3 : Indirect GHG emissions from Transportation) the total GHG emission of the downstream transportation of the Group's finished shoes is calculated using the Distance-Based method. ➤ Scope 3 (Category 3 : Indirect GHG emissions from transportation (business travel - air travel): Total GHG emissions from air travel is calculated using the Distance-Based method.

<p style="text-align: center;">Basis for Calculation</p>	<ul style="list-style-type: none"> ➤ The GHG emissions of Scope 1&2 are calculated using the emission coefficients as follows: Activity data × emission coefficient × global warming potential (GWP) = CO₂e in metric tons/year. ➤ The emission coefficient for septic tank evaporation was not developed, nor was it developed by local studies, but was obtained by converting international coefficients of similar backgrounds with reference to typical values of effluent water quality and quantity. CH₄ emission coefficient = BOD emission factor × average effluent concentration × wastewater per person hour (liters per hour) × septic tank treatment efficiency CH₄ emission factor = 0.6 metric tons of CH₄/metric ton - BOD × 200 mg/L × 15.625 (liters/hour) × 85% = 0.0000015938 metric tons/person hour ➤ The calculation of purchased electricity in Scope 2 is divided into: <ul style="list-style-type: none"> • Location based carbon emissions are calculated based on the average energy production emission coefficients for a geographic area, which may be regional or national level coefficients. Location-based carbon emissions = electricity carbon emissions. • Market Based emissions are based on electricity purchased under a contract or bundled with contractual instruments and are calculated from the greenhouse gas emissions in the contract. Market Based Carbon Emissions = Electricity Consumption Carbon Emissions - REC Carbon Emissions. ➤ Scope 3: The total greenhouse gas emission from air travel of the Group’s finished shoes is calculated using the Distance-Based method: the total greenhouse gas emission from air travel of the Group’s finished shoes = cargo gross weight (tonnes) × cargo transportation distance (km) × emission factors of transportation vehicles (kg CO₂e/tonne-km) ➤ Scope 3: The total greenhouse gas emission from air travel of the Group headquarter is calculated using the Distance-Based method: the total greenhouse gas emission from air travel (ton CO₂e) = aerial navigation distance (passenger-km) x emission factors of aerial navigation (kg CO₂e/passenger-km)/1000.
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The aerial navigation distance between cities is mainly calculated based on ICAO, Carbon Emission Calculator: ICAO, Carbon Emission Calculator: the total greenhouse gas emission from air travel (ton CO₂e) = aerial navigation distance (passenger-km) x emission factors of aerial navigation (kgCO₂e/passenger-km) (kg CO₂e / passenger-km).

The aerial navigation distance is subject to those released by ICAO, Carbon Emission Calculator. <https://www.icao.int/environmental-protection/Carbonoffset/Pages/default.aspx>

One Way/Round Trip		Cabin Class		Number of Passengers		
Round Trip		Economy		1		
Leg	From City/Airport	To City/Airport				
1	TPE	SGN				
Delete All Location(s)		Delete Leg		Add New Leg		
Reset		Compute				
Metric (KG / KM)		Standard (LBS / MI)				
Dep Airport	Arr Airport	Number of passengers	Cabin Class	Total Trip	Aircraft Fuel Burn/journey (KG) ^{ab}	Total passengers' CO2/journey (KG) ^c
TPE	SGN	1	Economy	Round Trip	38010.7	299.2
Flight Stage Detail						
Dep Airport	Arr Airport	Distance (KM)	Aircraft	Aircraft Fuel Burn/leg (KG) ^d	Passenger CO ₂ /pax/leg (KG)	
TPE	SGN	2205.0	321, 350, 359, 77W, 787	19008.8	149.6	
SGN	TPE	2205.0	321, 350, 359, 77W, 787	19001.9	149.6	

Data of activities

Direct measurement or verification of data

Coefficient	1. The 4th ICPP assessment announcement 2006 is adopted for the global warming potential (GWP) before 2021; while the 6th ICPP assessment announcement 2021 is adopted for the global warming potential (GWP) in 2022.		
	Greenhouse gas	GWP	Source
	CO ₂	1	IPCC's 2021 Sixth Assessment Report
	CH ₄	27.9	
N ₂ O	273		
	Refrigerant	HFCs GWP	Source
	R143a	5810	Greenhouse Gas Emission Coefficients Management Table of IPCC (version 6.0.4, June, R.O.C. 108) Mass balance
	R134a	1530	
	R410a	2255.5	
	R32	771	
	R404a	4728	
	R507a	4775	
	R407c	1907.93	
	R401a	1923	
	R-417a	2127	
	2. The coefficients of different emission sources are mainly based on the emission coefficients announced by the IPCC in 2006, according to, and the coefficients of each emission source are calculated based on the emission coefficients announced for different fuels by taking into account the calorific value of different fuels; the auxiliary tools include the "Greenhouse Gas Emission Coefficient Management Table 6.0.4" (溫室氣體排放係數管理表6.0.4版) released by the Taiwan Environmental Protection Administration, and the coefficients of various emission sources are then calculated according to the "Greenhouse Gas Inventory Tool (Version 4.1)" (溫室氣體盤查工具(4.1版)) of the Ministry of Economic Affairs (經濟部工業局).		
	3. For the year 2022, electricity emission coefficients are calculated according to the latest data provided by each country, and in case of special country announcements, the latest emission coefficients of each country, which are provided by the IEA (International Energy Agency) brand customers, shall prevail.		
	Country/region	Coefficient (kg CO ₂ e/kwh)	Source
	China- Center China Grid	0.581	State Grid 2022 official document
	China-Southern Power Grid		
	Vietnam	0.8041	State Grid 2020 official document
	Indonesia	0.80	State Grid 2019 official document
	Taiwan	0.509	State Grid 2021 official document
	Cambodia	0.958	IEA 2020/brand customers
	Bangladesh	0.638	IEA 2020/brand customers
	Myanmar	0.492	IEA 2020/brand customers



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