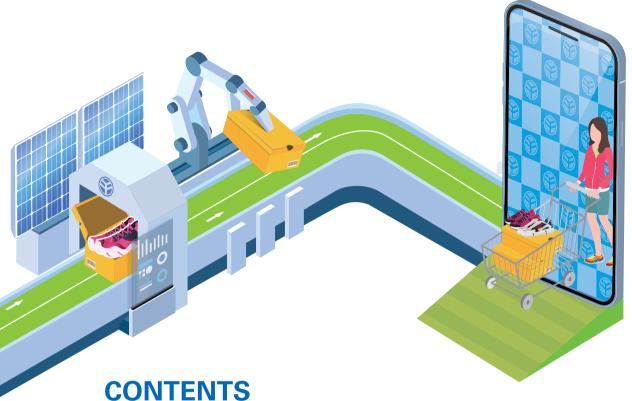


# 裕元工業(集團)有限公司

# Yue Yuen Industrial (Holdings) Limited





Chapter 1 About This Report

Chapter 2 2023 Highlights

# Chapter 3 Corporate Governance

- 3.1 Corporate Governance
- 3.2 Integrity Management and Anti-corruption
- Implementation of Regulatory Compliance and 3.3 Intellectual Property Protection

### Chapter 4 Stakeholder Engagement

- Communication with Stakeholders 4.1
- 4.2 Identification of Material Issues

### Chapter 5 Environmental Sustainability

- 5.1 Response to Climate Change-related Risks
- 5.2 **Energy Management**
- 5.3 Water Resources Management
- 5.4 Waste Management
- 5.5 Management on Air Pollutant Emission

### Chapter 6 Responsible Production

- Raw Materials Procurement 6.1
- 6.2 Supply Chain Management
- 6.3 Products and Services

### Chapter 7 Best Workplace

- 7.1 Manpower and Talent
- Human Rights Management 7.2

### Chapter 8 Safety Culture

- 8.1 Occupational Safety and Health Management
- 8.2 Occupational Safety and Health Measures

# Chapter 9 Community Relations

9.1 Community Involvement

### **APPENDIX**

- HKEx ESG KPI Index
- В GRI Standards (2021) Index
- С SASB Indicators Index
- D TCFD Index
- Ε GHG Inventory Principle 2023

#### 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", pursues the spirit of sustainable development and has formulated five key operation 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 best solution in the overall footwear value chain, the customers will be able to enjoy high value-added products and services, 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 and innovative research and development capability, maintaining harmonious and amicable employment relationship, and compliance with environmental standards of production bases as well as following the international trend of sustainability. Meanwhile, the Group enhances employee awareness and common practice of its core values, enhances strategy planning and promotes the efficiency of implementation through various internal communication channels, provides the employees with a safe and healthy working environment as well as promotes talent development. The Group also implements management policies, mechanisms and measures in supply chain management, environmental protection, and community involvement and participation to achieve the goal of sustainable development.

Regarding the governance structure, the board of directors (the "Board") of the Group is responsible for evaluating and identifying the environmental, social and governance ("ESG") risks, formulating ESG strategies, and ensuring that effective ESG risk management and internal control systems are established and maintained by the Group. Through regular analysis and independent assessments by the internal audit function, the Board also determines whether the aforesaid systems are sufficient and effective. The close cooperation between the Group and the sustainable development department (the "Sustainable Development Department") of the parent company, Pou Chen Corporation (together with its subsidiaries, the "Pou Chen Group"), helps integrate and provide strategic studies and project management on corporate social responsibility issues of the sustainable production for factories in different regions. These include the codes of conduct of the brand customers for sustainable operations, compliance with local laws and regulations, management of labor relations, and responses to audits and inspections of the Group's factories conducted by external NGOs. The sustainable development team also regularly reports to the management and the Board on the performance of these matters 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 industry leader, 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, 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.

# **Report Compilation Basis**

The Group's 2023 Environmental, Social and Governance Report (the "Report") has been prepared with reference to the "Environmental, Social and Governance Reporting Guide" (the "Reporting Guide", and in accordance with the Listing Rules effective on December 31, 2023, it has been renumbered as Appendix C2) under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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 set out below.

Materiality	Quantitative
Through peer-to-peer benchmarking analysis and communication with eight key stakeholders, the Group identifies material ESG issues which involve significant environmental and social issues in the Group's operations.	This Report discloses ESG key performance indicators in a quantitative manner where possible, and we also increase their transparency by disclosing calculation references and/or methods. indicators in a quantitative manner as far as possible, and we also increase their transparency by disclosing calculation references and/or methodologies.
Consistency	Balance
The Group adopts a management and performance measurement approach that is consistent with	The content of this Report is unbiased and reflects the Group's achievements in ESG management and

The Report also refers to the common principles of the Global Reporting Initiative ("GRI"), the industry principles of the Sustainability Accounting Standards Board ("SASB"), and the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") to disclose.

# **Scope of Reporting**

The Group is principally engaged in footwear manufacturing business and sportswear products retail and distribution business in the Greater China region. For operating and financial details of the aforesaid businesses, please refer to the Group's 2023 Annual Report. This Report only covers the ESG policies and performance of the Group's footwear manufacturing business. The environmental data disclosed in this Report mainly covers areas including Mainland China, Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar (collectively called as "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 aforesaid retail business. As for the ESG policies and performance of the aforesaid retail business, please refer to the 2023 ESG Report of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company.

#### Report data

The data disclosed in the Report come from the Group's own statistics and analysis results of the internal management system. The data sources and calculation logic related to the Group and its parent company, Pou Chen Group, are consistent. The sustainability report of the parent company has been verified by a third party, which ensures the reliability of the content of the Group's report.

# **Reporting Period**

The information published in this Report covers the period from January 1, 2023 to December 31, 2023 (the "Reporting Period"), which is the same as the financial year as reported in the Group's 2023 Annual Report.

On behalf of the Board

Tsai Pei Chun, Patty

Managing Director Hong Kong, March 13, 2024

### **Financial and Business Performance**



US\$ 7,890.2

Gross Profit Margin

24.4%

% \$ Net Profit Margin

3.9%



218.3 million pairs



US\$**21.34** per pair

Netv

3,523

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

factories certified

ISO 14001

ISO 45001

**68%** 

factories certified

ISO 9000

**47%** 

factories certified

- ISO 50001 Energy Management
- ISO 14001 Environmental management
- ISO 45001 Occupational Health and Safety Management
- ISO 9000 Quality Management

#### **MSCI ESG Ratings**



The Group's MSCI ESG Rating was upgraded since 2021 and maintained at 'BBB' in 2023.

#### **S&P Global CSA Score**

# S&P Global Ratings

The Group's Corporate Sustainability Assessment (CSA) score for 2023 placed its performance ahead of 83% of the companies in the Textiles, Apparel and Luxury Goods industry.

#### **CDP**



In 2023, the Group received a 'B-' (Management) level for the CDP Climate Change Score and achieved a 'B' (Management) level for its first participation in the CDP Water Security Score.

# Institutional Investor Asia Executive Team 2023



# Consumer/Discretionary Sector Asia ex-Mainland China

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

# HKIRA 9th IR Awards 2023



#### **Midcap Category**

- Best IRO
- Best IR Team
- Best IR Company
- Best Investor Meeting
- Best ESG (Social)
- 3 Years Winning Company

# IR Magazine Awards Greater China 2023



Certificate for excellence in investor relations



# Certificate for Excellence in Investor Relations

#### Awards Nominee:

- Best Overall Investor Relations (Small to Mid-cap)
- Best in Sector (Consumer Discretionary)

# 2023 Highlights



Assessment Award of Responsibility System for Safety Production Target Management (Mainland China)



RoSPA Gold Award (Mainland China)



LWG Gold Award (Vietnam)



Healthy and Efficient Campaign of Female Employees (Indonesia)



Certificate of Excellent Environmental Enterprise (Indonesia)



Occupational Safety and Health Excellence (Vietnam)



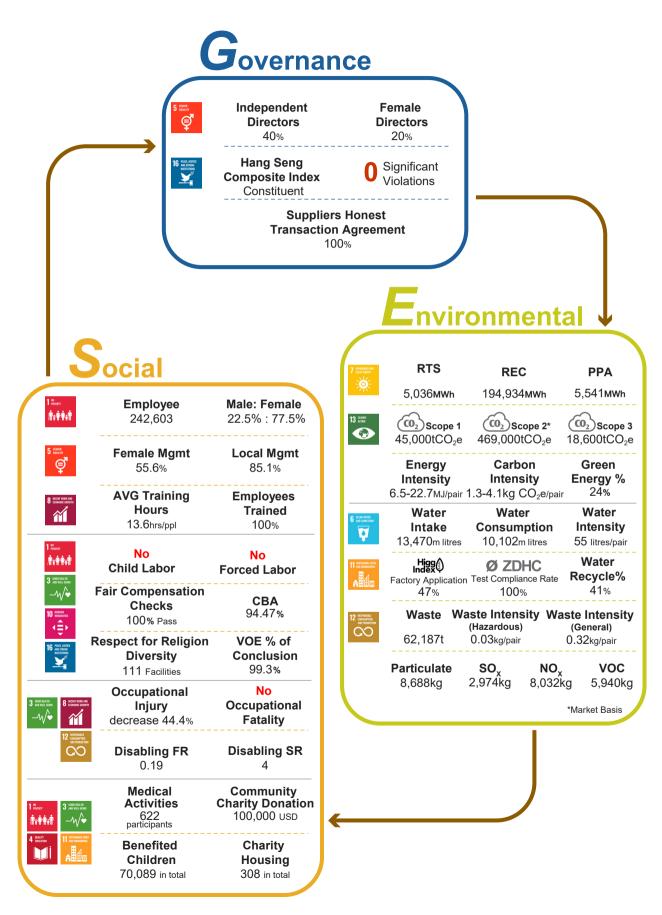
Outstanding Achievements in Labor Union Co-operation (Vietnam)



Honoring Business Owners
Dedicated to Serving Their
Employees
(Vietnam)



Green, Clean & Tidy Occupational Safety & Health Award (Vietnam)



# **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> <li>Environmental Protection Law of the People's Republic of China</li> <li>Environmental Protection Tax Law of the People's Republic of China</li> <li>Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China</li> <li>Law on the Prevention and Control of Water Pollution of the People's Republic of China</li> <li>Law on Appraising of Environment Impacts of the People's Republic of China</li> <li>Law on the Prevention and Control of Environment Pollution by Solid Wastes of the People's Republic of China</li> <li>Law on the Prevention and Control of Pollution from Environmental Noise of the People's Republic of China</li> </ul>	<ul> <li>Administration         Standards on         Environment, Energy,         Safety and Hygiene</li> <li>Guidelines on soil and         groundwater pollution         management</li> <li>Guidelines on waste         management</li> <li>Guidelines on sewage         discharge         management</li> <li>Guidelines on air         pollution management</li> <li>Guidelines on         Environmental, Safety         and Hygiene index         management</li> <li>Guidelines on energy         management</li> <li>Guidelines on energy         management</li> <li>Guidelines on</li> </ul>
	Myanmar	<ul> <li>Environmental Conservation Law (2012)</li> <li>Environmental Conservation Rules (2013)</li> <li>National Environmental Quality (Emission)         Guidelines (2015)</li> <li>Prevention of Hazard from Chemical and Related         Substances Law (2013)</li> <li>Prevention of Hazard from Chemical and Related         Substances Rules (2016)</li> </ul>	
	Vietnam	<ul><li>Environmental Protection Law</li><li>Water Resources Law</li></ul>	greenhouse gas management
	Indonesia	Environmental Protection and Management Law	Climate change policy
	Cambodia	Law on Environmental Protection and Natural Resources Management of Cambodia	
	Bangladesh	Environment Conservation Rules, 1997	

ESG Indicators	Region	Laws and Regulations	Internal System
B1 Employment B4 Labour Standards	Mainland China	<ul> <li>Labor Law of the People's Republic of China</li> <li>Labor Contract Law of the People's Republic of China</li> <li>Labor Dispute Mediation and Arbitration Law of the People's Republic of China</li> <li>Employment Promotion Law of the People's Republic of China</li> <li>Social Insurance Law of the People's Republic of China</li> <li>Regulations on Prohibition of Child Labor of the People's Republic of China</li> <li>Regulation on Special Protection for Underage Workers of the People's Republic of China</li> <li>Prohibition of Forced Labor and Prisoners Labor Policy and Procedures of the People's Republic of China</li> </ul>	<ul> <li>Code of conduct</li> <li>Fair remuneration commitment</li> <li>Guidelines on sexual harassment and sexual</li> </ul>
	Hong Kong	<ul> <li>Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)</li> <li>Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)</li> <li>Employment Ordinance (Chapter 57 of the Laws of Hong Kong)</li> <li>Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)</li> <li>Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong)</li> <li>Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong)</li> <li>Family Status Discrimination Ordinance (Chapter 527)</li> <li>Race Discrimination Ordinance (Chapter 602)</li> </ul>	assault prevention measures complaints and disciplinary handling management measures  Discipline/Engagement Committee Measures  Work manuals and labor regulations of regional administrative centers
	Myanmar	<ul> <li>Labor Law</li> <li>Social Insurance Law</li> <li>Factory Act</li> <li>Syndical Law</li> <li>Employment Law</li> <li>Labor Safety and Health Law 2019</li> <li>Minimum Wage Law</li> </ul>	

ESG Indicators	Region	Laws and Regulations	Internal System
	Vietnam	<ul> <li>Labor Law</li> <li>Social Insurance Law</li> <li>Medical Insurance Law</li> <li>Syndical Law</li> <li>Employment Law</li> <li>Labor Safety and Health Law</li> </ul>	
	Indonesia	<ul><li>Labor Law</li><li>Social Insurance Law</li></ul>	
	Cambodia	<ul> <li>Labor Law</li> <li>Law on Social Security Schemes</li> <li>Trade Union Law</li> <li>Law on the Protection and the Promotion of the Rights of Persons with Disabilities</li> </ul>	
	Bangladesh	<ul><li>Bangladesh EPZ Labor Act (2019)</li><li>Bangladesh Labor Act (2006)</li></ul>	
	Macau	<ul> <li>Labor Relations Law</li> <li>Minimum Wage for Employees</li> <li>Law on Employment of Non-Resident Workers</li> <li>Social Security System</li> </ul>	
	Taiwan	<ul> <li>Labor Standards Act</li> <li>Employment Services Act</li> <li>Labor Pension Act</li> <li>Act for Protection of Labor in Mass Dismissal</li> <li>Labor Incident Act</li> </ul>	

ESG Indicators	Region	Laws and Regulations	Internal System
	U. S.	<ul> <li>Fair Labor Standards Act</li> <li>National Labor Relations Act</li> <li>Employee Retirement Income Security Act</li> <li>Family and Medical Leave Act</li> <li>Title VII of the Civil Rights Act of 1964</li> <li>Pregnancy Discrimination Act</li> <li>Equal Pay Act</li> <li>Age Discrimination in Employment Act</li> <li>Americans with Disabilities Act</li> </ul>	
	Mexico	<ul><li>Constitution of the United Mexican States</li><li>Federal Labour Law</li></ul>	
	Mainland China	<ul> <li>Prevention and Control of Occupational Diseases         Law of the People's Republic of China     </li> <li>Production Safety Law of the People's Republic of China</li> </ul>	Administration     Standards on     Environment, Energy,     Safety and Hygiene
	Hong Kong	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)	Guidelines on safety, environment and energy of boiler
	Myanmar	<ul><li>Labor Safety and Health Law 2020</li><li>Labor Law</li><li>Factory Act</li></ul>	equipment • Guidelines on the supervision and
	Vietnam	Labor Safety and Health Law     Labor Law	measurement of Environmental, Safety and Hygiene
	Cambodia	Labor Law	Guidelines on operations control
	Bangladesh	<ul><li>Bangladesh EPZ Labor Act (2019)</li><li>Bangladesh Labor Act (2006)</li></ul>	<ul> <li>Guidelines on the construction of Contractor</li> <li>Guidelines on employee's health</li> <li>Guidelines on personal protective equipment</li> <li>Abnormal Incident Management Regulations</li> <li>Human Factors Engineering guidelines</li> <li>Guidelines on chemicals management</li> <li>Guidelines on the management of mechanical equipment safety</li> <li>Guidelines on the management of electrical safety</li> </ul>
B2 Health and Safety	Taiwan	Occupational Safety and Health Act	
	U.S.	Occupational Safety and Health Act	
	Mexico	<ul> <li>Constitution of the United Mexican States</li> <li>Federal Labour Law</li> </ul>	

ESG Indicators	Region	Laws and Regulations	Internal System
B3 Development and Training	Nil	Nil	<ul> <li>Operation process of education, training and internal lecturer management</li> <li>Operation process of education, training and internal lecturer management</li> <li>Individual development plan (IDP)</li> </ul>
B5 Supply Chain Management	Nil	Nil	<ul> <li>Supplier-friendly workplace guidelines</li> <li>Guidelines on equipment general service supplier</li> </ul>
B6 Products Liability	Mainland China	<ul> <li>Constitution of the People's Republic of China</li> <li>Tort Law of the People's Republic of China</li> <li>Public Security Administration Punishments Law of the People's Republic of China</li> <li>Criminal Law of the People's Republic of China</li> <li>Product Quality Law of the People's Republic of China</li> <li>Law on the Safety of Special Equipment of the People's Republic of China</li> <li>Advertising Law of the People's Republic of China</li> <li>Law on the Protection of Consumer Rights and Interests of the People's Republic of China</li> </ul>	<ul> <li>Guidelines on chemicals</li> <li>Intellectual Property Manual</li> <li>Guidelines on Intellectual Property contract of the legal department</li> <li>Administration standards on innovative research and development</li> </ul>
	Myanmar	Product Safety Law	protection
	Vietnam	Intellectual Property Law     Cyber Information Security Law	Administration     standards on patent     application and
	Cambodia	<ul><li>Trademark Law</li><li>Law on Copyright and Related Rights</li><li>Patent Law</li></ul>	<ul> <li>maintenance</li> <li>Quality management guidelines for each</li> </ul>
	Bangladesh	<ul><li>Bangladesh EPZ Labor Act (2019)</li><li>Bangladesh Labor Act (2006)</li></ul>	brand business division

ESG Indicators	Region	Laws and Regulations	Internal System
	Mainland China	<ul> <li>Anti-Unfair Competition Law of the People's Republic of China</li> <li>Criminal Law of the People's Republic of China</li> <li>General Provisions of the Civil Law of the People's Republic of China</li> <li>Anti-money Laundering Law of the People's Republic of China</li> </ul>	Code of Corporate
	Hong Kong	Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)	<ul><li>Governance Practice</li><li>Code of Conduct for Integrity Management</li></ul>
B7 Anti-corruption	Myanmar	Prevention of Corruption Law     Criminal Law	Code of Ethical     Conduct     Procedures for
B7 Anti-contuption	Vietnam	Prevention of Corruption Law     Criminal Law	Handling Reports of Illegal, Unethical or
	Indonesia	Money Laundering Control Law     Criminal Law	Dishonest Conduct • Prevention of bribery policy
	Cambodia	<ul> <li>Anti-Corruption Law</li> <li>Criminal Law</li> <li>Anti-Money Laundering and Combating the Financing of Terrorism Law</li> </ul>	Whistleblowing policy
	Bangladesh	Act 90, 91, 92 and 146 of the Laws of the EPZ Office	
B8 Community Investment	Nil	Nil	<ul> <li>Code of conduct</li> <li>Sustainable development code of practice</li> </ul>

## 3.1 Corporate Governance

The Company believes that a robust corporate governance can establish a solid foundation for sustainable development and help the Group to achieve long-term success, thereby enhancing corporate value, improving transparency and accountability, and thus protecting the interests of shareholders. During the Reporting Period, the Company has applied and complied with the principles and all provisions of Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 14 of the Listing Rules (which has been renumbered as Appendix C1 in accordance with the Listing Rules effective on December 31, 2023).

The Board of the Company consists of six executive directors and four independent non-executive directors. The Board has established the following three committees to oversee specific matters of the Company and to assist in the discharge of its responsibilities:

• Audit Committee • Nomination Committee • Remuneration Committee

For details on the roles and responsibilities of each committee and the corporate governance framework, please refer to the Corporate Governance Report published in the Company's 2023 Annual Report.

As the highest decision-making body of the Company, the Board is responsible for overseeing all major matters of the Group, including the formulation and approval of relevant ESG management policies and strategies, risk management and internal control systems after considering the recommendations from the relevant committees. For information on how the Board assesses, prioritizes and manages material ESG-related issues, please refer to the "Stakeholder Engagement" chapter.

#### 3.1.1 ESG Management Approach and Strategy

The Board is responsible for planning and promoting the Group's sustainable operations, including:

- 1. Lead the Group in developing a vision for effective and measurable ESG development that meets the expectations of shareholders and other key stakeholders, as well as the legal and regulatory requirements of the locations in which it operates;
- Adopt, review and oversee the implementation and results of the ESG policies and code to
  ensure that they are consistent with the management principles and governance framework for
  ESG issues;
- Understand the environmental objectives recommended by the ESG Task Force, propose
  appropriate adjustments in accordance with the Group's development strategy and external
  environment, confirm the setting of its objectives and implement 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) to improve the Group's overall risk resilience:
- 5. Pay attention to the internal control mechanisms relating to its daily operations and delegate the Audit Committee the authority to monitor whether the Group has established a proper and effective internal control system, identify outstanding problems and weaknesses in the relevant areas, and oversee the implementation of targeted remediation plans; and
- 6. Review and discuss the annual ESG report and the 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, accurate, complete, and truly reflects the Group's ESG performance.

In order to further strengthen the Group's ESG management, the Board has (a) adopted the "Climate Change Policy" to formulate the energy management related strategy of climate change and enhance the resilience to climate change in 2021; and (b) adopted the "Sustainable Development Code of Practice" and the "Supplier – Friendly Workplace Guidelines" in 2023.

#### 3.1.2 ESG Governance Structure

The Board has delegated key responsibility for the implementation of the Group's ESG strategy to the ESG Task Force. The ESG Task Force was formally established on May 13, 2021 under the leadership of the Board. With the exception of its Chairman, who is appointed by the Board, the other members are appointed directly by their respective departments. Each department is required to appoint a representative to the taskforce to provide suggestions and support to the Board on ESG matters, and to ensure that relevant environmental and social issues that the Group has to face are integrated into the corporate agenda, day-to-day decision-making, corporate culture and future plans.



#### 3.1.3 Terms of Reference of the ESG Taskforce

The ESG Task Force is chaired by an Executive Director, and comprises representatives from Investor Relations Department, Legal Department, Finance Department, Sustainable Development Department and Human Resources and Administration Department in Hong Kong. The ESG Task Force holds an ESG meeting at least once every six months, whose responsibilities include:

- 1. Manage and regularly review the Group's ESG management approach, strategy and priorities to ensure that they are keeping pace and meeting timely needs;
- Keep abreast of the latest published ESG-related laws and regulations, be aware of key international trends, and report to the Board on expected actions and plans to ensure compliance with ESG-related legal and regulatory requirements in the locations where it operates;
- 3. Make reference to peers or benchmark companies and the size of the Group to set ESG targets and make strategic recommendations to achieve these targets, regularly review its progress and report to the Board of its relative performance and results;
- 4. Conduct ESG risk assessments, identify ESG risks relevant to the Group, assess the impact of such risks on the business, formulate implementation strategies for timely risk response in line with the Group's vision and mission, and then make recommendations to the Board;
- 5. Review and approve the Group's annual ESG report and other relevant disclosures for final endorsement and approval by the Board for publication; and
- 6. Perform any other ESG responsibilities delegated by the Board.

#### 3.1.4 Terms of Reference of the Responsible Unit of the ESG Liaison

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

- Communicate closely with stakeholders, including the collection of results from the stakeholder materiality assessment questionnaire to guide and review the identification and prioritisation of the Group's material ESG issues;
- 2. Promote the implementation of the ESG management policies and action plans, including overseeing and guiding the promotion of ESG culture and activities within departments;
- 3. Establish specific ESG responsibilities and initiatives at the departmental level;

- 4. Establish ESG performance measurement standards and key performance indicators, arrange and prepare the Group's annual ESG report and other relevant information disclosures in accordance with the internal division of labor; and
- 5. Report regularly to the ESG Task Force on the implementation of ESG initiatives.

#### 3.1.5 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, including (a) formulating policies and procedures and defining authorization criteria, which provide a framework for identification and management of risks; (b) overseeing 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, management and the ESG taskforce; (c) 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) takes responsibility to (a) design, implement and monitor the risk management and internal control systems, and ensure the effective performance of these systems; (b) monitor risks and take measures to mitigate risks in daily operations; (c) provide timely responses and follow-up actions to findings on internal control matters raised by internal audit department or external auditors; and (d) provide 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. The Board authorizes the Audit Committee to (a) regularly review the Group's risk management and internal control systems, and ensure that the management has performed its duty to have effective systems; (b) consider major investigation findings on risk management and internal control matters and management's responses to these findings; (c) ensure co-ordination between the internal audit department and external auditor; and (d) review and monitor the effectiveness of the internal audit function and ensure that internal audit has sufficient resources and appropriate status to operate within the Group.

The internal audit function of the Group is 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.

For details on the Company's risk management and internal control, please refer to the Corporate Governance Report contained in the Company's 2023 Annual Report.

## 3.1.6 Risk Management Operation

The Company uses risk matrix to identify key risks by all functional units in terms of the impact and efficiency of operations (including profit, performance and protection of assets, etc.), reliability, timeliness and transparency of reporting and compliance with relevant norms and relevant laws and regulations. It then conducts a comprehensive assessment of the degree of significant impact on the organization and the likelihood of damage of risk events across units, in order to analyze and propose 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 2023**

Risk Category	Risk Identification	Risk Control Measures		
Economy	Change in corporate image	<ul> <li>Adhere to the core values of "Professionalism, Dedication, Innovation and Service", actively face and overcome various difficulties and challenges, to become the world's leading footwear manufacturing service group.</li> <li>Strengthen corporate governance to realise the long-term goal of sustainable development.</li> <li>Continue to improve information transparency, strengthen the communication with stakeholders.</li> </ul>		
	Ethical integrity and anti-corruption	<ul> <li>Integrate integrity and ethical values into the Group's business strategy, adopt "Statement of Policy on Corporate Governance" and develop internal rules and regulations such as the "Code of Conduct", "Anti-Bribery Policy", "Whistleblowing Policy" and various management practices as the basis for implementation to ensure the relevant preventive measures for ethical business operations.</li> <li>Plan internal organization, staffing and functions, and establish a mutual supervision and checks and balances mechanism.</li> <li>Establish whistleblowing channels to prevent illegal, unethical or dishonest practices and ensure the effectiveness of enforcement.</li> </ul>		
	Operational risk	<ul> <li>Leverage the local production advantages to increase the flexibility and diversity of manufacturing capabilities.</li> <li>Provide value-added services and deepen relationships with brand customers.</li> <li>Strengthen digital operating capabilities and promote the integration of online and offline resources.</li> <li>Continue to invest resources in automation, innovative technology and process improvement, strengthen R&amp;D capabilities and improve production efficiency.</li> <li>Establish a variety of communication channels, address and resolve employee issues, strengthen internal cohesion and organizational identity, and comply with local laws and regulations, protect employee rights and create a friendly workplace.</li> </ul>		
	Financial risk	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 take appropriate interest rate and exchange rate hedging measures as a response.		
	Information risk	<ul> <li>Establish a comprehensive information management system for the multiple control and protection of network information security, and strengthen the active protection and warning capability.</li> <li>Continuously monitor and practice social engineering and improve the quality of information security users.</li> <li>Establish a database backup mechanism and conduct disaster recovery exercises on an irregular basis.</li> </ul>		
	Legal risk	<ul> <li>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.</li> <li>Assist in providing legal advice and contract review to reduce business disputes and protect the Company's rights and interests.</li> </ul>		

Risk Category	Risk Identification	Risk Control Measures
Environment	Climate change risk	<ul> <li>Consider international trends in climate change risk management, refer to the risk assessment model in the Task Force on Climate-related Financial Disclosures (TCFD), assess relevant impacts and risks, and formulate relevant prevention and response measures.</li> <li>Proactively promote the use of low carbon, high-efficiency equipment, and expand the use of green and renewable energy in accordance with the relevant local government energy use policies and voluntary emission reduction commitment under the Science-Based Targets initiative (SBTi).</li> <li>Promote the monitoring, analysis and statistics of energy consumption and carbon emissions, and continue to implement the energy conservation and carbon reduction action plan.</li> </ul>
	Change in environmental laws	<ul> <li>Comply with the local environmental regulations, regularly review the compliance with the Environmental Impact Assessment (EIA) documents and follow up on improvement plan.</li> <li>Actively invest in pollution prevention and control facilities, and monitor and strengthen pollution discharge compliance management.</li> <li>Continuously improve the environmental safety index management system and abnormal event reporting system, and effectively monitor risk events in daily operations.</li> </ul>
Society	Risk of infectious disease control	<ul> <li>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.</li> <li>Continue to improve the command system, internal management, external communication and other standard operating procedures to quickly respond to emergencies and reduce operational impacts.</li> </ul>
	Fire safety management	<ul> <li>Continuously implement the fire prevention measures and strictly implement the fire source control.</li> <li>Strengthen staff fire awareness, disaster prevention training and autonomous safety inspection.</li> </ul>
	Health and safety risks	<ul> <li>Promote workplace safety culture, continuously promote occupational safety and health education and training.</li> <li>Strengthen the hazard risk protection measures and operation control, ensure the safety and production order of the workplace.</li> </ul>
	Human resource risk management	<ul> <li>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.</li> <li>Improve the inheritance mechanism of high-level talents and implement the duty agent system to ensure smooth business undertaking.</li> <li>Develop physical and online training, and cultivate professional and communicating ability of supervisors and employees.</li> </ul>
	Product quality control	<ul> <li>From product development trial to mass manufacturing, the use of raw materials is in strict compliance with international norms and brand customers' Manufacturing Restricted Substance List (MRSL).</li> <li>Comprehensively promote product quality related policies and measures.</li> <li>"Broken needle" protection and "Metal detection measures" are carried out in the production process to prevent consumers from being harmed when using products.</li> </ul>
	Product safety management	<ul> <li>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 maintenance, crisis management, etc</li> <li>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.</li> </ul>

# 3.2 Integrity Management and Anti-corruption

### **Management of Material Topics**

#### What it means to Yue Yuen

To establish the corporate culture of integrity and comprehensive development of Yue Yuen and to maintain a good business operation model.

#### **Positive Impacts**

- > The Group continues commitment to promoting ethical behaviours and corporate values. When making important business decisions, the Group considers the interests of all stakeholders, including employees and the surrounding community. The Group monitors and manages its business using comprehensive guidelines for employee relations, workplace safety and the efficient use of raw materials and energy, together with other environmental metrics, promoting ethical behaviour and integrity culture.
- > The Group is also committed to promoting the highest standards of business ethics and complying with all applicable laws, including the prevention of bribery legislation in each jurisdiction in which the Group operates and conducts business activities. The Prevention of Bribery Policy outlines the standards and guidelines against bribery and corruption and unethical behaviour that the Group's personnel and business partners should follow.

#### **Policy and Commitment**

Implement the "Code of Conduct", "Prevention of Bribery Policy" and "Whistleblowing Policy" of the Company.

#### **Indicator and Target**

- Require the employees to comply with code of conducts, sign the "Employee Ethics Pledge" and the "Confidentiality Undertaking".
- ➤ Require the major suppliers to follow the Company's principles on honest transactions, sign the "Honest Transaction Agreement" or provide their declaration of probity or information on their moral integrity systems.
- ➤ In order to implement the policies in relation to the internal integrity operation, we have enhanced the sense of integrity operation of the entire employees, continued to conduct integrity operation declaration and educational training, and achieved a training rate over 80%.
- > Continuously assess risks related to corruption in the Company's major operation sites and maintain no corruption case every year.

### **Actions**

Adopt a "Statement of Policy on Corporate Governance", "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.

#### **Evaluation Methods**

- > Board meetings, semi-annual meetings of operational management review 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.

#### **Stakeholder Engagement**

Stakeholder Engagement will be implemented by internal and external complaints and reporting channels.

#### **Sustainability Indicators**

HKEx KPI B7 GRI 205 SDG 16

## 3.2.1 Anti-Corruption

Integrity, honesty and fairness are core values of the Company. The Company is committed to promoting the highest standards of business ethics and complying with all applicable laws. Therefore, the Company has "Bribery Prevention Policy", which provides that employees and companies, institutions and individuals (such as customers or suppliers) that have business relationships with the Group, are prohibited from engaging in any bribery, requesting or receiving (directly or indirectly) any undue advantage, offering, promising, giving or accepting undue gifts, entertainment or other undue benefits. If the Company discovers any case of corruption, the Group will take the necessary legal actions to protect the Group's interests, depending on the significance of the circumstances.

In 2023, the Group conducted a risk assessment of corruption-related situations in the Group's major operation sites (including Mainland China, Vietnam, Indonesia, Cambodia, Myanmar, Bangladesh) based on the degree of impact of corruption and the circumstances prone to corruption. The Group measured the level of impact of corruption and the effectiveness of the internal control system based on financial, goodwill, operational restrictions imposed by law enforcement agencies, customer or business partner satisfaction and operational capabilities. The likelihood of corruption is assessed based on the significance of non-routine transactions and complex business processes, the number of transactions, the reliance on external partners, the variability of business operations and the frequency of occurrence in the past. Following a comprehensive assessment of corruption risks, no significant corruption risks have been identified. At the same time, the Group conducts an annual assessment and investigation on the ethical integrity and anti-corruption standards of the employees and suppliers of the above-mentioned major production sites; the results of the 2023 annual survey showed that the Company had not had any violations of ethical integrity and anti-corruption norms. During the Reporting Period, no concluded legal cases regarding corrupt practices against the Company or its employees had been reported.

In addition to the Group's employees, the Group expects all contractors, subcontractors and suppliers with whom the Group does business to be fair, honest and accountable in the course of their business. The Group requires the suppliers to sign non-disclosure agreements or appropriate documents to protect the trade secrets of brand customers, and to comply with the Group's principles on honest transactions. Suppliers are required to sign the "Honest Transaction Agreement", or to provide a statement of probity or information on their moral integrity systems for 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 "Honest Transaction Agreement" before any procurement can be made by the Group.

Number of such suppliers worldwide that have signed the Honest Transaction Agreement:

Number of available suppliers <sup>(Note 1)</sup>	Number of the suppliers completing the Undertaking <sup>(Note 2)</sup>	Completion rate
11,190	11,190	100%

- Note 1: Number of available suppliers: The number of suppliers that have not been frozen and verified in the Supplier Master Data Application (MDA) 2023.
- Note 2: Number of the suppliers completing the Undertaking: Include signed, special exempted case, etc..

#### 3.2.2 Complaints Channels

The Group has developed a "Whistleblowing Policy" to provide a channel for our employees and those who have business relationships with the Group (such as customers and suppliers) to report any concerns they may have regarding any act of misconduct, bribery, corruption or irregularity. Whistleblowers may report in writing to the Chairman of the Audit Committee of the Group through the Company Secretary in following forms: Email (whistleblower@yueyuen.com) or by post (address: 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong).

#### 3.2.3 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 Company's philosophy and standards on business integrity.

The Group's legal department has regularly conducted 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 on "Honest transactions and protection of the Group's interests". It is hoped that the Company's philosophy and standards on ethical operation will be further promoted. During the Reporting Period, the Company has provided anti-corruption training materials to the Board.

# 3.3 Implementation of Regulatory Compliance and Intellectual Property Protection

The Group is a responsible enterprise, and the compliance with local regulations is the fundamental management principle. The Group has formulated "Intellectual Property Management Scheme" with contents of establishing a refined system of patent, trademark and trade secret, improving the layout of the Group's patent and trademark and strength, and protecting trade secret and confidential information security as the objectives of its management scheme, and stipulated the norms of intellectual property management policy and goal, segregation of roles and responsibilities, document and procedure management, to manage the Group's intellectual property and respect others intellectual property.

As for employees, they are required to protect confidential information and intellectual property rights through regular trainings on trade secrets, information security, non-competition agreements etc.. The Group also requires the suppliers to sign non-disclosure agreements or confidentiality terms and the product safety undertakings attached thereto, and to strictly comply with the confidentiality provisions and the provisions of the undertakings. The Group also provides trainings to suppliers on issues such as the protection of trade secrets and information security. The Group conducts assessments of suppliers from time to time and the results of the assessment are one of the bases of the Group's evaluation of suppliers. If a violation of trade secrets, privacy or intellectual property rights is discovered, the Group will immediately stop the violation, review the mechanism and take improvement measures. The Group respects the intellectual property rights of brand customers. The intellectual property rights (such as trademarks) of brand customers are only applied to products within the scopes authorized by the brand customers.

# **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 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.

Yue Yuen uses various communication channels listed in the table below, and the issues of concern will be referred by dedicated personnel to the relevant authorities and responsible units for further handling and responses according to the scope and nature of the issues. Letters received through relevant communication channels in 2023 included business cooperation proposals, shareholders/investors inquiries, media affairs and requests for research and survey, which has been given a description in this Report.

# Issues of Interest of Stakeholders and Communication Approaches

Shareholders/Investors	<b>Issue of Interest</b> : Economic performance (share Corporate governance, Market image, Significant	
Importance to Yue Yuen 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 greatest returns to shareholders.	Communication Channels and Methods  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  Interaction in 2023 Quality communication with shareholders/inves	Frequency Irregularly  Four times per year  At least yearly Four times per year Irregularly Four times or above per year Irregularly Irregularly Irregularly Irregularly Irregularly
Customers	Issue of Interest: Product quality, Information Se Management of prohibited/restricted substances, and regulations, Transparency and reliability of interests.	curity management, Compliance with laws
Importance to Yue Yuen 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	Communication Channels and Methods  Business visits/regular meetings  Ad hoc communication meetings  Audit feedback/self-management performance feedback  Emails and phone contacts  ESG Report	Frequency
is the service principle of	Interaction in 2023	

is the service principle of

brand customers.

serving Yue Yuen's customers. Yue Yuen also focuses on protecting the privacy and commercial confidentiality of • A total of 71 brand audits

# Government/Regulatory Authorities

# **Issue of Interest:** Corporate governance, Compliance with laws and regulations, Major labor disputes

# Importance to Yue Yuen

The Company produces and operate in accordance with the policies and regulations formulated by government authorities where it operates, upholds the concept of friendly environment, and fulfills its responsibility for sustainable development.

### **Communication Channels and Methods**

- Cooperate with the government on compliance inspections
- Regular submission of statements (monthly/ quarterly)/documents
- ESG Report
- Proposal consultation visits

#### Frequency

- Irregularly
- Monthly/ Quarterly
- Yearly
- Irregularly

#### Interaction in 2023

• The frequency of interaction varies subject to different competent 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

#### Importance to Yue Yuen

Employees are the Company's important assets which grow with the Company as partners. The Company 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.

#### **Communication Channels and Methods**

- 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

- Irregularly
- Monthly
- Irregularly
- Monthly/ Bimonthly
- Monthly/ Quarterly
- Daily

### Interaction in 2023

- 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".

# **Stakeholder Engagement**

Suppliers	Issue of Interest: Management of prohibited/restricted substances, Fair competition/quality and price/supply criteria, Supplier selection and management (quality/sustainability requirements)	
Importance to Yue Yuen Suppliers are important partners of providing raw materials, equipment and services, the Company regards integrity and law-abiding as the cornerstone of cooperation between the two parties. All suppliers must abide by local regulations and	<ul> <li>Communication Channels and Methods</li> <li>Procurement contracts/Letters of undertaking</li> <li>Business communication/emails and phone contacts</li> <li>Supplier assessment system</li> <li>Supplier meetings</li> </ul>	Frequency Irregularly Irregularly Yearly Irregularly
contractual commitments, and incorporate labor human rights, occupational health and safety and environmental compliance into one of the primary considerations.	<ul> <li>Interaction in 2023</li> <li>Undertake supplier assessment at least once a</li> <li>Daily business window take charges to respon</li> </ul>	<i>'</i>

Media	<b>Issue of Interest:</b> Operational status, Ma Newsworthy events	njor labor disputes,
Importance to Yue Yuen Media provides multiple views and opinions on improving the Company's sustainable management performance.	<ul> <li>Communication Channels and Methods</li> <li>Press releases</li> <li>Respond through channel of spokesperson</li> <li>Coordination of requests for visits by media and provision of information</li> </ul>	Frequency Regularly Irregularly Irregularly
	<ul> <li>Interaction in 2023</li> <li>Monthly revenue and quarterly operating results press releases</li> <li>Explanatory documents for the concerned issues, phone calls and emails</li> </ul>	

# **Stakeholder Engagement**

NGO	Issue of Interest: Labor relations/labor rights, Compliance with laws and regulations, Environmental issues, Communication channels and mechanism	
Importance to Yue Yuen NGOs supervise and assist in improving the Company's ESG sustainable management performance	<ul> <li>Communication Channels and Methods</li> <li>FLA SCI on-site audit and online platform</li> <li>Cooperation plan with NGOs</li> <li>Explanatory documents for the concerned issues</li> <li>Respond through channel of spokesperson</li> <li>ESG Report</li> </ul>	Frequency     Yearly     Irregularly     Regularly     Irregularly     Yearly
	Interaction in 2023  • Regularly receive information from the FLA Board of Directors and update the audit improvement progress every quarter	

Community	Issue of Interest: Environmental issues/compregulations, Commuting traffic impact, Ca Community welfare outreach activities	
Importance to Yue Yuen The community is the support force for the stable operation of the Company, and it is also one of the sources of employees. The Company's operations coexist with community.	<ul> <li>Communication Channels and Methods</li> <li>Proactive visits</li> <li>Communication channels for external feedback</li> <li>Sponsor community charity events/ community visits</li> <li>The Company's website</li> </ul>	Frequency Irregularly Irregularly  Irregularly/ Quarterly Irregularly
Through the community's expectations for the Company's sustainable development, the Company takes the responsibility of diverse investment in society.	Interaction in 2023  • 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 business Yue Yuen operates, 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 economic aspect, operational performance, compliant operation and corporate governance are utmost management issues; in the aspect of society, human rights and labor employment compliance, effective establishment of grievance handling mechanisms and a safe and healthy working environment are emphasized. Environmental aspect focuses on compliance with laws and regulations, pollutant discharge treatment, effective utilization of energy and climate change management. As the issues regarding supply chain management has become a growing concern, the Group actively improved its supplier management policies and measures on the basis of meeting the customers' supply chain certification.

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 addressed such issues. In order to ensure the comprehensiveness and balance of information collection and identify the appropriateness and criticality of reporting topics when determining the material issues of sustainability report, in 2023 the Group has formulated "Sustainability Report Material Issues Identification Procedures Management Measures" for compliance. In principle, the complete identification is conducted every 3 years in accordance with the Management Measures. But assessment of whether to re-start the identification is conducted according to the international situation, market change and operation development in that year, and in 2023 we will follow the identification results in 2022 after thorough consideration.

	Steps	Contents	
		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.
Step 1	Understanding the Company's Sustainability	25 Sustainability Issues	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 Sustainability Issues for the impact assessment.
Step 2	Impact Identification of Sustainability Issues	267 questionnaires  - 119 internal colleagues  - 148 external stakeholders	Questionnaires were distributed to internal and external stakeholders to understand the degree of concern of stakeholders about 25 sustainability issues.  For 25 sustainability 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/business partner in fluence; (5) operation; and (6) human rights.
Step 3	Assessing the Significance of Impacts	17 material sustainability issues	With reference to the assessment of each unit on daily operation and the development trend of the sustainability issues, the working group 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 material sustainability issues of Yue Yuen.
Step 4	Disclosure of Significant Sustainability Issues	10 major reporting topics	The 17 material sustainability issues corresponded to 60 GRI Indicators (across 18 GRI topics) in total. In the year 2023, 10 major reporting topics were summarized according to the GRI guidelines (2021 edition), to communicate and respond to stakeholder according to the ESG report in this year and report the relevant material issues to the Board regularly. 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		
Sustainability issues	Impact ranking	
Occupational safety and health	1	
Risk management of climate change	2	
Greenhouse gas emission	3	
Labor and human rights	3	
Energy	5	
Investments in green energy	6	
Air pollution management	7	
Regulatory compliance	8	
Waste management	8	
Talent training	10	
Labor-management relations	11	
Risk management	11	
Operational performance	11	
Vision and sustainability strategy	11	
Sustainable supply chain	11	
Anti-corruption	15	
Water pollution management	17	
Raw material management	17	
Information security	19	
Product safety	20	
Water resource	21	
Circular economy	22	
Community participation	23	
Land ecosystem (biodiversity)	24	
Marine ecosystem (biodiversity)	25	

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

**Assessment Method**: To evaluate the degree of impact (impact of economic, environmental and social) and likelihood of occurrence. 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.

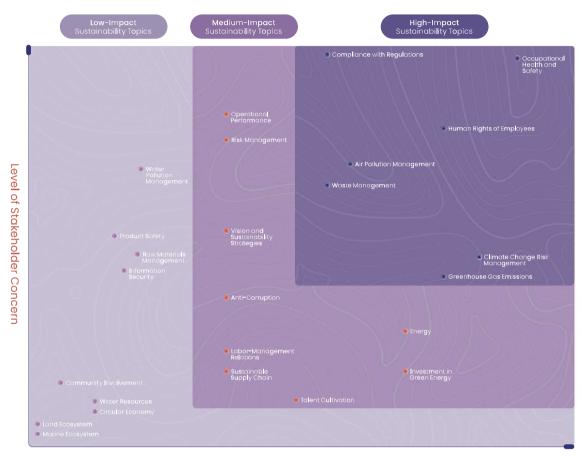
**Definition of Materiality**: Ranking 1-10 as high impact issues; 11-16 as moderate impact issues; 17-25 as low impacts issues.

**Assessment Method**: Calculated the average score of concerns on issues based on the classification of stakeholders, and then ranked the concerns.

**Definition of Materiality**: 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 task force outlined the 25 sustainability issues into a materiality matrix, and categorized them into high, moderate and low impact blocks according to the impact degree.



Influenece Caused by Economic, Environmental, ans Social Impact

# **Environmental Sustainability**

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.

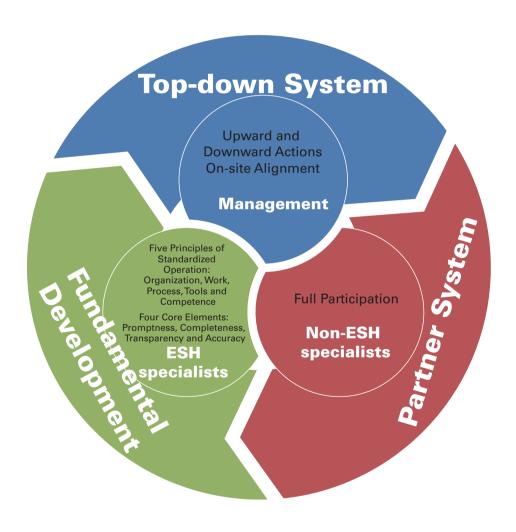
To face the wave of environmental sustainability, Yue Yuen actively strives towards the vision of "zero waste", low carbon emission" and "friendly environment". In the face of global warming risks and international targets and challenges of GHG emissions, in addition to continuously strengthening various green innovation measures 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.

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 increasing standard of environmental requirements in the production area, the basic management objective is to meet the requirements of local environmental regulations and to continuously optimize 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 2023, 66% of footwear factories have passed ISO 14001:2015 management system certification and 47% of factories using Higg FEM (Facility Environmental Module) for environmental assessment.

According to the identification process of material topics in the ESG Report, we have identified issues that have significant impact on the sustainable development issues and environment, including compliance with regulations, air pollution, waste management, climate change risk management and greenhouse gas emission. Since 2022, the Company has been proactively promoting the three-in-one chain of fundamental development, ESH partners and a top-down system, to encourage all employees to participate in the exploration and improvement of environmental issues. We aim to comply with laws and regulations to ensure the effectiveness of our factories in the prevention and control of pollution and to strengthen the awareness of the entire employees on the prevention and control of pollution through comprehensive management.

We have actively formulated a strong and self-management system for the environment, safety and health (ESH) to ensure operational compliance and safety of our staff and the environment fully. Each factory shall set up ESH specialists to facilitate fundamental development and follow five principles of standardized operation and four core elements, and conduct regular environmental inspections of the factory. Deficiencies that have been identified will be reported and dealt with on a timely basis. Meanwhile, through the ESH partner system, the Group shall encourage its staff to participate in various environmental measures by emphasizing the importance of management. The management attaches great importance to ESH work, and the executives perform on-site alignment to motivate the staff to achieve outstanding performance in ESH work. The management is well aware of the importance of environmental management and has allocated resources specifically. We have enhanced the overall effectiveness of environmental work due to on-site feedback and timely adjustment of focus of ESH management.



# 5.1 Response to Climate Change-related Risks

#### **Management of Material Topics**

#### What it means to Yue Yuen

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.

#### **Impact**

#### Positive impact

- > Substantial: To mitigate climate change and reduce the impact of climate disasters.
- ➤ Potential: In response to United Nations SDG goals and global trends in Net Zero.

#### Negative impact

- Substantial: The impact of climate change on operations: shutdowns caused by floods and snow disaster, high temperature allowance regulations, insurance costs, natural disaster resilience.
- Potential: The impact of elevated climate change laws and regulations of the world on operations and profitability.

#### **Policy and Commitment**

Climate Change Policy of Yue Yuen Industrial (Holdings) Limited

#### **Indicator and Target**

- > Expand the use of green energy and improve energy efficiency to achieve zero carbon emission by 2025.
- ➤ In line with the SBTi (Science based targets) emission reduction targets, we have 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.

#### Actions

- > Follow the TCFD framework for climate risk management.
- > Enlarged use of green energy: Solar power generation/green power procurement/Renewable Energy Certificate/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.

#### **Evaluation Methods**

Regular meetings report to the highest level of governance to review the achievement rate and adjust implementation measures.

# **Stakeholder Engagement**

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.

# **Sustainability Indicators**

HKEx KPI A4 TCFD GRI 305 SDG 13

# 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 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
	<ul> <li>Governance Structure</li> <li>The Board of Directors is the highest decision-maker for risk management. The Sustainable Development Department coordinates climate change related issues and reports to the Board twice a year on climate change and GHG-related issues.</li> <li>The Sustainable Development Department has established the Risk Management Team on climate change issues, which is responsible for assessing and analyzing climate-related risks and responses.</li> <li>In 2021, the Board formulated the "Climate Change Policy of Yue Yuen Industrial (Holdings) Limited", which provided the key guidance on management of energy-related strategies arising from climate change and enhancing response to climate change.</li> </ul>
	The Board Chief Decision-maker for Climate Risk Management
(8)	Reporting Twice a year Supervising
Governance	Head of Sustainable Development Department
	Taskforce of Climate Risk Management  Led by sustainable development department, such taskforce comprises directors of relevant departments. It's responsible for assessing and analysing climate related risks and opportunities, and implementing climate related strategies and actions.
	<ul> <li>Management Mechanism</li> <li>performance indicators include climate change-related work (carbon reduction, ventilation and cooling, disasters prevention), which link climate-related actions of employees at the executive level with performance appraisal, regularly chase and review the progress and enhance the implementations, and include it in bonus evaluation and reference for promotion.</li> </ul>

Structure	Management Strategies & Practices
Strategies	<ul> <li>Climate Change-related Risks/Opportunities</li> <li>By reference to the SSP1-2.6 scenario and SSP5-8.5 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, likelihood 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.</li> <li>Any impact 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.</li> </ul>
	Potential Financial Impact  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.
457	Evaluation and Management Process     Conduct risk factor identification, operational impact and its likelihood assessment every three years, identify major risks and opportunities, and develop mitigation or adaptation strategies.
Risk Management	Integrated Risks Policy  • Climate risks issues are integrated into the overall risk management process.
	<ul> <li>Emission disclosure</li> <li>Conduct inventorying as per ISO 14064 (2018) standards, disclose GHG emissions in ESG Report every year, and gradually increase the proportion of third-party verification, and has completed third-party verification of 20.27% of the emissions from the footwear business scope of Yue Yuen in 2022.</li> </ul>
Indicators and Targets	<ul> <li>Indicators and Purposes Settings</li> <li>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.</li> <li>Continue to evaluate and formulate others climate management indicators.</li> </ul>

## Process and results of identifying Climate Change-related Risks and Opportunities

Yue Yuen invited relevant units within the Company to review the impact of various climate risks and opportunistic events under the SSP1-2.6 scenario and SSP5-8.5 scenario based on the TCFD framework. The members participating in the evaluation include the risk management unit, sustainable development department of the headquarter, spokesperson's office/investor relation department (shareholders/investors, media window), finance department (bank window), administrative center (government/regulatory window), footwear business department (customer window), and supply chain management unit (supplier window). The identification process and results are described below.

# Climate risks and opportunities identification

The collection of background information is conducted in terms of climate risk issues, mainly information from news, Internet, and company events. Transition risks (including legal, market, technology and reputation) and physical risks (including acute and chronic risks) will also be taken into consideration. The results of risk identification are as follows:

Risk Types	s	ource and description of risks	Risk factors	
	Existing laws/regulations	Regulation on Greenhouse Gas Management promulgated (溫室氣體管理法規) by Ministry of Environment and Resources, Vietnam (越南環境資源部)	Enhanced disclosure requirements of carbon emission	
	Existing laws/regulations	To ensure that the products are in line with low- carbon standards (carbon footprint and low-carbon footwears)	Requirements and standards in relation to existing products and services	
	Continuation of the continuation of	The factories are suspended from production to reduce carbon emission under Dual Control of Energy Consumption policy in China.	Impacts of production	
	Existing laws/regulations/ market	The customers determine targets in respect of carbon emission, energy consumption and green energy upon auditing, which causes direct effect on order allocation.		
	New laws/regulations	Currently, part of the companies in Europe and the United States have started to adopt the carbon- pricing mechanism, as the carbon market in such countries is relatively mature. Mainland China will gradually include more industries in the carbon market under the 30& 60 targets.	Carbon-pricing mechanism	
Transition risks	Science and technology	Given that low-carbon materials or technologies are in their early stages, it will be time-consuming and difficult to fully substitute existing products.	Low-carbon alternatives for products and services	
Transition risks	Science and technology	It's less likely to happen as the Company exercises caution while investing in new technology.	Investment failure in new technology	
	Market	As requested by the stakeholders, we shall engage in energy conservation and connection with customer audits.	Low-carbon production	
		Green energy targets required by the customers		
	Market	The cost of using renewable energy is gradually decreasing, through which carbon emission will be reduced and the global energy crisis will be alleviated. The local governments are motivated to facilitate the relevant laws and regulations. However, there is uncertainty as to the mandatory use of 100% renewable energy.	Compulsory requirements on the use of renewable resources	
		Buildings are too dilapidated, not suitable for installing rooftop solar (RTS) equipment		
	Goodwill	The end-consumers are gradually shifting to a low- carbon lifestyle and preferring low-carbon products.	Changes in consumer preferences	
	Goodwill	The Company's progress of carbon reduction falls short of its targets or its industry peers, and its disclosure regarding carbon emission fails to meet the government, investor and ESG rating requirements.	Impact on corporate image	

Risk Types	Source	Risk factors	
	Acute	Such risk has arisen.	Increasing intensity and frequency of extreme weather conditions (typhoon, rainstorm, etc.)
Dhysical risks	Acute	Such risk has arisen. For the purposes of the Company, the risk is subject to the distance between the factories and the forest.	
Physical risks		Such risk has arisen.	
	Chronic	High temperature allowance in workplace (local regulations in China and Vietnam)	Rising average temperature
	Chronic	Such risk has arisen. For the purposes of the Company, the risk is subject to the distance between the factories and the seaside.	Rising sea levels

In terms of the risk factors that have been identified, corresponding opportunities are set out below:

	Opportunity factors	corresponding risk factors
	Use of efficient mode of transportation	Extreme weather conditions
	Automation process development	Low-carbon production and extreme weather conditions
Resource efficiency	To set up a circular economy model for shoe manufacturing	Low-carbon production
	Use of buildings with higher efficiency	Low-carbon production
	Improved efficiency of water use	Extreme weather conditions
	To improve energy efficiency	Low-carbon production and impacts of production
	Introduction of new technologies	Rising average temperature
Source of energy	Participate in the carbon trading market	Enhanced disclosure requirements of carbon emission and carbon-pricing mechanism
	Develop renewable energy/participate in the trading market of renewable electrical energy	Compulsory requirements on the use of renewable resources and low-carbon production
Products and services	Changes in consumer preferences	Requirements and standards in relation to existing products and services
Market	Entrance into new market	Low-carbon alternatives for products and services
iviai KEL	Utilization of incentive measures in public sector	Enhanced disclosure requirements of carbon emission

# Impacts of assessment on Yue Yuen

Based on the climate risks and opportunity factors that have been gathered, representatives from each department and external experts conducted one session of "climate related financial disclosure" training and exchange, distributed questionnaires as well as convened an internal forum to assess the impacts of various risks/opportunity factors on Yue Yuen. The assessment directions include:

Assessment directions of impacts	Contents		
The period in which	Short-term: within 1-3 years; mid-term: within 3-5 years; long-term:		
risks/opportunity factors may last	after 5 years		
Possibility of occurrence	To assess the possibility of risks/opportunities on a scale of 1-5 (5 for most likely to occur and 1 for least likely to occur)		
Potential impacts	To assess the potential impacts of such risks/opportunities based on the extensive experience of team members		
Potential financial impacts	To assess the most possible financial impacts in the event of such risks		
Assessment of impact level	To assess the impacts in the event of risks on a scale of 1-5 (5 for maximum impact and 1 for minimum impact)		

The impacts of various factors in different regions and under different climate scenarios shall be considered and be used in conjunction with climate assessment tools in impact assessment.

The Company is committed to developing the basic objectives of scientific reduction under the SBT1.5  $^{\circ}$ C scenario in line with the international trend of sustainable development and meeting the expectations of brand customers. However, subject to the consistent climate information currently available at each production base, analysis and assessment of the SSP1-2.6 (2 $^{\circ}$ C) and SSP5-8.5 (4.4 $^{\circ}$ C) scenarios have been conducted this year. The Group will continue to strengthen the analytical capabilities of each production base in response to the climate risk. Such analysis results will form the basis for strategic planning of identification, assessment and management of internal risks and opportunities.

The content of assessment during the year was compiled as in the following table:

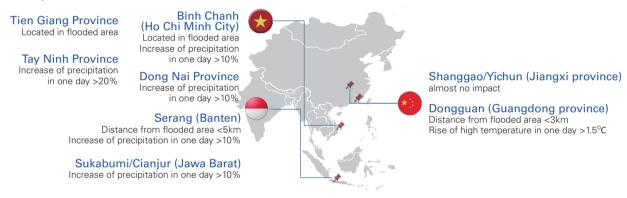
Scope of Assessment	Main production bases:  Mainland of China(Jiangxi/Guangdong), Indonesia(Banten/Jawa Barat), Vietnam(Ho Chi Minh City/Dong Nai/Tien Giang/Tay Ninh)					
climate	SSP1-2.6	Low emission scenario	Rise of temperature	The world attempts to achieve sustainability but is in slow progress		
scenarios	SSP5-8.5	Super high emission scenario	Rise of temperature <4.4℃	Means the emission scenario where there is barely no climate policy, highly relied on fossil fuels	У	
Timing of	Mid of the century (2050)					
Impact	End of the century (2100)					
Assess risk items	Rising	sea level and floo	d risk	Forecast of movements in average temperature/Forecast of movements in hi temperature in one day/forecast of movements in precipitation in one day	gh	
	COMPARISO	N: LONG-TERM S	SEA LEVEL	World Bank Group		
		OUTCOMES		Climate Change Knowledge Portal		
Tools applied						

Under scenario SSP1-2.6, the physical risks which main production bases may face in the mid of the century (2050)



Potential financial impact: to interrupt the operation of production base

Under scenario SSP1-2.6, the physical risks which main production bases may face at the end of the century(2100)



Potential financial impact: to interrupt the operation of production base; Increase in capital costs due to improved staff working environments

Under scenario SSP5-8.5, the physical risks which main production bases may face in the mid of the century (2050)

# **Tien Giang Province**

Located in flooded area Rise of high temperature in one day >1.5°C Increase of precipitation in one day >10%

#### Tay Ninh Province

Rise of high temperature in one day >1.5°C Increase of precipitation in one day >30%

#### Binh Chanh (Ho Chi Minh City)

Located in flooded area Rise of high temperature in one day >1.5°C Increase of precipitation in one day >10%

# Dong Nai Province

Increase of precipitation in one day >10%

# Serang (Banten)

Rise of high temperature in one day >1.5°C Increase of precipitation in one day >10%

### Sukabumi/Cianjur (Jawa Barat)

Rise of high temperature in one day >1.5°C



# Shanggao/Yichun(Jiangxi province)

Rising average temperature >1.5°C
Rise of high temperature in one day >1.5°C

#### Dongguan(Guangdong province)

Distance from flooded area <5km Rising average temperature >1.5°C Rise of high temperature in one day >1.5°C Increase of precipitation in one day >10%

Potential financial impact: to interrupt the operation of production base; Increase in capital costs due to improved staff working environments

Under scenario SSP5-8.5, the physical risks which main production bases may face at the end of the century (2100)

#### Tien Giang Province

Located in flooded area Rising average temperature >3°C Rise of high temperature in one day >4°C Increase of precipitation in one day >20%

#### Tay Ninh Province

Rising average temperature >4°C
Rise of high temperature
in one day >4°C
Increase of precipitation
in one day >20%

#### Binh Chanh (Ho Chi Minh City)

Located in flooded area
Rising average temperature >3°C
Rise of high temperature
in one day >4°C
Increase of precipitation
in one day >20%

#### Dong Nai Province

Rising average temperature >3°C
Rise of high temperature
in one day >4°C
Increase of precipitation
in one day >30%

#### Serang (Banten)

Distance from flooded area <5km Rising average temperature >3°C Rise of high temperature in one day >3°C Increase of precipitation in one day >20%

# Sukabumi/Cianjur (Jawa Barat)

Rise of high temperature in one day >4°C Increase of precipitation in one day >20%



# Shanggao/Yichun (Jiangxi province)

Rising average temperature >5°C Rise of high temperature in one day >5°C Increase of precipitation in one day >30%

# Dongguan (Guangdong province)

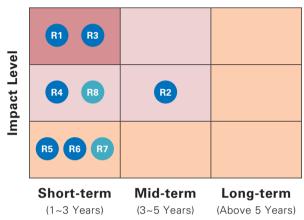
Distance from flooded area <3km Rising average temperature >4°C Rise of high temperature in one day >5°C Increase of precipitation in one day >30%

Potential financial impact: to interrupt the operation of production base; Increase in capital costs due to improved staff working environments

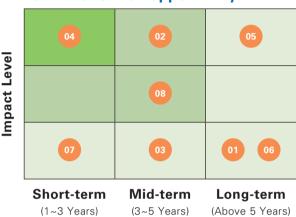
# Analysis of materiality on risks and opportunities

The team discusses and evaluates the score of likelihood of occurrence and impact degree, and then ranks the materiality on the impact degree of factors of risks and opportunities, a total of 6 transition risks, 2 physical risks, and 8 opportunities issues are compiled:

## **Climate-related risk matrix**



# Climate-related opportunity matrix



#### **Transition Risks**

- Enhanced disclosure requirements of carbon emission
- R2 Carbon-pricing mechanism
- 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
- Rising average temperature

# **Derivative Opportunities**

- 01 Participate in the carbon trading market
- 02 Automation process development
- 103 Improved efficiency of water use
- Participate in the renewable energy market
- To set up a circular economy model for shoe manufacturing
- Use of efficient mode of transportation
- To improve energy efficiency
- 08 Introduction of new technologies
- Note 1: Score of impact level = possibility of occurrence (1-5 points) x assessment of impact level (1-5 points)
- Note 2: A score higher than 20 is classified as a high impact factor; 16-20 as a medium impact factor; and 11-15 as a low impact factor. Factors with scores below 10 are not included in the subsequent management for the time being.
- Note 3: The closer it is to the upper left corner of the matrix, the greater the impact degree and the closer the impact time.
- Note 4: Any impact within 3 years is internally defined as short-term, 3-5 years as mid-term, and above 5 years as long-term

# Setting strategy of response and management targets

We have assessed the cost of risk avoidance and formulated a strategy of response applicable to Yue Yuen in terms of the material climate risks that have been identified, with an aim to enhance response capability, optimise management system and strengthen hardware equipment. The description is as follows:

# Climate change risks/opportunities and response strategies

	Climate risks	Time of impact	Potential financial impact	Financial Costs Impact (USD)	Climate opportunities	Time of impact	Potential financial impact	Response strategy
	Enhanced disclosure requirements of carbon emission (R1)	Short-term	Increase in inventory capabilities built and third-party verification costs	Predict the estimated subsequent verification fees>US\$230,000/ year Predict the estimated building and setting up fees of carbon inventory system> US\$280,000	Participate in the carbon trading market (O1)	Long-term	To increase adaptability of regulations so as to maintain smooth operations.	To build an Inventorying team with its inventorying capability trained     To establish a systematic data collection system     To expand the third-party verification coverage
Transition Risks	Carbon-pricing mechanism (R2)	Mid-term	International carbon tariffs/fees mechanism will affect operations, restrict capacity deployment and impact operational revenue	-		Long-term	To acquire carbon credits for emission offsets and create carbon credits revenue.	To make an implementation plan for carbon footprint inventorying     To plan an internal carbon-pricing mechanism
	Compulsory requirements on the use of renewable resources (R3)	Short-term	Increase in capital costs of renewable energy establishment, purchase of green electricity PPA and renewable energy certificate	In 2023, we invested U\$\$800,000 to purchase renewable energy, and predicted it would rise year by year in the future.	Participate in the renewable energy market (O4)	Short-term	Purchase renewable energy at an early stage to obtain stable renewable energy and maintain smooth operation	To establish rooftop solar energy adapted to factory site To participate in the green power trading market where it domiciles To purchase the renewable energy certificate with international/national authentication

	Climate risks	Time of impact	Potential financial impact	Financial Costs Impact (USD)	Climate opportunities	Time of impact	Potential financial impact	Response strategy	
			To increase capital expenditure in	In 2023, we invested US\$55,000,000 to	Improve energy efficiency (07)	Short-term	To save energy costs	To increase the use of renewable energy	
			Production and equipment upgrade     Investments in low-carbon energy	purchase and eliminate energy-saving equipment.	Participate in the renewable energy market (O4)	Short-term	To stabilize energy supply	To use low-carbon     efficient energy     To improve the energy     efficiency of equipment	
	Low-carbon production (R4)	Short-term	Carbon reduction for wastes		Automation process development (O2)	Mid-term	Smoothly set up automatic production lines to enhance competitiveness	Leakage control     To promote the use of energy monitoring/ management system	
Transition					Create a circular economy model for shoe manufacturing (05)	Long-term	Enhancement of resource utilization	To enhance waste reuse through an effective use of resources	
Risks	Impacts of production (R5)	Short-term	Power restriction policy     Carbon emission cap policy     Order placement affected by clients' comments	-	Improve energy efficiency (07)	Short-term	To reduce operational costs		
	Impact on corporate image (R6)	Short-term	ESG assessment     Investors'     willingness of     investment (share     price)     Impact on source of     funds and revenue	-				To establish a dedicated ESG team     To improve ESG information disclosure through external questionnaires, sustainability report and other platforms	
			To interrupt the operation of production base	-	The use of efficient mode of transportation (O6)	Long-term	Strengthen climate resilience to minimize operational	To enhance the responses to extreme weather measures at production	
			Traffic stop     Water shortage     resulted from		Automation process development (O2)	Mid-term	disruptions and losses	sites: priority attention to the heavy rain risk in Tay	
Physical Risks	Extreme climate events (R7)	Short-term	drought  To increase capital expenditure and reduce revenue		Improved efficiency of water use (03)	Mid-term		Ninh/Dong Nai, Vietnam and the PRC region  To set up an emergency power supply team To implement an earlier response to climate risks by following up the relevant alert information: priority attention to the flood risk in Guangdong, China, Ho Chi Minh City/Tien Giang, Vietnam and early response To strengthen the water treatment and water recycling measures	
	Rising average temperature (R8)	Short-term	Increase in capital costs due to improved staff working environments     Increase in electricity costs and carbon emissions	In 2023, we invested approximately US\$157,000 to purchase and eliminate ventilation equipment.	Introduction of new technologies (O8)	Mid-term	To save energy costs	To optimize the factory ventilation design: priority attention to factories in the PRC, Indonesia and Vietnam To align new factory design with climate information	

- Note 1: Time of impact of less than 3 years is considered as short-term, 3 to 5 years is considered as medium-term, and impacts of more than 5 years are considered as long-term.
- Note 2: The Company started to assess the financial impact resulted from risks within the scope of footwear factories since 2023.
- Note 3: In line with the results of annual analysis of the scenario, the Company will adjust its response strategies in a progressive manner.

At present, Yue Yuen has set quantitative medium and long-term emission management targets only for the reduction of GHG. In the light of the results of climate risk assessment for this year, Yue Yuen will then assess and develop indicators that are more representative and of management significance. The current status of each management aspect and management indicators are as follows:

Management aspects	Status of implementation	Management indicators/assessment status	The corresponding section
GHG Management	Quantitative indicators	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.     Set Regularly targets each year in the assessment.	5.1.2 GHG Management
Energy Management	Quantitative indicators	the leakage rate target of Yue Yuen's overall air compressor system: reduce to less than 14% The management objectives of green energy construction or product energy intensity will be reassessed and stipulated.	5.2 Energy Management
Water Resources Management	Qualitative indicators	The mid- and long-term plan aims to gradually improve the reuse rate of water resources in the factory.	5.3 Water Resources Management
Waste Reduction	Qualitative indicators	Promote waste reuse and improve the reuse rate of waste.	5.4 Waste Management
Supply Chain Carbon Reduction	No indicator	has started to promote and assist supply chain manufacturers to build carbon inventory capacity and provided guidance on carbon reduction plans.	6.2 Supply Chain Management
Climate Adjustment	No indicator	Future directions for evaluation: climate disaster response, zero-production disruption.	-

#### 5.1.2 GHG Management

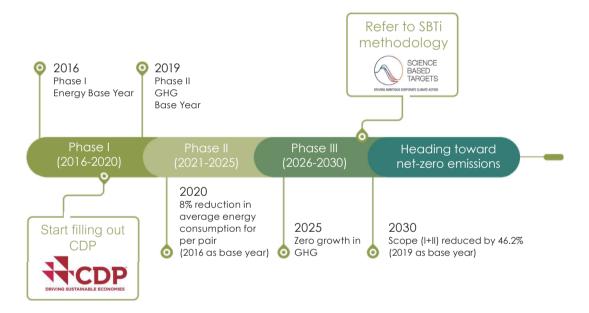
As global warming and climate change is accelerating, "Net Zero by 2050" has become a globally agreed goal as the international community actively take actions to adapt to climate change risks. The path to Net Zero is not accomplished in an action. Yue Yuen uses phased tasks and targets to promote "sustainable 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".

#### Phased tasks and targets concerning GHG emission & energy management

Yue Yuen has footwear production bases across seven countries in Asia, mainly focus on improving energy efficiency and strengthening energy conservation as its main management means until 2016. Using 2016 as an energy base year, we set a Phase 1 energy target of reducing average footwear energy consumption by 8% by 2020. In the same year, we have formally completed the CDP Carbon Questionnaire for the first time. The 2023 CDP Climate Change Questionnaire is awarded Level B- (Management Level – Active Management Level) for recognization.

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 Science-Based Target initiative (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), which is consistent with the SBTi target-setting methodology.

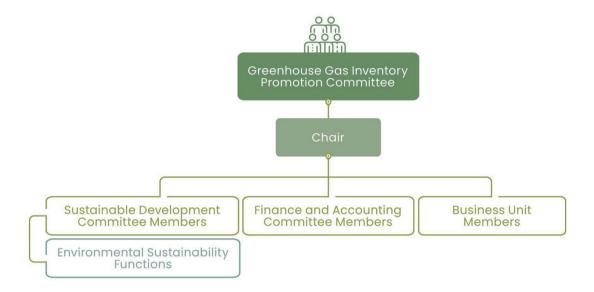
With the remote vision of "Net Zero", the Group has introduced ISO50001 energy management and ISO 14064 GHG inventory to improve product and energy management performance. The Group also asks business partners such as suppliers and joint ventures to pay attention to environmental impact management in 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.



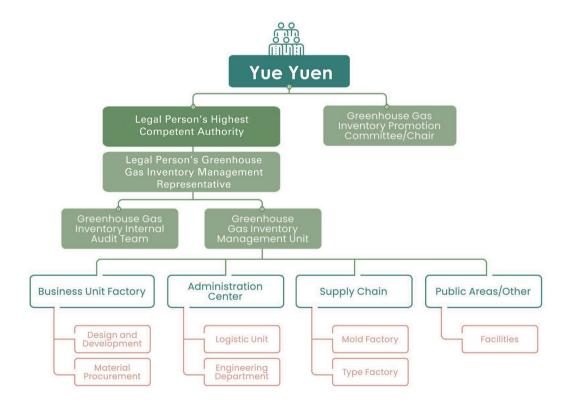
#### Management of GHG emissions of the Year 2023

At present, the main driving directions for GHG emissions management include strengthening the inventory verification work, actively promoting energy conservation and expanding the application of green energy while annual carbon reduction targets have not yet been set. Since 2016, Yue Yuen has been conducting its own GHG inventory in accordance with ISO14064-1(2006) standard, and since 2022, it has introduced ISO14064-1(2018) standard for GHG inventory. In 2023, Yue Yuen continued its efforts in setting up inventory system and expanding inventory project of Scope 3, with a view to reaching a comprehensive verification in Yue Yuen's footwear manufacturing by 2026.

# **Greenhouse Gas Inventory Promotion Committee**



# **Organizational Chart for Greenhouse Gas Inventory**



# **Greenhouse Gas Emissions and Intensity**

GHG inventories

In 2023, the total carbon emissions of category 1: direct GHG emission (Scope 1) and category 2: indirect GHG emission (Scope 2) of GHG categories combined were 662,000 tCO<sub>2</sub>e.

Category 1 was  $45,000 \text{ tCO}_2\text{e}$ , accounting for 7%, and category 2 was  $617,000 \text{ tCO}_2\text{e}$ , accounting for 93%. More than 80% of GHG emissions generated by shoe manufacturing sources from the use of electricity, so Yue Yuen's main objective of carbon reduction is to lower the GHG emissions generated from energy, combined with the expansion of green energy and enhancement of energy efficiency.

## Direct and indirect GHG emission of Yue Yuen in 2019 to 2023

(Unit: 10,0	2019 <sup>Note 2</sup>	2020	2021	2022	2023 <sup>Note 1</sup>	
Scope 1	Category 1: Direct GHG emission	2.7	1.8	1.4	5.0	4.5
Scope 2 (regional basis <sup>Note 3</sup> )	Category 2: Indirect GHG emission of input energy	56.7	53.6	44.9	70.1	61.7
Total carbon emission	Scope 1 + Scope 2 (regional basis)	59.4	55.4	46.3	75.1	66.2
Scope 2 (market basis <sup>Note 3</sup> )	Category 2: Indirect GHG emission of input energy	56.7	53.6	41.4	59.3	46.9
Total carbon emission	Scope 1 + Scope 2 (market basis)	59.4	55.4	42.8	64.3	51.4
GHG emission of biomass fuel	Purchased steam and owned boilers	12.4	9.1	7.0	8.0	7.1

Note 1: For the principles and factors for GHG inventory from 2019 to 2022, please refer to 2022 Environmental, Social and Governance Report. For the principles for GHG inventory in 2023, please refer to Appendix E: GHG Inventory Principle 2023.

Note 2: 2019 is set as the base year for scientific emission reduction using the SBTi methodology of scientific reduction.

Note 3: Regional basis carbon emissions=carbon emissions from electricity consumption; market basis carbon emissions= carbon emissions from electricity consumption –REC Green Power Certificate carbon emissions – PPA.

# Direct and Indirect GHG Emission of Yue Yuen in Different Regions in 2023

Re	egional basis (10,000 tCO <sub>2</sub> e)	Northeast Asia (China)	Southeast Asia (Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar)
Total Carbon Emissions	Category 1 (Scope 1): Direct GHG emission+ Category 2 (Scope 2): Indirect GHG emission of input energy	9.1	57.1

# Other Indirect (Scope 3) Emission

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 (downstream transportation and distribution)". In 2023, the emissions of relevant categories are calculated as follows:

## Significant Indirect GHG Emissions of Yue Yuen in 2023

GHG Emission (tCO <sub>2</sub> e)	Other Indirect (Scope 3)			
	Category 3: business travel – air travel	Category 3: downstream transportation and distribution		
2023	1,543.8	17,141.8		

Although Yue Yuen belongs to footwear manufacturing industry, as defined in SBTi's Scope 3 GHG Management Manual for the Value Chain, "purchased goods and services" and "Downstream transportation and distribution" are the main indirect GHG emissions sources for the industry (see below). Emissions from "purchased goods and services" alone are estimated to exceed over 40% of the total emissions.

# Scope 3 by category for the value chain in Textile, Apparel, Footwear and Luxury Goods industry by SBTi



Note: SBTi, Value Change in the Value Chain: BEST PRACTICES IN SCOPE 3 GREENHOUSE GAS MANAGEMENT, 2018

To respond to the commitment of international sustainable Net-Zero and jointly promote the reduction of value chain, in the future, Yue Yuen will gradually expand Scope 3 inventorying, and will subsequently set an emission reduction target item by item. Apart from the previous inventorying on downstream finished goods transportation and air travel, we will expand to upstream transportations and distribution, indirect emissions of waste generated in operations and raw materials.

## Schematic Planning Paths of Yue Yuen's Expanded Scope 3 Inventory

#### Mid-**Short-**Longterm term 1. Upstream 1. Purchased goods transportation and services transportation and distribution and distribution 2. Capital goods 2. Waste generated **Business travel** in operations

# Carbon emission intensity per pair

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 2023, ranging from 1.3 to 4.1 kg CO<sub>2</sub>/pair (Note).

Note: When calculating the carbon emission intensity, we only include GHG emissions of Category 1 and Category 2, excluding other indirect GHG emissions.

#### **GHG Reduction Measures of the Year 2023**

We will reduce GHG emissions mainly by continuously promoting energy management and expanding the use of green energy.

The energy management initiative will be implemented in three areas: "source equipment procurement management", "air compressor leakage management", and "promotion of energy saving projects". 5,877.4 MWh energy was saved in total and GHG emissions of 4,195.3 tCO₂e was reduced in 2023.

In terms of expanding green energy construction and purchase, new rooftop solar systems (RTS) were installed at factories in Indonesia and mainland China in 2023, and renewable energy certificates (REC) will continue to be purchased in Mainland China, Vietnam and Indonesia. We purchased green power through Power Purchase Agreement (PPA) for the first time in factories in Mainland China in 2023. As of 2023, the RTS has been completed at four plants, with a total annual Solar Energy Consumption of 5,036.0 MWh, reducing GHG emissions by 3,119.9 tCO $_2$ e. Meanwhile, we purchased renewable energy certificates in China, India and Vietnam, and the certificates purchased amounted to 194,934 MWh, offsetting 143,306.9 tCO $_2$ e of GHG emissions. We directly purchased green power amounting to 5,541.3 MWh, offsetting 3,638.0 tCO $_2$ e of GHG emissions.

## GHG Emissions Offset by Green Energy of Yue Yuen in 2023

	Expand the use of green energy										
Types of			Solar I	Energy			Hydroelec	tric Power	Geothermal Energy		
Green Energy	R	TS	RI	EC	Pi	PA	RI	REC		REC	
Unit	MWh	t CO <sub>2</sub> e	MWh	t CO <sub>2</sub> e	MWh	t CO <sub>2</sub> e	MWh	t CO <sub>2</sub> e	MWh	t CO <sub>2</sub> e	
Mainland China	3,551.6	2,025.5	-	-	5,541.3	3,638.0	23,397	13,343.3	-	-	
Indonesia	289.6	231.7	-	-	-	-	9,783	6,936.8	79,900	63,920	
Vietnam	1,194.8	862.7	50,000	36,105	-	-	31,854	23,001.8	-	-	
Total	5,036.0	3,119.9	50,000	36,105	5,541.3	3,638.0	65,034	43,281.9	79,900	63,920	

Note 1: For the principles for 2023 GHG emissions calculation, please refer to Appendix E: GHG Inventory Principle 2023

Note 2: Including RTS electricity consumption (MWh), REC/PPA purchased (electricity), and corresponding offsetting GHG emissions ( $tCO_2e$ )

# 5.2 Energy Management

### **Management of Material Topics**

#### 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.

#### **Impact**

#### Positive impact

- > Substantial: Improve energy management and reduce energy waste.
- ➤ Potential: Increase the affordability of regional energy, reduce environmental pollution and promote economic development.

### Negative impact

- Substantial: Fail to comply with energy laws and regulations, impinge on electricity use and increase the cost of investment in energy-saving equipment.
- Potential: Excessive waste affects the utilization of resources by future generations.

# **Policy and Commitment**

# Climate Change Policy of Yue Yuen Industrial (Holdings) Limited

#### **Indicator and Target**

- > 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
- ➤ In 2023, the goal of the leakage rate of the Group's overall air compressor system will be reduced to less than 14%.

#### **Actions**

- > 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 energy conservation projects: led by the headquarter, business department or factory unit to promote thematic energy conservation projects.
- > Establish an energy-saving intelligent KM platform, share energy-saving and carbon-reducing technologies, and establish an energy-saving organizational culture.

#### **Evaluation Methods**

- ➤ 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.
- > Regularly 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.

#### **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.

#### **Sustainability Indicators**

HKEx KPI A2 GRI 302 SDG 7/12/13

# **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 2023 was 3,733.7 TJ, of which the energy consumption ratio of utility power was 82.7%.

# **Electricity usage statistics**

Electricity	E	lectricity Quantit	у	Electricity Consumption			
Electricity	Utility Power	RTS	PPA	Utility Power	RTS	PPA	
Unit	MWh	MWh	MWh	TJ	TJ	TJ	
2023	857,799.4	5,036.0	5,541.3	3,088.6	18.1	20.0	
2022	911,655.3	2,441.0	0.0	3,282.6	8.8	0.0	
2021	824,109.5	1,222.8	0.0	2,967.3	4.4	0.0	
2020	1,120,370.7	0.0	0.0	4,034.1	0.0	0.0	
2019	1,085,230.8	0.0	0.0	3,907.5	0.0	0.0	

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

## **Fuel use statistics**

Fuels			Fossil	Fuels			Biofuels			
	Heavy oil	//Diesel/Petrol/O	ther fuels	Natural ga	as/Liquefied petr	oleum gas	Ri	ce husk/Palm sh	ell	
Description		Non-renewable			Non-renewable			Renewable		
Unit	KL	TJ	MWh	10,000 M³	10,000 M³ TJ MWh			TJ	MWh	
2023	3,663.7	125.7	34,922.3	178.8	63.7	17,684.00	2.8	417.6	115,994.4	
2022	2,337.0	146.4	40,666.6	87.7	87.7	24,361.1	3.6	547.0	151,944.4	
2021	4,198.6	79.6	22,111.1	25.1	25.1	6,972.2	5.0	758.2	210,611.1	
2020	6,225.4	143.3	39,805.6	4.6	4.6	1,277.8	6.0	901.9	250,527.8	
2019	2,337.0	214.0	59,444.4	65.1	65.1	18,083.3	8.5	1,280.3	355,638.9	

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

# **Energy intensity**

Year	Energy intensity <sup>Note</sup> (MJ/pair)	Description
2023	6.5~22.7	Mainland China, Indonesia and Vietnam are important shoe-making
2022	11.6~18.7	production bases of Yue Yuen, and the output of shoes accounts for more than 90%. Therefore, the average energy consumption
2021	10.3~16.9	per pair is estimated based on the three major production bases of
2020	10.3~22.6	Mainland China, Indonesia and Vietnam
2019	8.3~14.5	

Unit description: MJ: Mega Joule

Note: Energy intensity was obtained by regions and presented by the scope of energy intensity.

# Sustainable energy management: energy conservation projects and initiatives

The energy management initiative will be implemented in three areas: "source equipment procurement management", "air compressor leakage management", and "promotion of energy saving projects". 5,877.4 MWh was saved in total in 2023.

20	23	Mi	d-term	Lo	ng-term
>	Annual energy saving equipment procurement at source/replacement of low energy efficiency equipment: purchase new energy saving equipment	>	Expansion of green energy construction: solar power/green electricity procurement/REC/Use of	>	Sharing of energy saving and carbon reduction technologies on energy-saving intelligent KM platform
>	to replace old models, cumulative energy saving benefits reached 6,074,445.31 MJ (1,682.8 MWh). Promote air compressor routine leakage measurement projects: In 2023, the leakage rate of the Group's overall air compressor system will be reduced to less than 12%. The energy saving efficiency is 3,722,241.60 MJ (1,034.0 MWh). Energy saving project: implemented 56 energy-saving projects in 2023, with energy-saving benefit of 11,378,342.81 MJ (3,160.6 MWh).	<b>A</b>	renewable energy. Energy digitization: Energy monitoring/water and sewage monitoring/air pollution monitoring/GHG inventory data system	>	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 and PPA

Yue Yuen has actively increased the use of green energy in the Group's factories, with a view to achieving sustainable transformation in energy use. Since 2021, it has started the construction of solar power generation systems in Mainland China and Vietnam, and also expanded to the Indonesian factory in 2023. Currently, the cumulative solar energy construction scale has reached 6.83 MW, and the cumulative annual consumption in 2023 is 5,036 MWh. The construction plan is under continuous evaluation. The factories of production bases in Mainland China, Vietnam and Indonesia purchased the REC, and the cumulative purchase of the REC reached 194,934 MWh in 2023. The Group also actively participated in the green power procurement plans in Vietnam and Mainland China. In 2023, the Group completed the green power procurement in Mainland China for the first time, with a cumulative procurement consumption of 5,541.3 MWh. The Group's green energy accounted for 24% in 2023 (2022: 16%).

# Green energy generation and purchase volume in 2023

Green energy		Solar Energy		Hydroelectric Power	Geothermal Energy
type	RTS	REC	PPA	REC	REC
Region/energy unit	MWh	MWh	MWh	MWh	MWh
Mainland China	3,552	-	5,541	23,397	-
Indonesia	289	-	_	9,783	79,900
Vietnam	1,195	50,000	-	31,854	-
Total	5,036	50,000	5,541	65,034	79,900

# Yue Yuen green energy percentage

Green Energy Source	RTS	REC	PPA	Green Energy Percentage <sup>Note</sup>
Unit	MWh	MWh	MWh	%
2023	5,036	194,934	5,541	24
2022	2,441	145,075	_	16
2021	1,223	73,996	_	9

Note: green energy percentage (%) =(RTS+REC+PPA)/RTS+PPA+utility power)

# Solar panels on the roof of factories in Mainland China, Vietnam, Indonesia



Mainland China



Vietnam



Indonesia

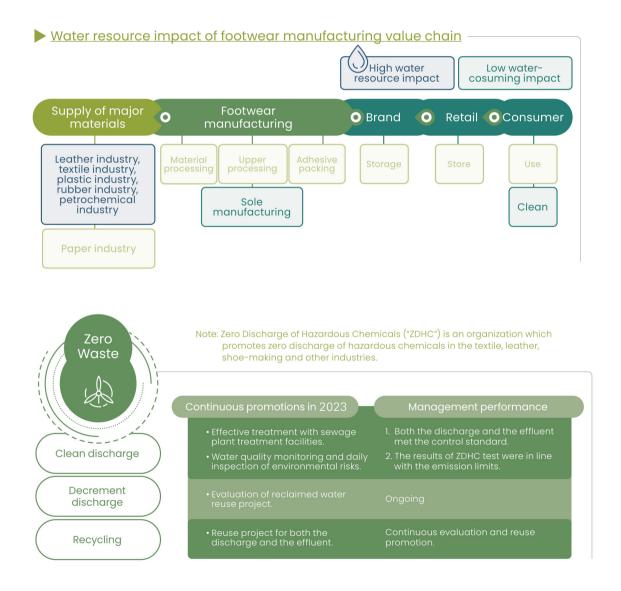


Mainland China

# 5.3 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 complies with the corporate social responsibility policy, follows international laws and regulations, and improves the efficiency of energy and resource use in terms of water resources management. In addition to providing safe water that meets the statutory water quality standards and discharging water that complies with local regulations, the Company has also formulated management measures to achieve the goal of zero discharge for waste (sewage) water management, and strived to reuse water resources within the factory to avoid overconsumption of natural water resources.

#### Water resource impact of footwear manufacturing value chain



# Water resource risk assessment form

Risk category	Assessment factor	Possible risk/opportunity	Response
Policy and regulation	Regulatory standards	<ul> <li>Tightening of wastewater quality/quantity discharge regulations.</li> <li>Imposing water consumption charges, sewage charges or environmental protection taxes.</li> <li>Increasing the requirement ratio of effluent recycling.</li> <li>Limiting the amount of water discharge permitted.</li> </ul>	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> <li>Investment in new technologies for water treatment.</li> <li>Customers require us to provide green products with low water pollution (including materials using low water pollution processes).</li> </ul>	<ul> <li>Continue to collect and evaluate new water treatment technology solutions and their applicability.</li> <li>Cooperate actively with manufacturers that have passed customer standard verification in line with customer needs.</li> </ul>
Corporate reputation	Major event announcements	The discharge water quality is non-compliant.	Strengthen the daily self-monitoring mechanism, detect the risk of exceeding the standard at any time and rectify such risk immediately.
Immediate loss	The frequency of disasters caused by drastic climate change. Financial damage and recovery costs.	<ul> <li>Increasing intensity and frequency of extreme weather conditions (typhoon, heavy rain, snowstorm, flooding, etc.) may result in employee being unable to work, damage to plant facilities and disruption of energy resources and materials supply.</li> <li>The water source is subject to variation due to deteriorating environmental conditions, which results in the increase of water resources treatment costs.</li> </ul>	<ul> <li>Establish an abnormal event notification and response mechanism, including a response mechanism for abnormal events caused by climate risks.</li> <li>Incorporate climate risk into the consideration of the site selection assessment and construction design of new plants.</li> <li>The treatment capacity of the water treatment plants has been improved, and advanced treatment technology units are planned to be added when necessary.</li> </ul>
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 Water Risk Filter indicator of World Wide Fund for Nature (WWF), the water risk level in the countries where Yue Yuen's overseas production bases are located is assessed, and identified that all of Yue Yuen's overseas footwear manufacturing bases are currently located in areas with limited risk of water stress. Currently, there is no problem in obtaining applicable water sources.

# Water risk level in the countries where the Group's overseas production bases are located

	Risk level								
Water indicators (WRF)	Mainland China	Indonesia	Vietnam	Bangladesh	Myanmar	Cambodia			
Basin Physical Risk	2.82	2.05	2.80	2.99	2.32	2.53			
Water Scarcity	2.60	1.57	2.23	2.41	2.04	2.32			
Flooding	2.86	2.54	4.00	4.65	3.22	3.73			
Water Quality	3.53	-	2.65	3.73	2.19	1.40			
Ecosystem Services Status	2.69	1.87	3.23	1.72	2.17	2.91			

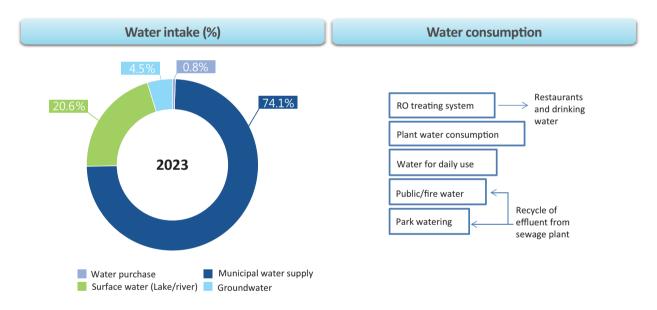
Note: WRF risk level descriptions:

1.0-1.8: No risks or very limited risks; >1.8-2.6: Limited risks (low risk); >2.6-3.4: Contains risks (moderate risk); >3.4-4.2: High risks; >4.2-5.0: 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 intake of the Group's footwear production bases in 2023 was approximately 13,470 million liters. The Group's water supply source and water intake 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, which have also been utilized in the construction of the large artificial lake in the factory. Under the approval of environmental assessment requirements, treated discharge water was injected into the water resources from the underground reservoir through the natural infiltration replenishment mechanism, thus reducing the impact of use of ground water resources.

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 2020 to 2023

					Unit: million litres		
Production sites	Water supply source	Year		Fresh water		Other water	
Troduction sites	rrater supply source	1601	Total water intake	Municipal water supply	Surface water (Rivers/lakes)	Groundwater	Purchased water
	Parameters NE had the had	2023	6,773.3	6,773.3	0.0	0.0	0.0
Mainland China	Jinjiang (Jiangxi) Fuhe (Hubei) South Branch of Dongjiang River	2022	6,899.9	6,899.9	0.0	0.0	0.0
Mamana China	(Guangdong)	2021	7,087.0	7,087.0	0.0	0.0	0.0
		2020	7,001.4	7,001.4	0.0	0.0	0.0
	T	2023	3,157.2	2,673.3	483.9	0.0	0.0
Vietnam	Tonai river SONG LA BUONG River Water Supply Company	2022	3,057.7	2,336.5	721.1	0.0	0.0
vietnam	Ho Chi Minh City Dike Water	2021	2,410.5	1,956.4	454.1	0.0	0.0
	Company	2020	4,691.5	2,673.4	2,018.1	0.0	0.0
		2023	3,181.8	476.8	2,294.1	317.9	93.0
la de cerie	Sungai Cikambuy Municipal water	2022	3,828.3	440.2	2,882.3	391.1	114.7
Indonesia	supply Well water	2021	4,242.9	276.3	3,521.6	357.2	87.8
		2020	4,563.9	270.9	3,942.1	244.0	106.9
		2023	357.9	64.3	0.0	293.6	0.0
Cambodia,	Water for industry park	2022	432.5	87.8	0.0	344.7	0.0
Bangladesh and Myanmar	Groundwater	2021	344.0	89.4	0.0	254.6	0.0
		2020	339.4	72.0	0.0	267.4	0.0
			13,470.2	9,987.7	2,778.0	611.5	93.0
	Tatal	2022	14,218.4	9,764.4	3,603.4	735.8	114.7
	Total	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

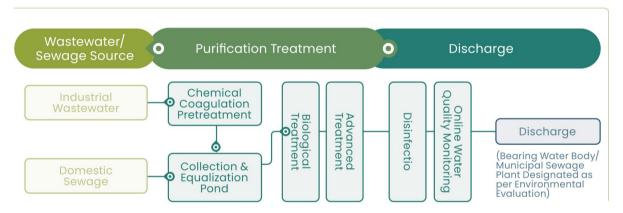
Note: Zero rainwater is used for direct collection and storage. For wastewater from other organisations, the amount of extraction containing cooling water is zero.

# 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 is 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

Unit Million litres		Amount o	of effluent		Water consumption			
	2023	2022	2021	2020	2023	2022	2021	2020
Mainland China	446.9	542.6	1,377.5	1,582.0	6,326.4	6,357.3	5,709.5	5,419.4
Vietnam	1,514.8	1,566.4	874.4	1,375.5	1,642.4	1,491.3	1,536.1	3,316.0
Indonesia	1,218.7	1,944.5	2,037.6	2,440.2	1,963.1	1,883.8	2,205.3	2,123.7
Cambodia, Bangladesh and Myanmar	188.1	305.5	298.0	267.9	169.8	127.0	46.0	71.5
Total	3,368.6	4,359.0	4,587.5	5,665.6	10,101.6	9,859.4	9,496.9	10,930.6

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 55 litres/pair in 2023, 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, the treated water can only be reused currently 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 41.4% (Water recycling rate (%) = volume of recycled water/total volume of processed water).

Volume of processed water and recycled water from sewage plants (Unit: million litres)										
	20	23	20	22	2021					
	Total volume of processed water	Volume of recycled water	Total volume of processed water	Volume of recycled water	Total volume of processed water	Volume of recycled water				
Mainland China	670.6	222.4	726.0	185.6	1,552.2	183.2				
Vietnam	3,437.7	1,778.9	5,025.8	2,328.0	4,499.4	2,332.3				
Indonesia	1,500.7	287.6	2,218.5	268.9	2,469.3	262.6				
Cambodia, Bangladesh and Myanmar	602.4	279.9	773.0	313.8	599.2	243.1				
Total	6,211.2	2,568.9	8,743.3	3,096.3	9,120.1	3,021.2				
Water recycling rate (%)	41.4%		35.4%		33.1%					

# 5.4 Waste Management

## **Management of Material Topics**

#### What it means to Yue Yuen

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.

#### **Impact**

#### Positive impacts

- Substantial: Reduce the impact of pollution on the environment and ensure the health and safety of employees and the community
- ➤ Potential: Increase the affordability of regional pollution treatment and promote environmental protection.

#### Negative impacts

- Substantial: Negative impacts (substantial): Vendors do not properly dispose of the wastes, which will pollute the environment
- Potential: Risk of violation of environmental laws and regulations which affects operations and corporate image

#### **Policy and Commitment**

- 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.

#### **Indicator and Target**

- 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.
- During the period from 2019 to 2022, we have conducted extensive on-site surveys and statistical work on generation types to obtain comprehensive information on waste generation. During the period, the Group was committed to the consolidation and measurement and statistical work on the waste category to ensure a thorough understanding of the categories of wastes generated from the manufacturing process. In addition to internal information analysis, the Group actively seeks external technologies for testing, and explored and evaluated different technologies of waste reuse to identify the most effective solution. We aim to better manage and enhance waste treatment technology so as to promote environmental protection and resource utilization.
- ➤ In 2023, we will emphasis the implementation of external waste reuse technologies to improve the overall waste reuse rate. Generated from the manufacturing process. We shall seek to identify and adopt new technologies to effectively treat waste of various types before converting into valuable resources. The introduction of external new technologies is also in line with technology providers, research institutions and government agencies to ensure that we are able to apply the best practices and solutions.

# **Management of Material Topics**

## **Actions**

- > 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. At the same time, in order to enhance waste reuse rate, the Company confirms the composition and treatment of waste in respective regions through the reported information and seeks technologies of reuse for testing based on the characteristics of waste in respective regions. Upon completion and validation of the test, such technology is promoted to the regions in need, so that the treatment of waste can be conducted for resources recycling purposes.
- > Confirm the compliance status of the waste disposal providers through annual audits to ensure the manufacturer's legal compliance.

#### **Evaluation Methods**

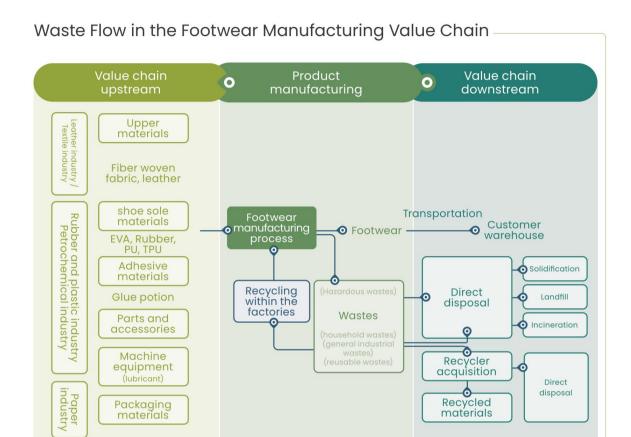
- Monthly review waste declaration and check environmental compliance risk.
- > Complete the collection of the relevant waste data and confirmation of operation in the factories.
- > Evaluate the digital management mechanism and process.
- > Hold the Company's management review and reporting meeting semi-annually.
- > Hold an environmental energy and safety and health committee meeting in each quarter.

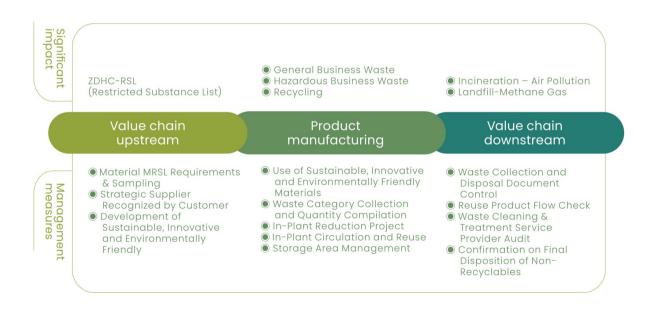
### Stakeholder Engagement

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.

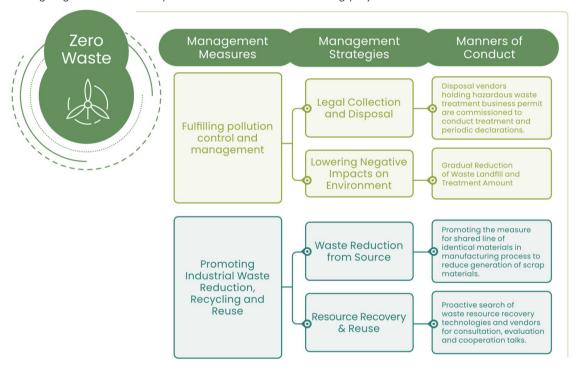
#### **Sustainability Indicators**

HKEx KPI A1 GRI 306 SDG 12





As the waste categories relating to the footwear industry are relatively complex, the Company focuses on waste management objectives, with emphasis on legal removal and treatment and reduction of negative environmental impact, and formulates a long-term management approach for proper waste reduction at source and reuse of resources. 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 research and implementation of technical testing projects conducted in the factories.



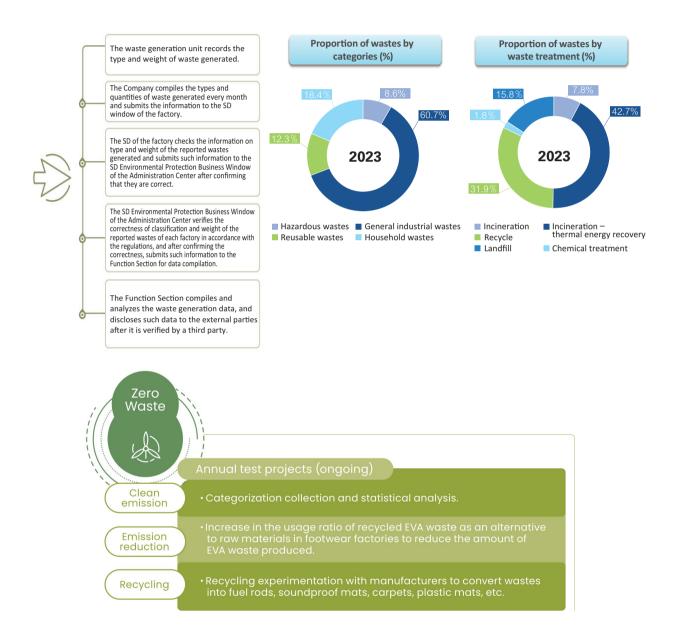
#### **Waste Classification and Treatment**

Wastes in the factories are mainly classified into hazardous (toxic, inflammable, corrosive, etc.) and general wastes, and general 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 Material Control Center ("RMCC") 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 2023 were 62,187.1 metric tons, with 5,321.4 metric tons of hazardous wastes and 56,865.7 metric tons of general 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 Regularly confirmation of handling process to ensure that the wastes were properly handled.

## **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 was approximately 0.03kg/pair, which is estimated according to total hazardous wastes; general waste intensity was 0.32 kg/pair (Waste statistics are calculated based on all the waste produced in the factories, including general industrial wastes and reusable wastes and household wastes).



# **Environmental Sustainability**

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

Unit: metric tons

			Non	-hazardous wa	istes	
Region	Year	Hazardous wastes	General industrial wastes	Reusable wastes	Household wastes	Total
	2023	839.6	3,657.4	1,183.7	279.1	5,959.8
Mainland China	2022	641.3	3,714.9	2,208.1	950.1	7,514.4
Maimanu Cilina	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
	2023	1,178.7	15,588.7	3,067.5	5,266.3	25,101.3
Vietnam	2022	3,174.1	19,869.0	6,651.0	6,425.5	36,119.5
vietilalli	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
	2023	2,070.4	17,208.4	3,099.7	5,433.5	27,812.0
Indonesia	2022	2,238.9	21,661.2	2,086.0	6,883.5	32,869.6
muonesia	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
	2023	1,232.7	1,298.6	273.4	509.4	3,314.0
Cambodia, Bangladesh and	2022	166.5	1,178.7	559.5	641.6	2,546.3
Myanmar	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
	2023	5,321.4	37,753.1	7,624.3	11,488.3	62,187.1
Takal	2022	6,220.8	46,423.8	11,504.6	14,900.7	79,049.8
Total	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

<sup>\*</sup> The amount of household wastes for employees in Mainland China is estimated based on the number of employees\* 0.25 kg/person.

# **Environmental Sustainability**

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

Unit: metric tons

Туре	Region	Year	Landfill	Incineration	Incineration- thermal energy recovery	Recycle	Solidification	Chemical processing	Total
		2023	0.0	0.0	818.0	21.6	0.0	0.0	839.6
	Mainland	2022	0.0	0.0	628.4	12.9	0.0	0.0	641.3
	China	2021	0.0	817.6	0.1	54.3	0.0	0.0	872.0
		2020	234.5	449.4	0.0	110.0	0.0	0.0	793.9
		2023	5.6	576.0	452.4	144.6	0.0	0.0	1,178.7
	Vietness	2022	0.4	409.3	2,516.6	247.8	0.0	0.0	3,174.1
	Vietnam	2021	4.9	1,905.3	286.6	270.1	0.0	0.0	2,466.9
Hazardous		2020	3.2	2,427.7	356.1	646.2	2.5	0.0	3,435.8
wastes		2023	703.6	1.1	890.6	475.1	0.0	0.0	2,070.4
		2022	1,143.1	0.0	766.0	329.8	0.0	0.0	2,238.9
	Indonesia	2021	967.9	0.0	787.7	268.2	0.0	0.0	2,023.8
		2020	833.8	0.0	620.8	299.1	0.0	0.0	1,753.8
		2023	68.2	0.0	12.4	43.0	0.0	1,109.0	1,232.7
	Cambodia,	2022	99.8	3.8	0.0	62.9	0.0	0.0	166.5
	Bangladesh	2021	130.5	0.0	0.0	48.8	0.0	0.0	179.3
	and Myanmar	2020	171.9	0.0	0.0	34.5	0.0	0.0	206.4
		2023	0.0	0.0	3,239.4	1,880.8	0.0	0.0	5,120.2
	Mainland	2022	0.0	0.0	4,507.7	2,365.4	0.0	0.0	6,873.0
	China	2021	68.7	2,418.7	2,362.8	1,659.0	0.0	0.0	6,509.2
		2020	160.4	6,657.3	3,058.8	1,807.4	0.0	0.0	11,684.0
		2023	3,393.0	4,123.0	8,256.7	8,149.9	0.0	0.0	23,922.6
		2022	2,215.6	2,872.7	18,123.5	9,733.7	0.0	0.0	32,945.4
	Vietnam	2021	1,635.0	12,651.1	4,315.3	5,855.1	0.0	0.0	24,456.5
Non-hazardous		2020	3,246.9	14,209.3	5,553.7	30,361.8	1,611.1	0.0	54,982.6
wastes		2023	4,750.1	0.0	12,533.0	8,458.5	0.0	0.0	25,741.3
		2022	4,228.0	0.0	14,228.4	12,174.3	0.0	0.0	30,630.7
	Indonesia	2021	5,096.0	0.0	12,071.6	7,440.6	0.0	0.0	24,608.2
		2020	3,896.7	207.4	8,659.7	7,025.7	0.0	0.0	19,789.5
		2023	931.5	162.3	321.3	666.2	0.0	0.0	2,081.3
	Cambodia,	2022	974.1	402.6	489.7	513.4	0.0	0.0	2,379.7
	Bangladesh	2021	2,569.8	0.0	0.0	413.9	0.0	0.0	2,983.7
	and Myanmar	2020	1,204.0	0.0	0.0	179.4	0.0	0.0	1,383.4
		2023	9,852.0	4,862.4	26,523.8	19,839.7	0.0	1,109.0	62,187.1
		2022	8,661.0	3,688.4	41,260.3	25,440.2	0.0	0.0	79,049.6
To	tal	2021	10,472.8	17,792.7	19,824.1	16,010.0	0.0	0.0	64,099.6
		2020	9,751.4	23,951.1	18,249.1	40,464.1	1,613.6	0.0	94,029.4

Note 1: 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.

Note 2: The amount of hazardous and non-hazardous waste handled will be disclosed separately in 2023.

# 5.5 Management on Air Pollutant Emission

# **Management of Material Topics**

#### What it means to Yue Yuen

Air pollutants include volatile organic compounds ("VOCs"), sulfur oxides ("SO $_{\rm x}$ "), nitrogen oxides ("NO $_{\rm x}$ ") 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.

#### **Impact**

#### Positive impact

- Substantial: Reduce the impact of pollution on the environment and ensure the health and safety of employees and communities.
- Potential: Improve air quality and reduce acid rain.

#### Negative impact

- Substantial: the production bases fail to properly dispose of the wastes, which will pollute the environment.
- Potential: Risk of violation of environmental laws and regulations which will affect operations and corporate image

#### **Policy and Commitment**

- "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.

## **Indicator and Target**

- 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.

#### Actions

- Establish equipment design review and control mechanism, regional environmental risk checking mechanism
- ➤ In 2023, the Company purchased 20 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 and act with the Chinese government's policies to work on the renewal and replacement of inefficient technologies.
- 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.

#### **Evaluation Methods**

- Monthly environmental compliance risk check and improvement rate: the annual implementation rate of internal environmental risk assessment in 2023 was 100%. There are 328 incidents of risk management of air pollution, 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 and an environmental energy and safety and health committee meeting in each quarter.

#### Stakeholder Engagement

According to the stakeholder engagement mechanism, the Company will conduct regular or irregular communication and interaction, and will disclose the information in the sustainability report, relevant platform or website

#### **Sustainability Indicators**

HKEx KPI A1 GRI 305 SDG 12

# **Environmental Sustainability**

Air pollutants from footwear include VOCs,  $SO_x$ ,  $NO_x$  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 <sub>x</sub> (kg/year)	NO <sub>x</sub> (kg/year)	VOCs (kg/year)
	2023	6,095.0	5.9	2.4	5,940.4
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
	2023	732.3	1,408.5	4,241.3	0.0
Indonesia	2022	1,808.6	6,919.1	26,775.6	0.0
	2021	340.2	119.7	5,604.7	0.0
	2023	1,860.9	1,559.4	3,788.5	0.0
Vietnam	2022	5,973.7	1,618.8	7,149.9	0.0
	2021	4,708.7	1,131.7	9,816.2	0.0
	2023	8,688.2	2,973.8	8,032.2	5,940.4
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:

Calculation of air pollution emissions: China applied the statistics of air pollution fees declared by government authorities; Indonesia applied the data inference from the semi-annual emission test report of boilers; and Vietnam applied the online monitoring statistics of boilers.

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 Manufacturing restricted substance list ("MRSL") and Zero discharge of hazardous chemicals("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**

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 Restricted Substances List ("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, to control the restricted substances in the raw materials purchased according to the limit of the above regulations, and regularly update the restricted substances lists for companies on an annual basis according to the regulations of brands.

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 specified test standards. Only qualified raw materials with test reports would be purchased, and all test reports are valid for one year. Thus, suppliers are required to annually update their test reports.

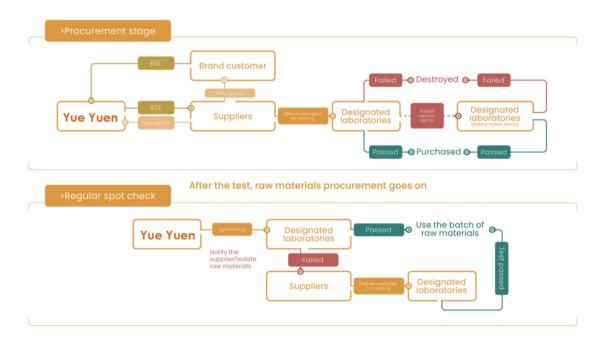
ZDHC-MRSL	AFIRM	Brand RSL				
ZDITC-WINSE	ALIMVI	Nike	Adidas	VF	Decathlon	
https://mrsl.roadmaptozero. com/MRSL2_0	https://afirm-group.com/ wp-content/uploads/ 2023/02/2023_AFIRM_ RSL_2023_0203.pdf	https://chemistry.nike.com/ restricted-substances-list	https://www.adidas-group. com/media/filer_public/91/ 19/9119256f-95ed-4567- 91ca-378e880e7881/ 2023_a-01_sept_ 1st_2023_handout.pdf	https://d1io3yog0oux5. cloudfront.net/vfc/files/ pages/vfc/db/436/ description/VF_2023_RSL. pdf	https://sustainability. decathlon.com/ legal-documents	

#### **Prohibited Substances**

Polyvinyl chloride (PVC), perfluorochemicals (PFCs) and VOCs are globally recognized hazardous chemicals, and some manufacturers also comply with the Conflict Minerals Reporting Template ("CMRT") 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 measure 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 (MSDS) 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 MSDS 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 half-yearly and holds chemical education and training courses every year, to improve employees' basic knowledge of chemicals and emergency response capabilities. We help employees learn more about emergency response measures to reduce the likelihood of disasters that may be caused by hazardous chemicals. By cooperating with its brand customers, Yue Yuen also actively recommends online training courses with the purpose of grasping the latest RSL list policy and practice, chemical/sample testing methods, review process, chemical management and other information of the brand customers.







# **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 Manufacturing Restricted Substance List. In recent years, the Group has been actively working with its business partners to explore the application of various environmentally friendly materials in footwear.

In 2023, the Group purchased a total of approximately 16,010,000 tons of raw materials for footwear manufacturing, of which 13,450,000 tons were non-renewable materials and approximately 2,560,000 tons were renewable materials.

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

Preferred raw	Raw m	aterials
material	Туре	Weight (Metric ton)
1	Knitted fabrics	575,700
2	Injection material	168,400
3	Natural leather	1,537,300
Note: Stratogia supp	liers of natural leather are 100% certified by	the Leather Marking Group (LMG) and the

Note: Strategic suppliers of natural leather are 100% certified by the Leather Working Group (LWG) and the purchase weight is approximately 963,900 metric tons.

In 2023, the Group procured approximately 203 million units (2022: approximately 260 million units) of shoe boxes, including inner and outer boxes, weighing a total of approximately 53,847 tons (2022: 69,421tons). A box for each pair of shoes weighs an average of 0.00026 tons (2022: 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**

#### What it means to Yue Yuen

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.

#### **Impact**

#### Positive impact

- Substantial: Cost, revenue, operational risk and commercial competitiveness.
- Potential: The stability and speed of material supply, while improving the sustainable management of the Company's overall supply chain.

#### Negative impact

- Substantial: Unstable supply of raw materials due to supplier's non-compliance of group or regulatory.
- Potential: Supply chain indirectly harms corporate's image.

#### **Policy and Commitment**

### Supplier Management Policy

- > Improving supplier management
- Supply chain management

#### Supplier - Friendly Workplace Guideline

- Strengthening the management mechanism for procurement
- Innovative, research and development

#### **Indicator and Target**

- Strengthening supply chain management/ improving manufacturing process/innovative design, to serve manufacturing/customers in the most innovative way.
- > 2023 goals:
- 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.

#### **Actions**

- > 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.

### **Evaluation methods**

Report at regular meetings, review the target achievement rate, and continue to promote material procurement management and supplier management according to the established goals.

# Stakeholder engagement

Business communication/ e-mail and telephone contact, regular assessment and review meetings for suppliers.

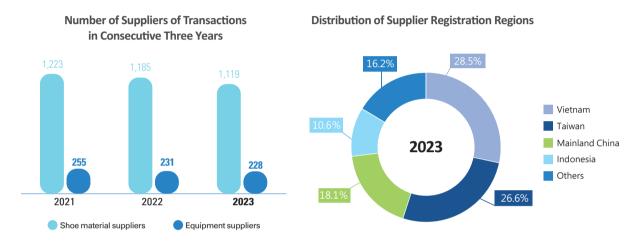
#### **Sustainability Indicators**

HKEx KPI B5.2, B5.3 & B5.4 GRI 308/414 SDG 12

SASB

CG-AA-430a/430b/440a/000.A

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 customer satisfaction. On the other hand, we also work together with our brand customers and business partners on the issues of application of innovative materials and environmental sustainability.



The main (Tier 1) suppliers of the Company comprise of: material suppliers, shoe equipment suppliers, engineering contractors and service contractors. In 2023, 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.

#### **Local Purchase**

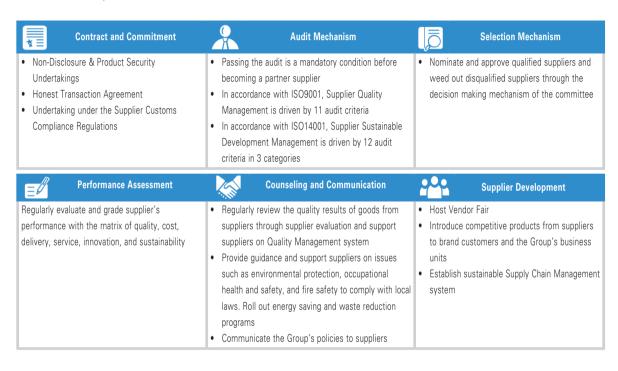
In line with the brand strategy and rapid response to market demand, the company follows the procurement principle of "local development and local supply", and actively cooperates with local suppliers in order to reduce supply risks, operating costs and carbon emissions of remote supply transportation.

The Company's footwear production bases include Mainland China, Vietnam, Indonesia, Cambodia, Myanmar and Bangladesh. The percentage of regional purchases is as follows:

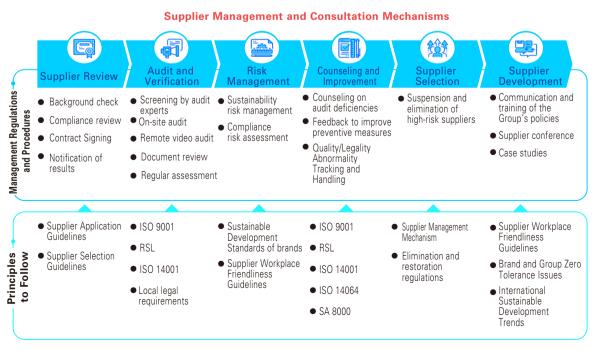
Country	Raw material	Machinery and equipment
Vietnam	66.9%	23.2%
Indonesia	58.1%	33.2%
Mainland China	61.1%	75.7%
Myanmar	13.8%	47.6%
Cambodia	11.7%	78.8%
Bangladesh	11.3%	0.1%

# **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, occupational 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.



### Supplier Management System and Framework



#### **Supplier Review**

Yue Yuen 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 and health and human rights management to verify the compliance with laws of suppliers and establish long-term and efficient cooperation relations.

Except for customer 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. 100% of the new suppliers are selected in accordance with these standards.



Note: In respect of the Supplier Management and Consultation Mechanism (excluding Tier 1), the amount cannot be provided, as well as beyond control due to the industry model of footwear contracted manufacturing.

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 Tier 1 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. All Tier 1 suppliers are required to meet 100% of the standards for RSL of various cooperating brands.

In terms of environmental, safety and health and human rights management, raw materials and machinery and 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 laws and regulations, 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 assessed them by examining whether their business licenses, environmental, safety and health-related qualifications as well as personnel certificates met the requirements of the laws and regulations.

# **Supplier Management and Consultation Mechanisms**

In addition to the continuation of the selection criteria in assessing new suppliers, we integrate specifications of the brand customer to advance the operation of sustainable development management for existing suppliers. We screen out the key suppliers with which Yue Yuen has strategic cooperation and large transaction amount from the suppliers with actual production and direct transactions as the Tier 1 suppliers and conduct management disclosure. Management and counseling methods mainly include regular written assessments, and annual reviews and consultation through onsite or remote video, scheduled or unscheduled assessments based on the importance of the partnerships with suppliers. The auditing methods cover written confirmation of statutory licenses and permits, environmental, safety and health and human rights related policy documents, labour code of conduct and the derived implementation records, site visits, dormitory inspections, CCTV monitoring, management communication as well as group or individual interviews in non-production areas based on the proportion of the employee count according to the scale of suppliers, 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, the Company 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.

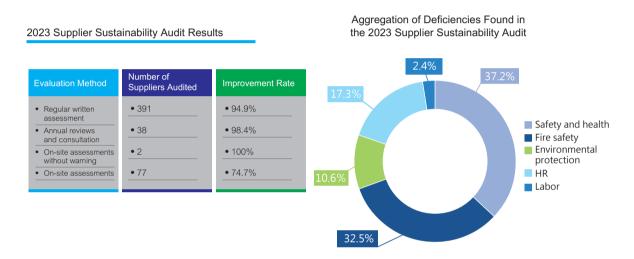
Despite the inability to intervene the supply chain mechanisms managed by the brand customers, we have continued to commit to the compliance risk identification and training programs of our Tier 1 suppliers (within the scope of Yue Yuen). We require all Tier 1 suppliers to obtain environmental protection related permits and establish a regular inspection mechanism in accordance with the law. A total of 32.7% of the suppliers have manufacturing processes that can generate sewage, 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 regulatory environmental permits. In 2023, a total of 391 suppliers were enquired and 20 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 2023.

In addition to following the Regular Supplier Management and Consultation Mechanisms to conduct the supplier management, we also encourage the supplier to move towards the international trend with sustainable development and incorporate and obtain external certification and attach importance to issues of freedom of association of employee to measure the effectiveness of inventory and consultation. A total of 26.4% of the Tier 1 suppliers are being assessed for the Higg Facility Environmental Module ("Higg FEM") or have obtained certification. We also included the freedom of association of Tier 1 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		
1. Incoming Quality Control	Environmental Management	Compliance Practice		
Supplier Management	1. Environmental Protection	Recruitment and Appointment		
2. Manufacturing Process Control	Management System	2. Working Hours		
3. Quality System	2. Stationary Pollution Source	3. Remuneration and Benefits		
4. Finished Product and Shipment	Operation Permit	4. Complaint Mechanism		
Inspection	3. Water Pollution Control	5. Forced Labour		
5. Laboratory Management	Compliance Management	6. Anti-discrimination		
6. Non-conformity Product Control	4. Hazardous Wastes Disposal	Management Attitude		
7. Education and Training	Fire Safety	7. Freedom of Association		
8. Storage and Delivery	5. Fire Safety Inspection	8. Prohibition of Forced Labour		
9. Customer Service	6. Fire Safety Equipment	9. Protection of Employees with		
10. Document and Record Control	Maintenance and Repairs	Special Needs		
11. Environment and Labeling	7. Inspection of Fire Safety	10. Migrant Worker Management		
	Facilities	Other Support		
	8. Fire Evacuation Drill	11. Dormitory Inspection		
	Safety and Health	12. Employee Interviews		
	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			

The selection of suppliers to be evaluated is based on the Company's procurement strategy, together with the Unified Procurement Management 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 in this regard. 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 2023, 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 2023 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 Tier 1 suppliers assessed.



## **Suppliers Development**

Yue Yuen 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 the value of the overall supply chain.

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

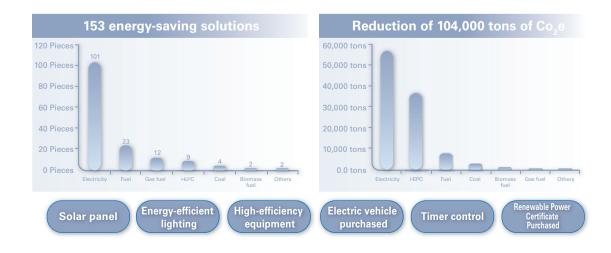
# Establishment of Supplier Friendly Workplace Guidelines and Supplier Compliance Conference

To gradually enhance the sustainable management of our partner suppliers, Yue Yuen developed the supplier friendly workplace guidelines with reference to the FLA, international standards and specification of brand customers, including areas such as forced labor, child labor, discrimination, remuneration and benefits, working hours, freedom of association and collective bargaining, disciplinary action, recruitment and employment. PCC Group, the parent, published the guidelines on the official website in Traditional Chinese, Simplified Chinese, English, Vietnamese and Indonesian, and 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 2023, we have continued to promote to Tier 1 suppliers and invite suppliers to commit to abide by supplier friendly workplace guidelines, and 89.5% of Tier 1 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. One session was attended by 30 suppliers.

#### **Carbon Management among Suppliers**

In view of the global climate change issue, Yue Yuen promoted the global climate change issue to suppliers in 2023 and recognized that the management mechanisms for carbon emissions has become a significant management issue between countries and enterprises. In order to enhance the transparency of disclosure of carbon management information in the supply chain, Yue Yuen not only enhances its independent management, but also assists the industry supply chain to fulfill obligations as a responsible corporate citizen and in carbon management practices and to serve customers' low-carbon visions, and to strengthen suppliers' carbon management knowledge. Yue Yuen also promoted 197 cooperative supplier factories to complete the organizational GHG emissions inventory operation in 2022, of which 75 suppliers have implemented the reduction measures. In 2023, the GHG emission reduced by 104,809 ("tCO<sub>2</sub>e"), with a total of 153 cases included in the GHG emission reduction, and the main improvement programs are the following 6 categories: solar panels, renewable power certificate, energy-efficient lighting, timer control, high-efficiency equipment, and the electric vehicle purchased.



# **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 at present, and 28 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, 8 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, provision of hardware and proposed recommendation of management measures and requirement of proposed measures were chased to parallel expansion. During the year of 2023, there were a total of 8 cases of occupational injuries, and 100% of the cases were tracked and improved.

Causes of occupational hazards	Number of cases
Pinch injury or getting caught by machinery	3
Cutting/clipping/puncturing/abrasion caused by machinery and the workplace	1
Slips and trips in the workplace	3
Struck by falling objects	1

2023 statistics for occupational hazards of key suppliers:					
Disabling frequency rate (FR)	0.74				
Disabling severity rate (SR)	32				
Frequency-severity indicator (FSI)	0.15				
Number of Disabling Injuries X 1,000,000/Total Working Hours Experienced Total Number of Working Days Lost X 1,000,000/Total Working Hours Experienced $FSI = \sqrt{(((SRXFR)/1000))}$					

# **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 8 key suppliers during the year of 2023, 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, which facilitate the information exchange with supplier partners in a faster speed. In order to deepen the connection with suppliers and confirm the implementation of complaint mechanism, two conference will be held monthly since 2023. The conferences aims to regularly monitor, track and calibrate the measures and efficiency of supplier partner in relation to the complaint cases. A total of 23 sessions were carried out. Together with the existing complaint mechanism, in 2023, a total of 131 appeals/complaints/suggestions/consultations/appreciation/compliance deficiencies were received from employees of key suppliers, covering issues such as catering, living environment, health consultation, working environment improvement, transportation vehicles and compliance of corporate system etc., and 100% of the cases have been handled and settled, among which the more representative consultation cases are as follows:

Date of case	Description of Complaint and Consultation	Suggestion for Improvement	Results
June 2023	A manager of supplier reported that the manager of unit was threatened by an employee's bad attitude. An employee was dissatisfied with monthly bonus, and threated the manager of unit verbally instead of communicating with the immediate supervisor.	Investigate the case and confirm the correctness of manager's statement, and the bonus payment system. Check whether if the manager's attitude is appropriate and the behaviors of the relevant employees on the then day. Correcting actions must be taken if the harassment behaviors and tendency occurred.	Supplier implemented the investigation and convened the internal coordinating commission, some employees with poor attitude were punished in accordance with the regulations of factory. Diverse communication (Complaint) channel and friendly workplace are advocated.
November 2023	certain employee of supplier reported that noise level in Area A16 within the factory is relatively too high and would like to see improvements or in-kind subsidies.	Since the in-kind subsidy is a compensation mechanism that cannot improve the working environment, the improvement of the working environment should be the first priority in consideration of the health of the employees.	Move noisy high-frequency work area to another location and discuss with employees whether to use another set of upgraded earplugs and has obtained the acceptance of the employees. The case has been closed.

#### 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 R&D 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 trend 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 places 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 stages to product production stages, 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. In 2023, 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 information 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<sup>TM</sup>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 evaluation criteria of 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 2023, 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.

In 2023, the number of footwear products sold by the Company was approximately 252,000 pairs, representing approximately 0.13% of the total pairs of sales for the year due to quality issues.

### **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.

# 7.1 Manpower and Talent

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 footwear factories in 2023 certified by Social & Labor Convergence Program ("SLCP") was 29%.

# **Management of Material Topics**

#### What it means to Yue Yuen

Creating a good foundation for 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.

#### **Impact**

#### Positive impact

- Substantial: Improve business competitiveness, talent quality and employee functions
- Potential: Sound labor management, which can help the Company recruit excellent talents and create employment opportunities

#### Negative impact

- Substantial: Affect human resource in talents' recruitment and retention, which in turn has impact on operations and production; upgrading of human and technical expertise
- Potential: The Company's image is worsened

#### **Policy and Commitment**

- 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.
- Integrate key technical data into a knowledge management (KM) platform to facilitate knowledge sharing, innovation, and collaboration within the organization to respond quickly to market changes and improve competitiveness.
- Actively cultivate outstanding talents, improve the training and succession of key positions, reduce talent and technical faults, establish a self-sufficient talent mechanism, and promote the documentation of explicit and implicit knowledge, and train internal lecturers to strengthen the internal education system, and cultivate a culture of knowledge inheritance and sharing.

#### **Indicator and Target**

- 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 production sites.
- Carry out the "Training for High Potential Talents" middlesenior 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 nurturing of the Group's key technical talents targeting employees of all nationalities, and keep narrowing the fault range.
- Cooperate with the Group's digitization promotion, purchase external digital resources and simultaneously establish in an internal knowledge inheritance system, to immediately and appropriately transmute and share material issues related to operation or employee care through internal experts.

### **Management of Material Topics**

#### Actions

- > 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 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 the application of footwear manufacturing.
- Promote internal knowledge transfer using the digital resources such as Yue Yuen P-Talks and digital archives, etc., and actively nurture futuristic digital talents.

#### **Evaluation Methods**

- > 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.
- High-potential courses: feedback before and after class, group/individual learning results presentation, trainees' interview on their experiences, supervisor research learning transfer and application after training.
- > Set up technical classes for the application of footwear manufacturing. After the course, there is an evaluation to confirm the learning effect of knowledge, supplemented by on-site inspection, to actually confirm the effect of the integration of training and application, and continue to carry out follow-up improvement and tracking.
- > The Group's goal of promoting digital learning is "Anytime, Anywhere, Anyone", and to increase access to training through the popularization of digital learning resources. With the improvement of the click-through rate of digital resources, the participation rate of digital courses, and the pass rate, the establishment of a learning atmosphere is achieved.

#### Stakeholder Engagement

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.

#### **Sustainability Indicators**

HKEx KPI B1.1/B1.2/B3.2 GRI 201/202/401/402/404/405/406 SDG 3/5/8

# 7.1.1 Bring Together Talents of Diverse Backgrounds

Yu Yuen is a leading manufacturer of global sports shoes / outdoor shoes and leisure shoes. It has a diversified portfolio of world-renowned brand customers and production bases, and operates its subsidiaries in Greater China through its subsidiaries in the retail distribution business of sports products, which together provides solutions to a large number of high quality brand customers. In the footwear manufacturing business, we continue to refine our production technology and research and development capabilities, optimize our production efficiency, and work closely with various international brands to provide high value-added products and innovative services, so as to continue to strengthen our core competitiveness and maximize value for the Group.

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

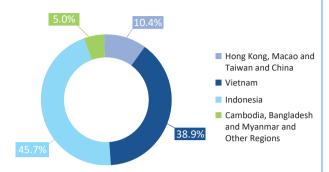
As at 31 December 2023, the total number of regular employees was 242,603 (2022: 284,221). Employees in Hong Kong, Macau and Taiwan and Mainland China accounted for 10.4% (2022: 9.0%), employees in Vietnam accounted for 38.9% (2022: 42.5%), and employees in Indonesia accounted for 45.7% (2022: 42.3%), while employees in Cambodia, Bangladesh and Myanmar and other regions accounted for 5.0% (2022: 6.2%). In line with the local regulations, the overseas employees (non-local nationalities) in each region and local employees (local nationalities) in Myanmar were regular contracted employees, accounting for 1.5% of the total number of full-time staff, and currently no labour despatch workers has been used.

The number of employees at the end of 2023 decreased by 14.6% as compared to the end of 2022, decrease of approximately 41,618 employees in total, mainly due to the fact that the overall business development was under consideration due to the uncertain macroeconomic outlook, and the Company adopted a diversified allocation strategy, dynamically adjusted production capacity planning in various regions, and enhanced production efficiency. The personnel operation procedures of local employees were in compliance with the relevant local government laws and regulations. The Company remains confident in the long-term development of footwear business and will continue to enhance its manufacturing efficiency and production flexibility, expand and diversify its production capacity while actively promoting its smart manufacturing and digital transformation to support the sustainable growth of footwear business.

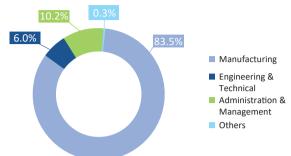
The Company sincerely welcomes talents from all industry to join our team to accumulate professional experiences. The process in talent recruitment strictly abides by local laws and upholds the principle of openness and transparency with an aim to bring in new talents from different industries and select 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 22.5%: 77.5%. In the major production sites, overall senior management staff are local employees (local nationality), with the ratio of 22.0%, and female management staff account for 55.6% in total, to ensure the localization and diversity of human capital.

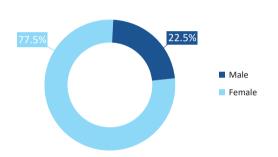
# **Manpower Statistics by Region**



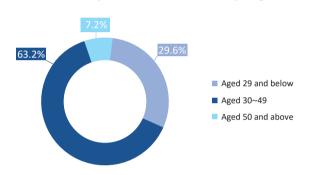
# **Manpower Statistics by Job Function**



# **Manpower Statistics by Gender**



# **Manpower Statistics by Age**



Percentage of local management <sup>Note 1</sup>						
Regions	Percentage of senior management		Overall percentage of management <sup>Note 2</sup>			
	2022	2023	2022	2023		
Hong Kong, Macau and Taiwan	100.0%	100%	94.5%	94.8%		
Mainland China	9.1%	9.5%	92.6%	93.3%		
Vietnam	8.7%	8.6%	78.2%	78.9%		
Indonesia	34.5%	35.6%	85.6%	86.6%		
Total in the Company	20.5%	22.0%	84.1%	85.1%		

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 serving as management personnel on grade 5 or above.

# **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 jointly discovering talented co-workers. The Company also participates in annual campus recruitment activities. Through campus fairs, induction meetings, 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 recruits in 2023 were 15,648 in total, and the recruitment rate was 6.5%. The number of voluntary leavers were 32,542, and the voluntary turnover rate was 13.5%.

	Recruitment	rate <sup>Note 1/Note 2</sup>	Voluntary turnover rate <sup>Note 3</sup>			
	2022	2023	2022	2023		
By gender						
Female	15.0%	6.8%	6.5%	13.6%		
Male	4.3%	5.4%	2.0%	12.6%		
By age						
Aged 29 and below	11.7%	9.5%	4.0%	15.7%		
Aged 30~49	6.5%	3.4%	4.0%	12.1%		
Aged 50 and above	1.2%	21.0%	0.5%	15.5%		
By region						
Mainland China	39.6%	32.0%	8.9%	7.4%		
Vietnam	14.1%	2.6%	10.7%	24.4%		
Indonesia	14.3%	4.1%	5.7%	5.5%		
Cambodia, Bangladesh and						
Myanmar and	59.5%	5.3%	12.0%	11.8%		
other regions						
Total	19.3%	6.5%	8.5%	13.4%		

- Note 1: New Recruits refer to staffs with seniority less than one year by the end of December 2023.
- 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, Cambodia, Bangladesh and Myanmar, the United States, Mexico, Israel and Brazil etc.

### 7.1.2 Employee Care and Attention

Yue Yuen provides the full-time employees with comprehensive welfare systems, including insurance plans, maternity care and the retirement systems. In addition to the basic rights stipulated by the laws, we also provide a diversified employee benefits. In light of the diversified culture and custom in different regions, we also develop different benefits or activities, in an effort to enhance the well-being of our employees and build up the best workplace environment.

Yue Yuen provides the localized insurance plans for our employees in accordance with the laws and regulations in each main production location. In Mainland China, employees are entitled to the Pension, Unemployment, Work Injury, Maternity and Medical Insurance; in Vietnam, employees are is entitled to the Social, Unemployment, Accident and Medical Insurance; in Indonesia, employees are entitled to the Insurance for elderly, and the Death, Retirement, Work Injury and Medical Insurance; and in Cambodia, Bangladesh and Myanmar, employees are entitled to the Work Injury Insurance or Medical Insurance. Leveraging on the insurance programs, we are able to protect the livelihood of our employees and lower down their healthcare burden.

#### **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 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 regulations 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 production sites.
- On-site clinics in some production sites providing suitable medical services.



Indonesia - Journey for homecoming



Mainland China - Dinner with the model workers



Cambodia - employees' Birthday Party



Vietnam - Football Match

# **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. A total of 412 internal employee activities were held overseas, with approximately 236,628 participations of employees in 2023.



Vietnam - Cooking Match



Indonesia - Football Match



Mainland China - Basketball Match



Vietnam - Volleyball Match

# **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 corresponding production bases across the globe for providing stable pension contributions and benefits, so as to safeguard employees' retirements.

# Retirement systems of Yue Yuen

Regi	on	Mainland China	Vietnam	Indo	nesia	Bangladesh	Cambodia
		Pension	Pension under	Social Insurance			Pension
Retirement System ur	Insurance under Social Insurance	Social Insurance	Insurance for elderly	Retirement insurance	Retirement System	System under Social Insurance	
	Employer	13.0%~16.0%	17.5%	3.7%	2.0%	Fully borne	2.0%
Contribution Ratio	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).

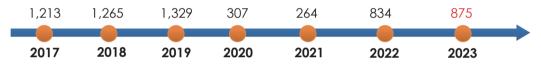
### **Employee Care**

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 2023, while fully complying with strict local pandemic prevention regulations, Yue Yuen visited the families of 875 employees, including excellent employees, impoverished employees, pregnant employees, injured employees, etc., with the total hours spent in home visits reaching 7,009 hours in total.





Mainland China – Employee Home Visit



Indonesia – Employee Home Visit



Vietnam - Employee Home Visit



Myanmar - 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, in accordance with the common principle of equal pay for equal work, 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 a multinational corporation, the Company will design remuneration policies compatible to the local management conditions for its overseas production sites 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 extract a certain percentage of profits according to the annual performance of the Company as year-end bonus to reward the employees' contributions and passion for work, so that all employees can benefit from the operating results of the Company.

# Ratios of Standard Entry Level Wage Compared to Local Minimum Wage in Main Production Locations

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

# Ratio of Basic Wage Plus Compensation for Female Employees Compared to Male Employees

Region	Туре	Overall average annual remuneration ratio of female employees
Mainland China	Direct Staff	0.73: 1
	Entry-Level	0.80: 1
	Mid-Level	0.94: 1
Vietnam	Direct Staff	1.09: 1
	Entry-Level	1.00: 1
	Mid-Level	0.99: 1
Indonesia	Direct Staff	1.06: 1
	Entry-Level	0.97: 1
	Mid-Level	0.89: 1
	Senior-Level	-
Total	Direct Staff	1.05: 1
	Entry-Level	0.99: 1
	Mid-Level	0.9: 1

Note 1: 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, 2023.

Note 2: not applicable to Senior-Level

# **Talent Development and Performance Management**

The Company has implemented performance management system to achieve operational goals and enhance employees' capabilities. The targets cover all 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 derive 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 bases 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. Besides, for employees requiring transfer or development, the Company also provides internal job matching and performance counseling to promote the transition assistance of employees' ability to continue employment and career planning.

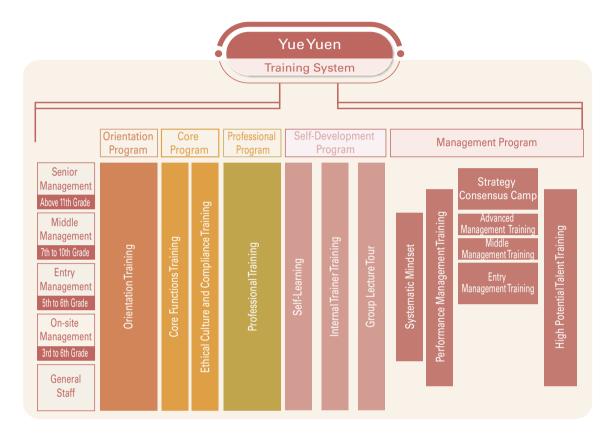
# **Complete Education and Training Mechanism**

#### **Policy and Commitment**

Talent plays a pivotal role in the sustainable development of a corporation. The Company 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 horizons, deepen their professional skills and knowledge, instill corporate culture and create competitive advantages, in order to lay a solid foundation for the Company's sustainable development.

- Align corporate mission, vision, business strategies and objectives, formulate talent development strategies, actively nurture leaders and professionals for the Company, and enhance our talent availability.
- Broaden the Company's 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 the 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 future development planning.

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 Talent Development Quality Management System ("TTQS"), 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**

The Company's annual talent development training planning combines the Company's missions, vision, and management strategy and goals, collects and understands development points and training requirements of each business division, continuously innovating and introducing new technology, concepts and tools, facilitating personal growth and organization learning, providing diverse learning channels, encouraging self-paced learning. Simultaneously, we 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, we plan various series of training programs for different stages according to the Company's core values and employee competencies. From an employee's employment to his/her expected retirement, we provide 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 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 trainings 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 diverse 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 instructor training is also planned to motivate employees' energy and potential, thus expanding the meaning and continuation of learning.









Management Program
Leadership Ladder
Management Skills
Training

Management Program
AIM Program

Management Program

ART Program

Management Program
Middle and Advanced
Management Training









Management Program
Entry Management
Theme Training

Management Program
TTUP - Local
Management Training

Self-development
Program

Program Program

Language Training Internal Instru

(Vietnam/Indonesia) Training

Self-development
Program
Internal Instructor









Core Program
Accountability

Professional Program
Shoe-making
Technology Program

Management Program
Strategy Consensus
Camp

Orientation Program
New Joiners Training

# Education and Training: Break the limitations of time, space and number of people, and learn from all over the world

## Digital learning: middle and advanced digital seminars

In response to the digital transformation and the impact of the pandemic, the workplace learning style has changed significantly. Remote learning has become the new normal, enabling more and more people to develop new skills through learning online. In order to follow this trend, the Company has been constantly moving towards digital learning, paid special attention to the needs of supervisors for management and leadership, and actively introduced high-quality digital courses to provide supervisors with rich digital learning resources.

The topics of digital course included problem analysis and solution, planning and organization, coordination and integration, and execution. Each course was designed with the concept of micro-learning and coupled with rich visual effects, so that knowledge, lecturers and presentations could be perfectly combined.

Through digital courses, supervisors could learn and use immediately without limitations of time, space and number of people, which promoted their professional growth. By the end of 2023, 4,230 supervisors had benefited from these digital learning resources, which not only broadly conveyed the Company's management functions, but also built the management awareness and leadership skills of middle management, laying the foundation for the consolidation of the internal learning culture. This proactive promotion not only contributed to the improvement of the Company's overall management level, but also demonstrated a commitment to the professional development of employees.

# Awake Readiness for Transformation Program ("ART Program")

In addition to the above-mentioned middle and advanced digital seminars, the Company has also repeatedly disclosed the Group's digital progress and discussed the topic of digital transformation in the Group's senior management consensus camp, hoping to disseminate the thinking of digital transformation at the Group's level and gradually influence the entire organization.

In order to promote and accelerate the digital capabilities of talents in line with the Group's digital strategy, and then accumulate the phased process of digitalization, the Company launched its first digital capabilities development training program in 2023, hoping to identify the seed candidates for digital promotion in each organization through the selection mechanism, and strengthen the digital thinking and digital project implementation capabilities through structured training.

The course was planned based on the five main axes of digital culture and thinking, digital strategy and execution, digital capabilities, digital manufacturing and technology and tools, and the Group's internal consultants, external partners and internal experts in various fields were invited to serve as lecturers to share practical experience, establish a common language, and promote cross-team collaboration. After the training, the Group organized the business divisions to carry out digital tasks and exchange the status of task implementation through sharing sessions, hoping to continue to deepen the Group's digital transformation and promote digitalization through a two-pronged approach of courses and practices.

# Continue to Cultivate High Potential Talents as the Cornerstone of the Organization's Long-term Development

# The Leadership Pipeline 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 the base of 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, complex and uncertain management situations they will be confront with.

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 and fill the gap in customer relationship response through the program.

The Company, as a global company, has presences in different countries and regions. We expect good talents to adapt to the Group's development and rotate 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.

## Acceleration Intelligent Manufacturing Program ("AIM Program")

The Company has factories in six countries, including Mainland China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar. Profits of each factory come from the contribution of dedicated employees and factory managers who implemented 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, the Company started to launch the "AIM Program" in 2021. The composition of trainees also reflected its global and diversified layout, enabling the Company 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 opportunities.

In 2023, we continued to optimize and added a post-training task - factory practice improvement proposal to the training, hoping that the trainees will summarize what they have learned after the training and apply it to their daily work. It is planned that the trainees will have a one-on-one coaching meeting with the mentor once a month during three-month period after training, so that the trainees can come up with the topic of the proposal, implement it and produce practical benefits, and present it after the three-month period. In this process, trainees can absorb a variety of insights and knowledge, which will help us expand our horizons and increase practical experience, truly learn knowledge, put it into practical use and make achievements.

The lecturers hired in this program are leaders in Yue Yuen 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.

# Rooted in Local Area, Management and Technical Talents are not Disconnected due to Regionalization

# Total Talent Upgrading Program ("TTUP") - Local Management Training

However, in the face of today's fierce competition in the footwear industry and the challenge of globalization gradually shifting to regionalization, in order to ensure the solid niche of the Company and maintaining its leading position in the industry, we promoted the "Comprehensive Talent Enhancement Program (TTUP)" to provide more diversified learning opportunities and development channels. As long as employees have the willingness to learn and show outstanding performance, they will have the opportunity to step on a higher and broader career stage!

The content of local management training includes a number of basic competencies that managers should have, including but not limited to basic supervisor practice, team cohesion, subordinate cultivation and work guidance, etc., hoping that through these basic grounded learning, local potential cadres and local reserve talents will have certain management strength and can be used as reserve candidates for overseas cadres in the future.

As of the end of 2023, 238 local colleagues have completed the local beginners class (L1) course designed by the headquarters and 25 local colleagues completed the intermediate class (L2) course. In addition, in order to expand our talent training resources, we have also organized a theme program on training and cultivation of internal seed instructors in the beginners class (L1). Currently, 116 colleagues have finished their courses and obtained their certificates. Through these seed instructors, we will be able to continue to expand our local managerial reserve in the future.

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

In order to make technology rooted locally and integrate the factories into local cultures, and to make the management more localized, the Company cultivated its operation and management concepts for its overseas cadres and enhanced their technical expertise to gain the trust of customers. The local cadres were mainly characterized with the technology of production and manufacturing, and we trained the local cadres on control over the concept of quality and production efficiency of on-site production to meet the requirements of customers' orders.

Professional training on footwear manufacturing technology includes factory management, paper template production principles and practice. The factory nominated the local and overseas cadres for training courses. Through the lecture of senior management, they shared their professional experience in the operation of the factory with the local and overseas cadres, so that their experience could be spread, and also enabled the cadres to reduce their misjudgement through predecessors' experience, thus avoiding waste of human and material resources.

In 2023, a total of seven scheduled classes were completed, including 2 classes of beginner course for factory management with a total of 85 trainees, 2 classes of advanced course for factory management with a total of 71 trainees, 2 classes of paper template production principles course in English with a total of 73 trainees, 1 class of paper template production practice course with a total of 30 trainees. In total, 259 overseas and local cadres received training in 2023.

# Implementation of Education and Training

All employees of Yue Yuen receive annual training (100% of employees are trained). In 2023, the Group invested approximately 3,308,055 training hours for education and training, with a total of 1,508,873 employees participated in these trainings, and average training hours of approximately 13.6 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 of employees<sup>Note 2</sup>

Unit: hours	2022	2023
By gender		
Male	12.2	14.4
Female	12.6	13.4
By employee category		
Entry-Level	12.4	13.6
Mid-Level	17.9	17.7
Senior-Level	19.3	16.0

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

Note 2: Average training hours of employees 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**

#### What it means to Yue Yuen

We create a friendly workplace and ensure labor's human rights, and improve the system to protect the rights of employees

#### **Impact**

### Positive impact

- Substantial: Human capital is the basis of business operation. We create a friendly workplace and ensure labor's human rights, and improve the system to protect the rights of employees
- Potential: Enhance corporate image, which is positive for attracting employees in the community.

#### Negative impact

- Substantial: Human rights management directly affects employees' rights and retainment, which in turn affects operations and production
- Potential: It cannot adequately protect the human rights of our employees and employees of suppliers

### **Policy and Commitment**

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.

## **Indicator and Target**

- 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.
- Objectives of 2024
  - Degree of participation in the friendly workplace course: 100%
  - Zero harassment and discrimination : 0 case
  - Responsible recruitment: zero non-compliance

## **Actions**

- ➤ Conduct annual compliance KPI assessment (social responsibility assessment) for all wholly-owned footwear factories under the Group, and complete social responsibility assessment for 37 wholly-owned footwear factories in 2023 as scheduled, accounting for 100% of the total.
- Promote the infrastructure project to review and understand the daily compliance of factories through daily risk monitoring. In 2023, a total of 37 wholly-owned footwear factories were assessed, accounting for 100% of the total.

#### **Evaluation Methods**

- Internal Based on the internal compliance KPI assessment, the Company's wholly-owned footwear factories and wholly-owned 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.

#### **Stakeholder Engagement**

Hotline telephone, social media or mobile APP, SMS, suggestion box, emails, employee seminars, cadre communication meetings, labor-management meetings, internal and external referrals, direct communication/interviews, employee consultation room/life counseling room.

#### **Sustainability Indicators**

HKEx KPI B4.1/B4.2 GRI 407/408/409 SDG 5/8/10

## 7.2.1 Human Rights Management

To achieve sustainable corporate development, Yue Yuen 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 a harmonious labor-management relationship and create a happy enterprise.

Code of Conduct	Human Rights Management Measures
<ol> <li>Employment Relationship</li> <li>No Discrimination</li> <li>Harassment or Abuse</li> <li>Forced Labor</li> <li>Child Labor</li> <li>Freedom of Association and Collective Bargaining</li> <li>Health, Safety and Environment</li> <li>Working Hours</li> <li>Remuneration</li> <li>Community Connectivity</li> </ol>	Human rights issues and management measures applicable to all employees:  1. Responsible recruitment  2. Fair remuneration  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**

Yue Yuen 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, Yue Yuen 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 2023, we re-regulated the friendly workplace learning structure and designed new teaching materials, emphasizing the consistency of internal and external standards, including local regulations (in the country of production base) and international organization regulations, as well as promoting the awareness of employees by focused on indiscriminately violating the laws and regulations in the workplace. Starting from the colleagues from Taiwan, through, there were a total of 523 participations with a completion rate of 70%. The training plan will continue to last until March 2024 and the completion rate is expected to reach 100%.

In addition, in 2023, the Group organized a comprehensive senior management conference in recognition of the importance of gender equality and the prevention and control of sexual harassment.

In addition to the friendly workplace training carried out by the Group, there are different human rights training and publicity methods in the factories of Yue Yuen and various regions. Through daily collection and communication, lunch break broadcast, irregular on-site training, small card distribution, poster posting and other methods, personnel of all levels are enabled to understand and build a friendly and harmonious workplace, and ensure the mutual respect and interaction among colleagues.

# Friendly Workplace Program

It mainly consists of:

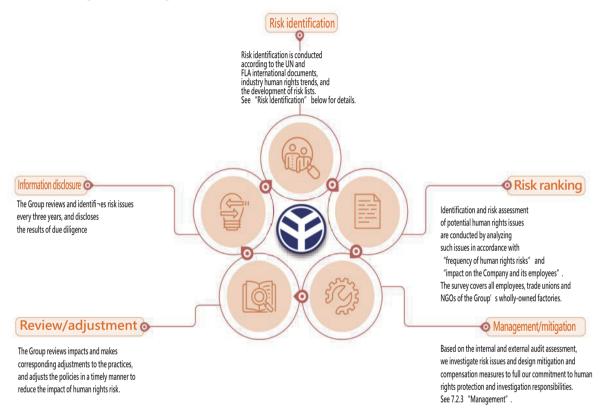
- The Group's regulations (including Group Code of Conduct)
- The Group's Discipline/Engagement Committee Measures
- Management Measures of Complaints and Punishments for Prevention and Treatment of Sexual Assault and Sexual Harassment
- National sexual harassment and abuse laws
- Practical cases sharing
- 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 and will conduct a human rights survey every three years thereafter to gain an in-depth understanding of employees' awareness of our human rights policy in light of the results of the post-survey risk and in conjunction with the annual social responsibility assessment mechanism. The Group is committed to creating a supportive, friendly and healthy work environment.

# **Human Rights Due Diligence Process**



## **Risk Identification**

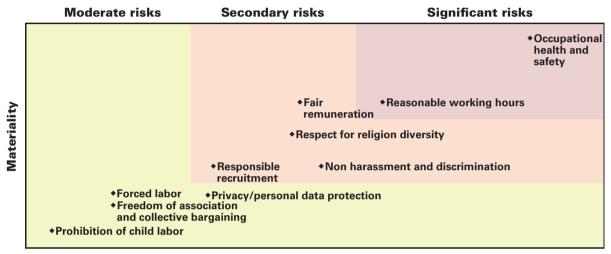
Yue Yuen commits to abiding by international human rights standards, such as the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Elimination of All Forms of Discrimination against Women, 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	We 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,
Respect for religion diversity	age, disability, sexual orientation, nationality, political opinion, social status or minority status.
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	We shall recognize and respect the right of employees to freedom of association and collective bargaining.
Occupational Health and Safety	We 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	We 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	We are responsible for protecting the privacy of their employees and preventing the leakage of their personal information.

# **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 and in 2023 we will follow the identification results in 2022.

## Human rights risk matrix



**Frequency** 

## 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 Yue Yuen'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 production sites in conjunction with the FLA SCI audit. Yue Yuen 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 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 Pou Chen Group 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.	
Functioning 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 preventive 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 13 consecutive years

Yue Yuen 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 regularly accepts human rights review and evaluation/supervision of NGO groups.

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

Pr	oduction base	Indonesia	Mainland China	Vietnam	Cambodia	Bangladesh	Myanmar
	Audit date	2011/12/20-22 2021/9/27-29	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 2023/09/20-22	2019/9/5-6	2016/11/1-3	2018/9/5-7

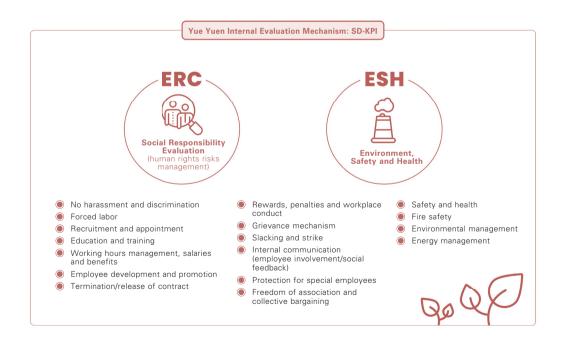
Note: The review report of the VP Factory in Vietnam for 2017 is available on the internal member website of the FLA

In September 2023, FLA entrusted a third-party audit unit to conduct a three-day compliance assessment at the Company's B0PW Factory under Pou Yuen in Ho Chi Minh City, Vietnam. Through document review, onsite visits and observations and interviews with employees and management, recommendations on legal and compliance were provided to the factory. FLA regularly tracked the progress of improvement, carried out factory-wide inspections through insignificant discoveries, and continued to revise improvement measures, which had actively and continuously improved the working conditions and working environment.

In 2012, Yue Yuen set up a factory in Ho Chi Minh City, Vietnam, creating approximately 40,000 job opportunities. FLA has selected Vietnam to conduct a third-party audit for two consecutive years. Through on-site compliance inspection of the production factory, no major emergency deficiency required to be responded to FLA within 24 hours was identified. In addition, FLA also proposed the best practice of the Company, (1) night shift allowance of 50% was provided, which was 30% higher than the statutory requirement; (2) an additional 2-day holiday was provided to cadres, which was better than the statutory rules.

#### **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"). Yue Yuen has established inspection projects with reference to FLA compliance standards, requirements of the brands and local laws and regulations, the scope of which covers its production sites 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.



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 2023. We conducted the evaluation in accordance with the provisions on labor rights and human rights protection measures listed in the Code of Conduct, 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 2023:

Audit Date	Human Rights Risk	Finding	Corrective Action Plan (CAP)
2023.9.18	Working hours management	After reviewing management documents of the factory, it was found that a factory in Vietnam arranged a short break of 10:45-10:50. Considering the proximity of the short break to the lunch break (11:00-12:00), there was a risk that the short break may not be enforced.	<ol> <li>After the audit, the factory has rearranged the short break and conducted a publicity campaign to adjust the schedule.</li> <li>The factory will physically inspect the site to confirm the employees have taken short break in accordance with the updated schedule subsequently.</li> </ol>
2023.10.16	Complaint mechanism	After conducting an on-site check in the factory, it was found that the complaint management system of a factory in Vietnam stated that there was an "email complaint channel", whereas the actual posters about complaint publicity on the site did not set out an "email complaint channel".	<ol> <li>After the audit, the factory has immediately updated the publicity documents regarding complaint and consultation channels posted on the bulletin board at the site.</li> <li>In addition to such document, the factory has conducted a comprehensive review of the factory and replaced the posters, and has conducted a publicity programme for entire personnel. Subsequently, the factory will strengthen the self-inspection procedure and regularly review the internal operation procedure documents and the publicity information of the factory.</li> </ol>
2023.10.11	Internal compliance	After conducting an employee interview, it was found that more than 50% of the employees interviewed in a factory in Indonesia were not aware of the company's core values and code of conduct.	<ol> <li>The factory has produced and posted posters at various locations in respective building. Such posters were posted in conspicuous places, such as bulletin boards, spots next to inspection stations or that can be easily seen on the production line.</li> <li>Upon completion of the posting, the factory has conducted another educational training for entire personnel to explain the company's core values/code of conduct.</li> </ol>
2023.10.19	Contractors management	After conducting a spot check on contractor contracts, it was found that the information set out in the labor contracts of outsourced security guard of a factory in China was irregularly filled in, with incorrect payment dates and payment methods.	<ol> <li>After the audit, the factory has re-examined the contents of the labor contract and made corrections to ensure all the information was duly filled.</li> <li>The factory has offered another educational training to the responsible contractor window to ensure understanding/familiarity with the contract specifications to avoid recurrence of similar incidents.</li> </ol>

In 2023, 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, no heavy and toxic work for special employees, 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 196 findings from the previous year (i.e. 2022) have been followed up and settled in 2023.

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 Fair Labor Association ("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". "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 demonstrated 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 regulations.

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 Fair Labor Association ("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. Employees are not required to pay agency fees.
- 2. Workers retain control of their travel documents and have full freedom of movement.
- 3. Employees are informed of the basic conditions of employment before leaving home for work.

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 production sites 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 maintain a satisfactory living standard for employees and their families. Elements of satisfactory 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 Fair Labor Association ("FLA"), we are 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 36% of the footwear production plants\* in 2023, 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 International Labour Organization ("ILO") Convention No. 138 and government regulations. Relevant young labors (underage employees) are documented and reported (depending on laws and requirements), and the 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 production sites in 2023.

# No Practice of Forced or Compulsory Labor

Yue Yuen does not employ any forced, imprisoned or illegal indentured labor, 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 2023.

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
Production sites	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.

The factory sites of Yue Yuen in Taiwan, 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 Worker Coordination Committee ("WCC") was established at the Myanmar factory, and the Worker Participation Committee ("WPC") was established at the Bangladesh factory site.

## Collective Bargaining Agreements ("CBAs")

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 230,559 in total, accounting for approximately 94.47% 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 percentage (Average) and number of employees covered by the CBAs of major production sites

Production sites	Vietnam	Indonesia	Mainland China
Number of employees covered by the CBAs (people)	94,973	110,959	24,627
Percentage of employees covered by the CBAs (%)	100% <sup>(Note 1)</sup>	100% (Note 1)	94.87% (Note 2)

- Note 1: The CBAs signed in Vietnam and Indonesia cover the rights and obligations of all employees and employers under the corporate title.
- Note 2: 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.
- Note 3: 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, emails, 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 seminars in the necessary implementation of internal compliance management. For example, employee seminars were held monthly, and employees were randomly selected and voluntarily enrolled. The entire staff could communicate with the management and put forward work-related issues and suggestions. In 2023, 500 employee seminars were held, with a total of 18,185 participants.

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
Subtotal	32
Factory Self-inspections	29
Internal Referrals	37
Short Message Service (SMS)	25
External Referrals (Brand Customers, Government, Third-Party Referrals)	6
Direct Communication/Interviews	148
Social Media or Mobile App	1,682
Employee Forums/Heart Bridge Communication Meetings/Management Communication Meetings	1,967
Suggestion Boxes	92
Emails	21
Telephones/Hotlines	217
Counseling/Life Guidance Office	177
Total	4,433

In 2023, the Employee Relationship Management System ("ERMS") recorded a total of 4,433 cases of complaint and consultation, 99.0% of closed cases were settled within 10 working days, of which 99.9% of the cases were concluded within 2 months. As of January 24, 2024, there are 12 cases that have not yet been settled, 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 internal working communication, living environment equipment and food.



Vietnam - Union Communication 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 two months.

Since the Group operates globally, it is never easy to understand or communicate in different cultural contexts. To ensure fair and impartial handling of cases at the production 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 Discipline/Engagement 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 Company adheres to the anti-retaliation principle and the complaint handler and follow-up handling personnel in each unit should strictly adhere to the principle of confidentiality regarding the personal information of the complainant, the described content and subsequent handling measures, and shall not disclose the above information to persons other than those involved in handling the current complaint consultation. 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 2023, the ERMS recorded a total of 4,433 cases of complaint and consultation, with 50 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 34 cases of conflicts among employees, all of which were properly handled and settled. 6 of the cases were sexual harassment cases, which after investigation, appropriate adjustments were made to the work and related punishments were imposed, and had continuously showed care for the victims.

Compared with 2022, the number of cases of major management attitudes and workplace misconduct cases increased by 47% in 2023. According to the audit of internal compliance mechanism, the Group has no reprisals concerning the complaints in 2023.

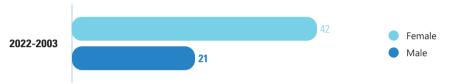
For cases of major management attitude and workplace misconduct, in addition to the complete handling of complaints, factories must formulate improvement plans, including the plans for training violators, promoting a friendly workplace against harassment and abuse, and evaluating and strengthening the understanding of local culture among expatriate management as well as other preventive measures. The plans shall be signed and approved by the production supervisor and the general factory supervisor to declare the determination to improve. In addition, the factory, the local administrative center, and even the headquarters regularly visit the parties involved to provide the victims with a more comfortable working environment and psychological counseling, and care for and assist the violators in their work, so that both parties can continue to work with peace of mind.

# **Diversity and Inclusiveness**

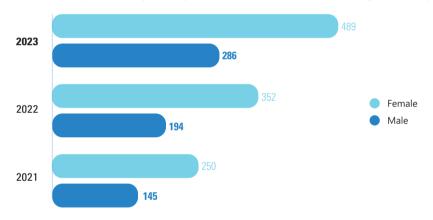
Woman Empowerment

According to social expectations and international trends, Yue Yuen is committed to creating an equal and inclusive workplace. In recent years, Yue Yuen 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 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.

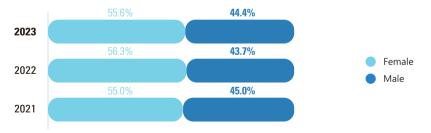




#### Local Talent Development - Legal Compliance and Code of Conduct Training (Unit: People)



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



#### Talents without Borders

Yue Yuen Industrial 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 production sites of Yue Yuen are located in Mainland China, Vietnam, Indonesia, Bangladesh, Cambodia 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 7.1.1 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. Yue Yuen Industrial 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. Yue Yuen 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 2023, 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 well-being 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 Indonesian New Year, 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.

Yue Yuen's factories in Indonesia and Bangladesh hold Iftar Communion, while those in Indonesia factories also organize Iftar ceremonies at local orphanages together with the residents of the local community. Free buses 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.



Mainland China - Women's Day





Myanmar - Ka Htain Festival





Vietnam – 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).

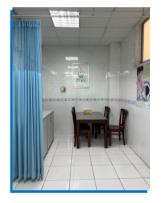
#### > Elimination of Discrimination

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. In 2023, the Group has no cases of discrimination.

## 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 during peak hours, the Indonesia factory provides a dedicated access lane for pregnant women during their commute to protect their safety.

### **Management of Material Topics**

#### What it means to Yue Yuen

To provide a safe and healthy workplace setting to prevent accidents and injuries which are harmful to health when employees engage in work-related tasks or the operation with employer's equipments.

#### **Impact**

#### Positive impact

- Substantial: To establish a friendly working environment to protect the physical and mental health of employees and increase their sense of security
- Potential: To reduce potential hazards and build employee cohesion

## Negative Impact

- Substantial: Occupational safety and health risks affect the health, attendance and quality of life of employees, and indirectly affect the staffing schedule of production lines
- Potential: Impact the long-term health and life quality of employees

#### **Policy and Commitment**

- The occupational safety and health management policy is "to provide a safe and healthy workplace setting to prevent accidents and injuries which are harmful to health 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 crossdivision cooperation and top-down execution.

# **Indicator and Target**

- ➤ 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.
- 2023 management objective: 20% reduction in the number of occupational injuries;
   0 occupational fatality.

#### **Actions**

- ➤ 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.

#### **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.

#### Stakeholder Engagement

The ESH committee keeps monitoring and follows up on related topics on a monthly basis.

#### **Sustainability Indicators**

HKEx KPI B2.1 GRI 403 SDG 3/8/12

# 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, and established a series of management directives for all departments to follow, so as to prevent hazards through systematic and effective management.

In 2023, footwear manufacturing plants implemented the occupational safety and health management system ISO 45001, with 68% of the total number of plants passing the external inspections, and a total of 163,692 factory staff passing the inspections, accounting for 76% of the total number of employees of the Group. The Occupational Safety and Health Management System 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 5,332 personnel dedicated to occupational safety and health management, supervision and maintenance of the Company's daily operations among all the production sites, of which 325 are dedicated occupational safety and health management personnel and 5,007 are ESH partners. Our employees refer to regular employees, while non-employees refer to contractors, dispatchers, security and cleaning employees, etc.

The footwear manufacturing factories at the Company's production 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, emails, 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; when an employee takes the initiative to report or discover workplace safety concerns, he/she can take immediate retreat.

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 production 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 2023:

Region	Cases of Accident Investigation
Mainland China	5
Indonesia	15
Vietnam	19
Bangladesh	1
Total	40

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

	2021	2022	2023
Number of Disabling Injuries	201	160	89
Days Lost due to Disabling Injury	9,685	6,853	2,266
Total Number of Employees	252,502	253,463	221,243
Total Working Hours	476,230,683	559,980,904	464,141,788
Major Types of Occupational Accidents	Pinch injury or getting caught by machinery	Pinch injury or getting caught by machinery	Cutting/clipping/ puncturing/ abrasion caused by machinery and the workplace
FR	0.42	0.29	0.19
SR	20	12	4
Number of Employees in Severe Occupational Accidents	2	6	1
Severe Occupational Accident Rate	0.0008%	0.00237%	0.00045%
Number of Fatalities	1	0	0
Fatality Rate	0.0004%	0	0

#### Notes:

- 1. The total working hours are calculated based on the monthly number of employees provided by the factory.
- 2. Disabling Injuries are occupational accidents with more than one day lost.
- 3. Non-employees with low risks are not listed for the time being as they are not within the Company's priority management. However, the Company will collect relevant data this year and provide occupational accident statistics of non-employees next year.

# 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. The ESH Partnership will be launched in Indonesia in 2020, parallel to the promotion of effectiveness sharing in Indonesia. Being expanded to the world in 2021, with the number of ESH partners increasing from 1% to 2% in 2023, strengthening the correct hazard awareness and safety attitude of all employees. Take ESH partners as the starting point, imperceptibly 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 to Bottom 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 2023**

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 preservice training system for high-risk machines, requiring operators and maintenance personnel to receive training with specified materials. As of 2023, a total of 23 types of high-risk machines have been designated for training, and 84,702 high-risk machine operators/maintenance employees have received training and passed the test, representing a 100% completion rate of training for designated personnel. Since 2023, the Company has conducted a total of 23 online courses (e School with Safety Culture (安全文化e學校)), with a total of 1,133 trainees, enabling relevant colleagues to continue their education and learning.

Internal training subjects and necessary training subjects:

Subjects	Necessary training subjects
New employees	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)
Current employees	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
Specific operations employees	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 employees	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". As for "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 2023. 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 2023, 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 2023 has been decreased by 52%, as compared to that in 2022. As for "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 2021, 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 38 selected plants that have started production. It covers both in-service employees and non-employees, and the number of the personnel of the audited factories are 163,693 in total, accounting for 72.63% of the Group's total personnel.

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 highrisk 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. From 2022, due to the epidemic, the audit was carried out by the administration center in each district. In 2023, we have promoted occupational safety and health risk assessment, conducted risk assessment based on the number of factory incidents and risk self-inspections, and paid attention to the factories with high risk to assist them in formulating plans and improving.

## **Worker 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, no changes is allowed without specific reasons. The director general shall be the head of Sustainable Development (the SD) and the director shall be the person in charge of Environmental, Safety and Hygiene ("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. If a vacancy arises due to the departure or transfer of a member, the vacancy must be filled within one month. On behalf of the unit, the committee members participate in the operation of the committee by gathering opinions from relevant contractors, 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 represents a major share, 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 matters to be discussed at ESH Committee meetings are prioritized as required by the local government, including the following 12 topics. The entire members shall attend the meeting and provide their opinions in relation to the topics. 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. Each Unit should implement the resolutions of the ESH Committee meetings and the SD-ESH is in charge of the supervision.

#### **Topics at ESH Committee meeting**

- Government laws and regulations, customer requirements, additions/amendments to company specification.
- ESH inspection/risk inventory/audit results (including project inspection, on-site supervisor safety inspection, ESH-MPA assessment, external audits, etc.).
- 3. ESH education and training plan and execution status.
- Preventive measures for electrical, equipment and chemical hazards.
- Results of the work environment and pollution emission testing and countermeasures.

- 6. Health management and promotion matters.
- 7. Contractor safety and health issues.
- 8. Environmental and energy issues.
- 9. ESH incident review.
- 10. ESH improvement proposals/grievances/disputes/conflicts.
- 11. ESH project plan.
- 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 Company 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 laws and 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.

Also, the Company regularly urges the contractors, such as the caterers for group meals and security companies to engage special nursing specialists in accordance with the law to manage their employees' health checks, track and improve health abnormalities, and implement health promotion related activities.

# Analysis of Health Checkups for Employees in Various Regions of the Company in 2023

Region	General Health Checkup	Special Hazardous Operations Health Checkup	Total Checkups		
Mainland China <sup>Note 1</sup>	3,710	9,089	12,799		
Indonesia	44,419	37,751	82,170		
Vietnam <sup>Note 2</sup>	95,759	76,577	172,336 2,376		
Cambodia, Bangladesh and Myanmar <sup>Note 3</sup>	630	1,746			
Total	144,518	125,163	269,681		

- 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: Cambodia, Bangladesh and Myanmar Governments do 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 production sites 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.

# 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 2023 statistics for occupational hazards management, the total number of occupational injuries was 89. Total days lost due to work-related injury were 2,266 calculated based on the days lost due to disabling injury (excluding traffic accidents).

The Company had zero occupational fatality and a fatality rate Note 1 of 0% for the year. The number of severe occupational accidents was 1 (1 occupational accidents involving amputation), with the rate of serious occupational injuries Note 2 at 1.12%, and the rate of severe occupational accidents Note 3 decreased by 86%; the rate of total recordable occupational injuries was 0.04%, and the total number of occupational accidents decreased by 44.4%, as corresponding to the Company's target for 2023: a 20% decrease in the number of occupational accidents and zero fatal occupational accident, which was in line with the goal. 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. The Company carried out hazard source isolation measures 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 fatalities 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 52% as compared with 2022. Thus, the number of occupational injuries caused by machinery and equipment is always 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. After the causes of the incidents identified, the incident unit should propose improvement measures to prevent the recurrence. Improvement measures should prioritize engineering improvement and be supplemented by strengthening administrative management and training.

- Note 1: Fatality rate = number of fatalities/total number of occupational accidents
- Note 2: Rate of serious occupational injuries = number of the severe occupational accidents/total number of occupational accidents
- Note 3: Severe occupational accidents: fatality, permanent full disability or permanent partial disability.

# The Statistics of Safety and Health Indicators 2023 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	89	44	45	0.42	0.13	47.53	52.47	0.19	0.42	0.13	4	10	3
Mainland China	7	3	4	0.25	0.09	50.52	49.48	0.12	0.25	0.09	8	20	5
Indonesia	18	9	9	0.23	0.08	45.64	54.36	0.11	0.23	0.08	1	2	1
Vietnam	59	31	28	0.69	0.16	50.07	49.93	0.26	0.69	0.16	6	15	3
Cambodia, Bangladesh and Myanmar	5	1	4	0.14	0.21	6.25	93.75	0.19	0.14	0.21	4	0	5

- 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 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)  $\times$  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)  $\times$  1,000,000/total working hours (male).

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

Note 6 Total working hours = 464,141,788 hours.

# **Occupational Disease Risk Prevention**

For the occupational disease risk prevention 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, we place top priorities on the publicity of pre-employment hazard factors, 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 fatalities due to occupational disease in 2023, and there were three 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 pre-emptive prevention and continuous care, and gradually implements the tracking mechanism. The Company will arrange occupational health checks and other measures for workers in job positions with high risks. 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.

#### **Cancellation of Epidemic Prevention Measures**

With the goal of coexistence with epidemics, the Company has been promoting the relaxation of various epidemic prevention measures since 2023. On May 5, 2023, the WHO announced that COVID-19 is no longer a "Public Health Emergency of International Concern". The Company assesses that due to the steady decline of the epidemic, the regularization of epidemic prevention in various countries, and three-dose vaccination rate of over 85% throughout the Group, etc., the Company's various epidemic prevention measures have been replaced by the government's normal requirements, and that the previous epidemic prevention measures with higher standards have been cancelled as at June 1, 2023, and have returned to normal life.

#### 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 base 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 core corporate value of the service spirit and to actively contribute 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 2023, Yue Yuen invested a total of approximately US\$100,000 in community activities.

The data of community participation activities in 2023 were as follows: 1,548 participants in a total of 13 overseas education activities, 622 participants in a total of 6 medical care and health activities, 759 participants in a total of 28 local relations activities.

The P	The Principles of Activities of Yue Yuen and Civil Society Organization (CSO)			
Compliance Management	Actively liaise with local civic groups advocating labor and environmental regulations to understand the requirements of local labor and environmental regulations and the direction of government policies, so as to timely adopt responsive measures to reduce the risk and impact on the 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 industrial characteristics, the countries where the overseas production bases are located are relatively underdeveloped in economic development, 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.			

### **Community Relations**

Since 2013, Yue Yuen has built kindergartens in Dong Nai and Binh Chanh of Vietnam, and as of 2023, a total of 2,442 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.



Vietnam - "Seeds of Hope Scholarship" Award Ceremony



Mainland China – Community Donation Activity



Indonesia – Attending Iftar with the Orphans



Mainland China – Visiting Elderly People Living Alone



Indonesia – Community Road Maintenance Activity

#### **Provide Quality Education**

In response to the SDG 4 of United Nations, 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 schoolage children. As of 2023, there were a total of 39,005 children who benefited from the Group's contribution of US\$779,000.

Since 2016, Yue Yuen has promoted the "Scholarship for Children of Employees" scheme, and as of 2023, there were a total of 28,642 students who benefited from the Group's contribution of US\$307,000.





Vietnam – Award Scholarship to Children of Employees

### Ensuring a Healthy Life and Promoting Well-being for People of All Age Groups

In response to the SDG 3 of United Nations, 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 free medical consultation in rural areas, provide Regularly health education and promotes health knowledge, as well as takes concrete actions such as donation of materials and visit of the underprivileged to enhance a closer connection between Yue Yuen and the local community. In 2023, there were 6 medical health related activities organized with a total of 622 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.





Indonesia - Blood Donation







#### **Eliminate Poverty of the Disadvantaged Groups**

In response to the SDG 1 of United Nations, Yue Yuen is devoted to eliminating poverty in local communities of major production sites, 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 likelihood 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 urgent assistance needs from employee families. The "Charity Housing Construction" Scheme has been officially launched in Vietnam by Yue Yuen since 2009, and by 2023, the Group made a total contribution of US\$574,000 and a total of 308 houses were built and renovated.







## We have Continued to Develop Local Communities in our Overseas Production sites since 1988

Mainland China	Indonesia	Vietnam
1999~	1988~	1988~
Exclusive Medical Center	Employee Adult High School,	Community Free Medical
Construction for Employees,	Orphanage Visit and Donation,	Consultation
Dongguan Gaobu Hospital (東莞高	Community Free Medical	
埗醫院) Donation, Adult High	Consultation, Eid al-Adha Donation	2009~
School Set Up for Employees,		Charity Housing Donation
Factory Kindergarten Set Up, Local	2016~2023	
Nursing Center/Children Center	Children Scholarship Scheme	2012~
Visit and Donation		Vietnam "Seeds of Hope
		Scholarship (希望種子獎助學金)"
2010~2019		
Left-behind Children Care Program		2013
(Summer Camp/Winter Camp for		Green Building Little Flower
Employees' Children)		Kindergarten (綠建築小花朵幼兒
		園) Construction
		2017~2020
		"Enterprise and Medical
		Co-operation" Project
		20 0,50.0000
		2018~2023
		International Medical Program
		Participation

### **Appendix A. HKEX ESG KPI Index**

		A. Environmental	
Aspects	Key per	formance indicators	Chapter(s)
	A 1.1	The types of emissions and respective emissions data	5.5 Management on Air Pollutant Emission
	A 1.2	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 emissions and carbon emission intensity per pair
	A 1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Waste Classification and Treatment Waste Intensity
A1 Emissions	A 1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Waste Classification and Treatment Waste Intensity
	A 1.5	Description of emissions target(s) set and steps taken to achieve them.	5.1.2 Phased tasks and targets concerning GHG & energy management
	A 1.6	Description of how hazardous and non- hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5.4 Waste Classification and Treatment Waste Intensity
	A 2.1	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).	5.2 Energy use and energy intensity
	A 2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.3 Amount of Effluent and Water Consumption Water Intensity
A2 Use of Resources	A 2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.2 Energy Management
	A 2.4	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.	5.3 Water resource risk assessment form
	A 2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5.4 Waste Classification and Treatment
A3 Environment and Natural Resources	A 3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5 Environmental Sustainability
A4 Climate Change	A 4.1	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 Response to Climate Change-related Risks 5.1.1 Risks/opportunities arising from climate change (TCFD)

	B. Social			
Employment and Labour Practices				
Aspects	Key per	formance indicators	Chapter(s)	
B1 Employment	B 1.1	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	
	B 1.2	Employee turnover rate by gender, age group and geographical region.	7.1.1 Proper Assignment of Roles and Responsibilities	
B2 Health and Safety	B 2.1	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	
	B 2.2	Lost days due to work injury.	8.1 Occupational Safety and Health Management	
	B 2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	8.1 Occupational Safety and Health Management 8.2 Occupational Safety and Health Measures	
B3 Development and Training	B 3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	7.1.3 Implementation of the Group's Education and Training	
	B 3.2	The average training hours completed per employee by gender and employee category.	7.1.3 Implementation of the Group's Education and Training	
B4 Labour Standards	B 4.1	Description of measures to review employment practices to avoid child and forced labour.	7.2.2 Human Rights Due Diligence Management Practices on Human Rights Issues	
	B 4.2	Description of steps taken to eliminate such practices when discovered.	7.2.3 Management Practices on Human Rights Issues Yue Yuen's Internal Evaluation Mechanism: SD-KPI	

Operating practices				
B5 Supply Chain	B 5.1	Number of suppliers by geographical region.	6.2 Supply Chain Management	
Management	B 5.2	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	
	B 5.3	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	
	B 5.4	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	B 6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	6.3 Product Quality and Safety Management	
	B 6.2	Number of products and services related complaints received and how they are dealt with.	6.3 Product Quality and Safety Management	
	B 6.3	Description of practices relating to observing and protecting intellectual property rights.	3.3 Implementation of Regulatory Compliance and Intellectual Property Protection	
	B 6.4	Description of quality assurance process and recall procedures.	6.3 Product Quality and Safety Management	
	B 6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	6.3 Product Quality Compliance Management and Safety Management	
B7 Anti- corruption	B 7.1	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.	3.2 Integrity Management and Anti-corruption	
	B 7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.2 Integrity Management and Anti-corruption	
	B 7.3	Description of anti-corruption training provided to directors and staff.	3.2 Integrity Management and Anti-corruption	
	Community			
B8 Community Investment	B 8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	9.1 Community Involvement	
	B 8.2	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 2023 to 31 December 2023, 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)	Chapters				
GRI 2	GRI 2					
Organizatio	on & Reporting					
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 assurance				
Activities 8	Workers					
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				
Governance	<b>3</b>					
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				
2-14	Role of the highest governance body in sustainability reporting	Chapter 4 Stakeholder Engagement				
2-15	Conflicts of interest	3.2 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 (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)				

GRI Indicators	Disclosure Requirement(s)	Chapters	
Strategy, p	olicies and practice		
2-22	Statement on sustainable development strategy	Introduction	
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	3.2 Integrity Management and Anti- corruption	
2-27	Compliance with laws and regulations	3.3 Implementation of Regulatory Compliance and Intellectual Property Protection	
2-28	Membership associations	Chapter 2 2023 Highlights	
Stakeholde	r engagement		
2-29	Approach to stakeholder engagement	Chapter 4 Stakeholder Engagement	
2-30	Collective bargaining agreements	7.2 Human Rights Management	
GRI 3			
3-1	Process to determine material topics	Chapter 4 Stakeholder Engagement	
3-2	List of material topics	Chapter 4 Stakeholder Engagement	

GRI Indicators	Disclosu	re Requirement(s)	Chapters			
		Material topics				
		Operational performan	ce			
3-3 Manage	ment of m	aterial topics				
GRI 201	201-1	Direct economic value generated and distributed	Chapter 2 2023 Highlights			
2016	201-4	Financial assistance received from government	Please refer to the Annual Report (Notes to the Consolidated Financial Statements: Other Income)			
		Compliant operation				
3-3 Manage	ment of m	aterial topics				
	205-1	Operations assessed for risks related to corruption				
GRI 205 2016	205-2	Communication and training about anti- corruption policies and procedures	3.2 Integrity Management and Anti- corruption			
	205-3	Confirmed incidents of corruption and actions taken				
3-3 Manage	ment of m	aterial topics				
GRI 201 2016	201-2	Financial implications and other risks and opportunities due to climate change				
	305-1	Direct (Scope 1) GHG emissions				
	305-2	Energy indirect (Scope 2) GHG emissions				
GRI 305	305-3	Other indirect (Scope 3) GHG emissions	5.1 Response to Climate Change- related Risks			
2016	305-4	GHG emissions intensity				
	305-5	Reduction of GHG emissions				
	305-6	Emissions of ozone-depleting substances (ODS)				
	Energy management					
3-3 Manage	3-3 Management of material topics					
	302-1	Energy consumption within the organization				
GRI 302	302-2	Energy consumption outside the organization				
2016	302-3	Energy intensity	5.2 Energy Management			
	302-4	Reduction of energy consumption				
	302-5	Reductions in energy requirements of products and services				

GRI Indicators	Disclosure Requirement(s)		Chapters			
	Waste management					
3-3 Manage	ment of m	aterial topics				
	306-1	Waste generation and significant waste- related impacts				
GRI 306	306-2	Management of significant waste-related impacts	5.4 Waste Management			
2020	306-3	Waste generated				
	306-4	Waste diverted from disposal				
	306-5	Waste directed to disposal				
		Air pollutant manageme	ent			
3-3 Manage	ment of m	aterial topics				
GRI 305 2016	305-7	Nitrogen oxides $(NO_x)$ , sulfur oxides $(SO_x)$ , and other significant air emissions	5.5 Management on Air Pollutant Emission			
		Supply chain manageme	ent			
3-3 Manage	ment of m	aterial topics				
GRI 308	308-1	New suppliers that were screened using environmental criteria				
2016	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				

GRI Indicators	Disclosure Requirement(s)		Chapters			
	Manpower and talent					
3-3 Manage	ment of m	aterial topics				
GRI 201 2016	201-3	Defined benefit plan obligations and other retirement plans				
GRI 202	202-1	Ratios of standard entry level wage by gender compared to local minimum wage				
2016	202-2	Proportion of senior management hired from the local community				
	401-1	New employee hires and employee turnover				
GRI 401 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees				
	401-3	Parental leave	7.1 Manpower and Talent			
	404-1	Average hours of training per year per employee				
GRI 404 2016	404-2	Programs for upgrading employee skills and transition assistance				
	404-3	Percentage of employees receiving regular performance and career development reviews				
GRI 405 2016	405-2	Ratio of basic salary and remuneration of women to men				
GRI 406 2016	406-1	Incidents of discrimination and corrective actions taken				
		Human rights managem	ent			
3-3 Manage	ment of m	aterial topics				
GRI 408 2016	408-1	Operations and suppliers at significant risk for incidents of child labor				
GRI 409 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	7.2 Human Dinhan Managara			
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				

GRI Indicators	Disclosure Requirement(s)		Chapters
		Occupational safety and health	measures
	403-3	Occupational health services	
	403-4	Worker participation, consultation, and communication on occupational health and safety	
	403-5	Worker training on occupational health and safety	
GRI 403	405-6	Promotion of worker health	Charter O Cafety Cyllyna
2018	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	
	403-9	Work-related injuries	
	403-10	Work-related ill health	
		General topics	
GRI 405 2016	405-1	Diversity of governance bodies and employees	3.1 Corporate Governance 7.1 Manpower and Talent
	303-1	Interactions with water as a shared resource	
GRI 303	303-2	Management of water discharge-related impacts	5.3 Water Resources Management
2018	303-3	Water withdrawal	
	303-4	Water discharge	
	303-5	Water consumption	
GRI 204 2016	204-1	Proportion of spending on local suppliers	6.2 Supply Chain Management

GRI Indicators	Disclosure Requirement(s)		Chapters		
GRI No corresponding indicators					
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 occupational health and safety impacts of products and services			
GRI 417 2016	417-1	Requirements for Products and Services information and labeling			
	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			
GRI 403 2018	403-1	Occupational safety and health management system	Chapter 8 Safety Culture		
	403-2	Hazard identification, risk assessment, and incident investigation	Chapter 8 Safety Culture		
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** Code **Metric Description** Category Chapter(s) **Topics** Management CG-AA-Discussion of processes to Qualitative 6.1 Raw Materials of Chemicals 250a.1 maintain compliance with Procurement in Products restricted substances regulations Raw Materials CG-AA-Describe the environmental and Qualitative 6.1 Raw Materials Procurement 440a.3 Procurement social risks related to raw materials (materials used in main products) CG-AA-6.1 Raw Materials Quantitative Describe the amount of priority 440a.4 raw materials purchased, and the Procurement amount of each priority raw material that is certified to a thirdparty environmental and/or social standard, by standard CG-Describe the amount of Tier 1 Quantitative 6.1 Raw Materials AA-000.A suppliers and suppliers beyond Tier Procurement 1 CG-AA-Environmental Percentage of suppliers in Quantitative 6.2 Supply Chain Impacts in the 430a.1 compliance with wastewater Management Supply Chain discharge permits or contractual agreement CG-AA-Describe the percentage of Quantitative 6.2 Supply Chain 430a.2 Sustainable Apparel Coalition's Management Higg Facility Environmental Module assessment or an equivalent environmental data assessment Labor CG-AA-Quantitative 6.2 Supply Chain Audit the percentage of 430b.1 Conditions in suppliers'labor code of conduct Management the Supply CG-AA-Priority non-conformance rate and Quantitative 6.2 Supply Chain Chain 430b.2 associated corrective action rate Management for suppliers' labor code of conduct audits CG-AA-Describe the greatest labor and Qualitative 6.2 Supply Chain 430b.3 environmental, occupational health Management and safety risks in the supply chain

### Appendix D. TCFD Index

Types	Company's Strategies and Actions	Chapter(s)
Governance	<ol> <li>Describe the board's oversight of climate-related risks and opportunities.</li> <li>Describe management's role in assessing and managing climate-related risks and opportunities.</li> </ol>	5.1 Response to Climate Change-related Risks
Strategy	<ol> <li>Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</li> <li>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</li> <li>Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.</li> </ol>	5.1 Response to Climate Change-related Risks
Risk Management	<ol> <li>Describe the organization's processes for identifying and assessing climate-related risks.</li> <li>Describe the organization's processes for managing climate-related risks.</li> <li>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</li> </ol>	5.1 Response to Climate Change-related Risks
Metrics and Targets	<ol> <li>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</li> <li>Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</li> <li>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</li> </ol>	5.1 Response to Climate Change-related Risks

### Appendix E. GHG INVENTORY PRINCIPLE 2023

Types	Company's Strategies and Actions		
Inventory Principle	<ul> <li>Scope 1&amp;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.</li> <li>Scope 3: Refer to Green House Gas Protocol, Calculation Guidance, Supporting Documents.</li> </ul>		
Inventory Scope	Footwear manufacturing areas: Mainland China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar.		
GHG	Carbon dioxide $(CO_2)$ , methane $(CH_4)$ , nitrous oxide $(N_2O)$ , hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF <sub>6</sub> ), and nitrogen trifluoride (NF <sub>3</sub> ).		
	<ul> <li>Scope 1 (Category 1: Direct GHG emissions): total direct GHG emission</li> <li>(1) The GHG does not include hydrofluorocarbons that have been included in the Montreal Protocol specifications, such as R-22, etc.</li> <li>(2) Refrigerant R-600a is excluded from the inventory as IPCC has not announced the corresponding GWP value.</li> </ul>		
	(3) CO <sub>2</sub> generated from biomass fuels is calculated separately and is not included in the total emission items (purchased steam and self-run boiler biomass fuel), and only CH <sub>4</sub> and N <sub>2</sub> O are calculated.		
	(4) Boiler discharge calculation method:  (4-1) Purchased steam:		
	For 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.		
Inventory Items	For the purchased steam with natural gas as fuel (produced by natural gas boilers), assuming that the calorific value of the natural gas is 8,000 kcal/M³, and the efficiency of the boiler is 85%, the consumption/steam (ratio of natural gas to steam) = 0.0978.		
	(4-2) Purchased steam:		
	For the purchased steam (produced by biomass fuel boilers) used by China Yisen (中國裕盛), Yuxiang (裕祥), assuming that the boiler steam pressure conditions is 10 kgf/cm³, the steam supplier Xinao (新奥) provides natural gas, and boilers of Guangdong Zhongyi Energy Co., Ltd. (廣東眾意能源有限公司) produce about one ton of saturated steam per 85 m³ of natural gas, the consumption/steam (ratio of natural gas to steam) = 0.085  The inferior calorific value of natural gas (calorific value per cubic metre,		
	inferior) of natural gas in 2023 was 8,172 kcal/M³  Emission factor = IPCC original factor x fuel calorific value x carbon oxidation rate  Greenhouse Gas Emission Coefficients Management Table (溫室氣體排放係數管理表) of IPCC (version 6.0.4, June, R.O.C. 108) was adopted		

(4-3)	Purchased steam:
(10)	For the purchased steam (produced by biomass fuel (wood pellet) boilers)
	used by Vietnam Baohong (越南寶宏), the supplier provides the amount of
	fuel used simultaneously.
	The gross calorific value (GCV) of biomass fuel in 2021 was 3,025 kcal/kg,
	and net calorific value was: $3.025 \times 0.95 = 2.873 \text{ kcal/kg}$
	Emission factor = IPCC original factor x fuel calorific value x carbon oxidation
	rate
	Greenhouse Gas Emission Coefficients Management Table (溫室氣體排放係
	數管理表) of IPCC (version 6.0.4, June, R.O.C. 108) was adopted
(4-4)	Purchased steam:
( ,	For the purchased steam (produced by biomass fuel (rice husk) boilers) used
	by Vietnam Pou Yuen (越南寶元) and PAV, the supplier provides the amount
	of fuel used simultaneously.
	The gross calorific value (GCV) of biomass fuel in 2023 was 3,350 kcal/kg,
	and net calorific value was: 3,350 x 0.95 = 3,182.5 kcal/kg
	Emission factor = IPCC original factor x fuel calorific value x carbon oxidation
	rate
	Greenhouse Gas Emission Coefficients Management Table (溫室氣體排放係
	數管理表) of IPCC (version 6.0.4, June, R.O.C. 108) was adopted
(4-5)	Self-run boilers:
	Vietnam Baofeng (越南寶豐) uses wood pellet as solid biomass fuel, the
	gross calorific value (GCV) of fuel in 2023 was 4,520 kcal/kg, and net calorific
	value was: 4,520 x 95% = 4,294 kcal/kg
	Emission factor = IPCC original factor x fuel calorific value x carbon oxidation
	rate
	Greenhouse Gas Emission Coefficients Management Table (溫室氣體排放係
	數管理表) of IPCC (version 6.0.4, June, R.O.C. 108) was adopted
(4-6)	Self-run boilers:
	Indonesia PGI uses palm kernel shell as solid biomass fuel, the gross
	calorific value (GCV) of fuel in 2023 was 4,582 kcal/kg, and net calorific value
	was: 4,582 x 0.95 = 4,352.9 kcal/kg
	Emission factor = IPCC original factor x fuel calorific value x carbon oxidation
	rate
	Greenhouse Gas Emission Coefficients Management Table (溫室氣體排放係
	數管理表) of IPCC (version 6.0.4, June, R.O.C. 108) was adopted

	(5) Methane emissions from septic tanks are calculated using fugitive staff time.		
	(6) As for refrigerant/other hydrofluorocarbon (HFC), perfluorocarbon (PFC) and sulfur		
	hexafluoride (SF <sub>6</sub> ), a small amount of SF <sub>6</sub> 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.		
	The GHG emissions of Scope 1&2 are calculated using the emission coefficients as		
	follows:		
	Activity data × emission coefficient × global warming potential (GWP) = CO <sub>2</sub> e in metric		
	tons/year.		
	(1) 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.		
	(1-1) $CH_4$ emission coefficient = BOD emission factor $\times$ average effluent		
	concentration × wastewater per person hour (liters per hour) × septic tank		
	treatment efficiency		
Basis for	(1-2) CH <sub>4</sub> emission factor = 0.6 metric tons of CH <sub>4</sub> /metric ton - BOD $\times$ 200 mg/L		
Calculation	$\times$ 15.625 (liters/hour) $\times$ 85% = 0.0000015938 metric tons/person hour		
Carcaration	(2) $CO_2$ emission coefficient for acetylene adopts mass balance: $CH_2CH_2+2.5O_2 \rightarrow$		
	2CO <sub>2</sub> +H <sub>2</sub> O		
	For every 1 mole of $C_2H_2$ (molecular mass: 26) burned, 2 mole of $CO_2$ (molecular		
	mass: 44) are produced.		
	$CO_2$ emission coefficient = 44 $\times$ 2/26 = 3.385 metric ton/metric ton		
	(3) (3) CO <sub>2</sub> emission coefficient for welding electrode adopts mass balance: $C + O_2 \rightarrow$		
	CO <sub>2</sub>		
	For every 1 mole of C (molecular mass: 12) burned, 1 mole of $CO_2$ (molecular		
	mass: 44) are produced with mole ratio of 1:1.		
	CO <sub>2</sub> emission coefficient of welding electrode burned =44/12= 3.6 metric ton/		
	metric ton		
	metric ton		

	The calculation of purchased electricity in Scope 2 is divided into:		
	(1) 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.		
	(2) 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 Green Power Certificate Carbon Emissions - PPA Power Purchase.		
	(3) The PPA carbon reduction efficiency factor is designed and calculated by using the baseline emission factor of the regional power grid in Mainland China in accordance with the environmental regulations of Mainland China, due to the marginal impact (BM) of the clean development mechanism projects or the national greenhouse gas voluntary emission reduction projects on the power generation scheduling of the inservice generation units in the power grid (OM), and on the construction of future new installations.		
	Scope 3: The total greenhouse gas emission from air travel of the Group's finished shoes		
	is calculated using the Distance-Based method:		
	(1) The total greenhouse gas emission from air travel of the Group's finished shoes = cargo gross weight (tonnes) $\times$ cargo transportation distance (km) $\times$ emission factors of transportation vehicles (kg CO <sub>2</sub> e/tonne-km)		
	(2) The total greenhouse gas emission from air travel of the Group headquarter is calculated using the Distance-Based method:		
	(2-1) The total greenhouse gas emission from air travel (ton ${\rm CO_2e}$ ) = aerial navigation distance (passenger-km) x emission factors of aerial navigation (kg ${\rm CO_2e/passenger-km}$ ).		
	(2-2) 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 ${\rm CO_2e}$ ) = aerial navigation distance (passenger-km) x emission factors of aerial navigation (kgCO <sub>2</sub> e/passenger-km).		
	(2-3) The aerial navigation distance is subject to those released by ICAO, Carbon Emission Calculator:		
Data of	https://www.icao.int/environmental-protection/Carbonoffset/Pages/default.aspx		
Data of activities	Direct measurement or verification of data.		

1. The 4th ICPP assessment announcement 2006 was adopted for the global warming potential (GWP) before 2021; while the 6th ICPP assessment announcement 2021 was adopted for the global warming potential (GWP) in 2022.

Greenhouse gas (GHG)	GWP	Source
CO <sub>2</sub>	1	
CH <sub>4</sub>	27.9	IPCC's 2021 Sixth Assessment Report
N <sub>2</sub> O	273	

- 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 Industrial Development Bureau, Ministry of Economic Affairs (經濟部工業局).
- 3. For the year 2023, 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.

#### Coefficient Country/ region (kg CO<sub>a</sub>e/kwh) Unit Year Source Taiwan 0.495 kg CO<sub>2</sub>e/kwh 2023 Energy Administration, Ministry of Economic Affairs China 0.5703 t CO<sub>2</sub>/MWh 2023 Ministry of Ecology and Environment of the People's Republic of China Vietnam 0.7221 t CO<sub>2</sub>/MWh 2021 Department of Climate Change of Vietnam (越南氣候變 0.8 2019 General Electricity Bureau of Ministry of Energy and Indonesia t CO<sub>2</sub>/MWh Mineral Resources of Indonesia (印尼能源礦產資源部電 力總局) Cambodia 0.3973 t CO<sub>2</sub>/MWh 2023 IEA Emission Factors - 2023 editions IEA Emission Factors - 2023 editions Bangladesh 0.5794 t CO<sub>2</sub>/MWh 2023 0.4423 2023 IEA Emission Factors - 2023 editions Myanmar t CO<sub>2</sub>/MWh Hong Kong 0.55 kg CO<sub>2</sub>e/kwh 2022 Hong Kong, China (Kowloon and New Territories, including Lantau Island and many outlying islands) Macau 0.82 kg CO<sub>2</sub>e/kwh 2022 CEM

Coefficient



www.yueyuen.com

