



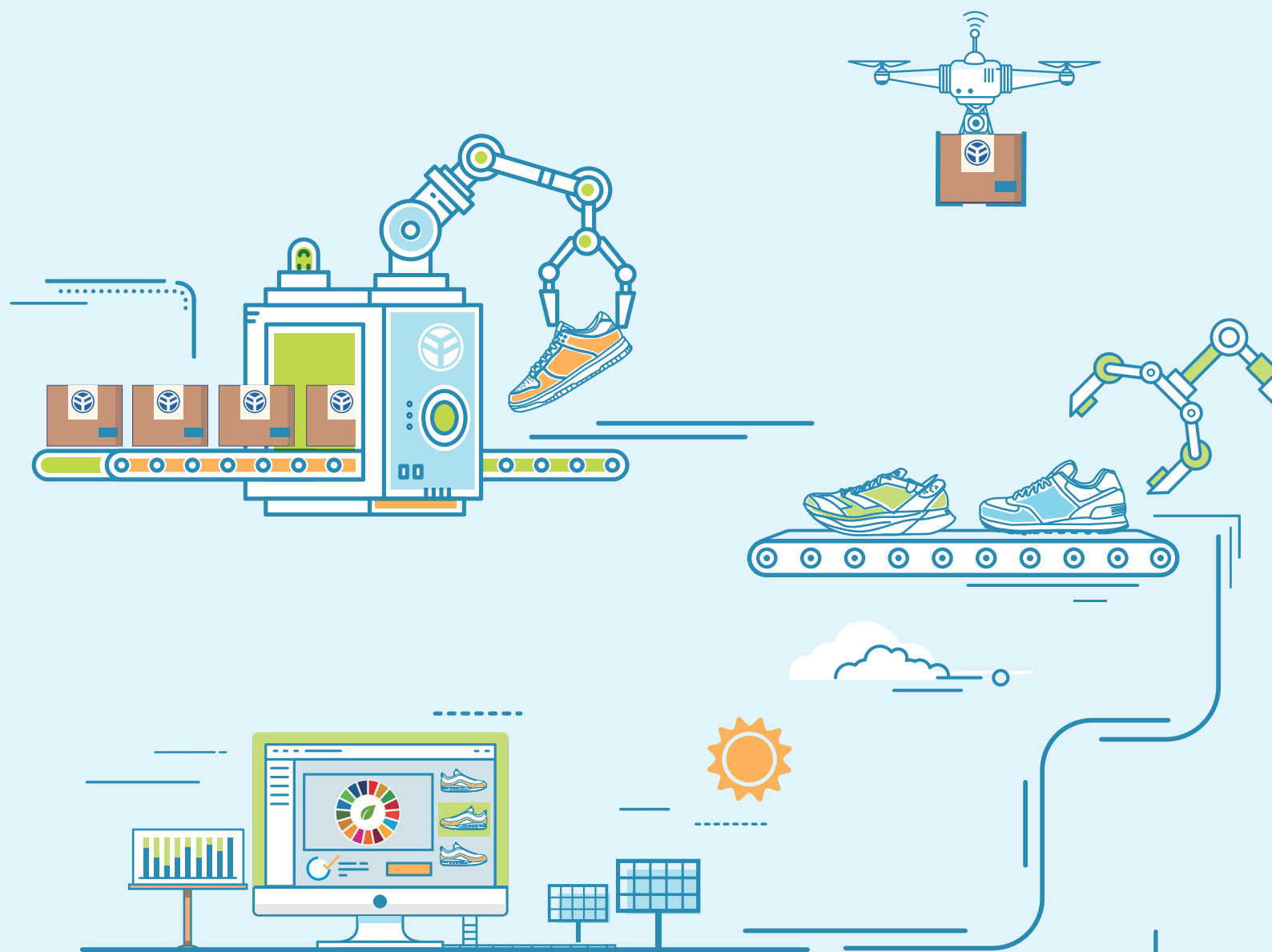
裕元工業(集團)有限公司

Yue Yuen Industrial (Holdings) Limited

Incorporated in Bermuda with limited liability

於百慕達註冊成立之有限公司

Stock Code 股份代號：551

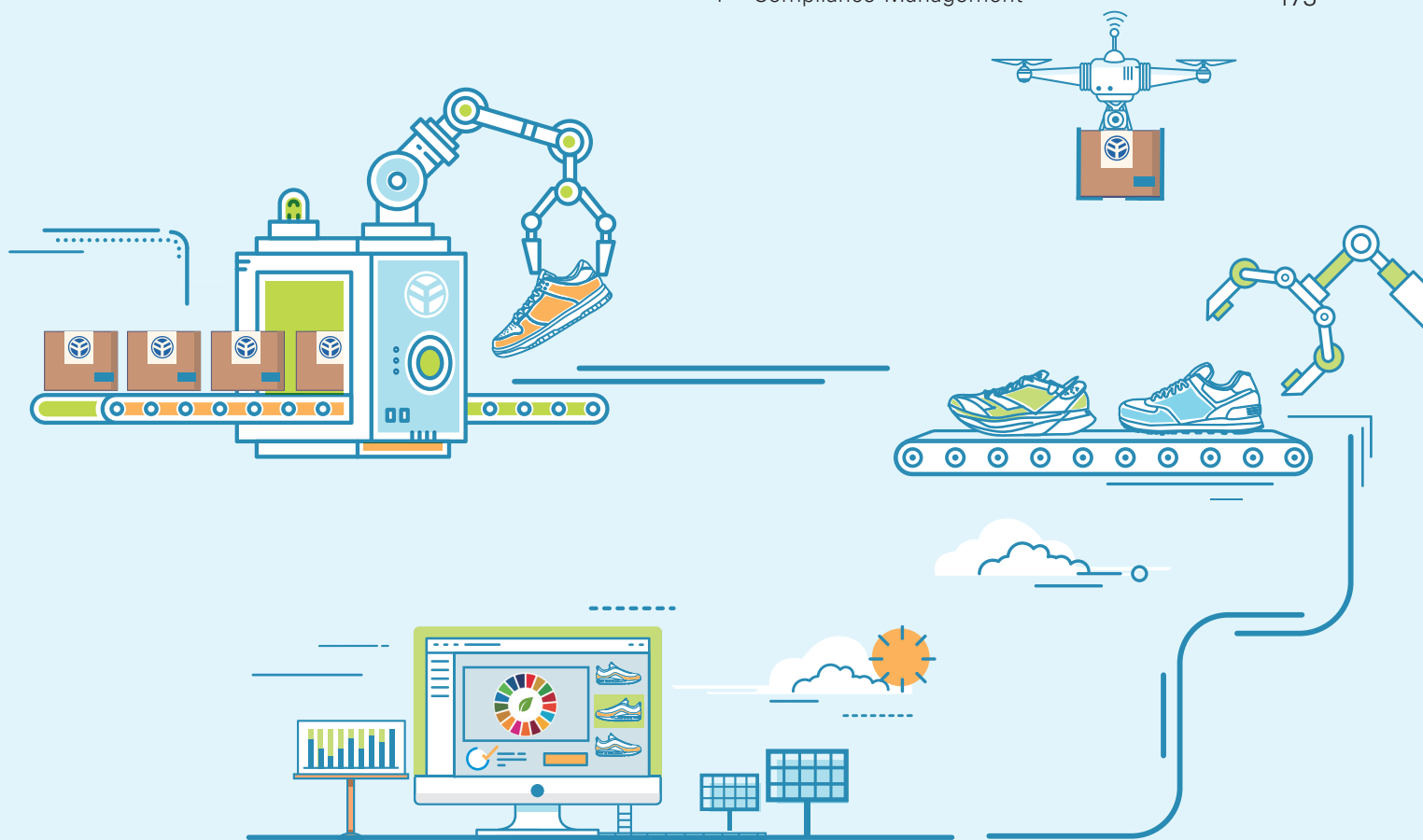


2024 環境、社會
及管治報告

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

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Chapter 1

About This Report

Introduction

Yue Yuen Industrial (Holdings) Limited (the “Company”) together with its subsidiaries (the “Group” or “Yue Yuen”) adheres to the core values of “Professionalism, Dedication, Innovation and Service”, 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 recognition and practice of its core values through various internal communication channels, reinforces strategy planning and promotes the efficiency of implementation, provides the employees with a safe and healthy workplace as well as promotes talent development. The Group also implements management policies, mechanisms and measures in supply chain management, environmental protection, and community involvement 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 (“FLA”, a non-profit organisation dedicated to protecting labor’ rights around the world) 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 2024 Environmental, Social and Governance Report (the “Report”) has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) under Appendix C2 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 mandatory disclosure requirements and “comply or explain” provisions set out in the ESG Guide under the Listing Rules and the four core reporting principles, including materiality, quantitative, balance and consistency). 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 also increase their transparency by disclosing calculation references and/or methods.
Consistency	Balance
The Group adopts a management and performance measurement approach that is consistent with previous years to enable stakeholders to make a fair comparison of the Group’s ESG performance. In the event of inconsistencies, the Group will explain in the Report.	The content of this Report is unbiased and reflects the Group’s achievements in ESG management and performance, and the areas for improvement.

The Report also discloses with reference to the Universal Standards of the Global Reporting Initiative (“GRI”), the industry-based Standards of the Sustainability Accounting Standards Board (“SASB”), and the advice of Task Force on Climate-Related Financial Disclosures (“TCFD”).

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 2024 Annual Report (the “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. The social data is consistent with the scope of the Annual Report and includes Taiwan, Hong Kong, Macau, the United States, Mexico and other regions in addition to the six business regions covered by the environmental data, but excludes the information relating to the aforesaid retail business. As for the ESG policies and performance of the aforesaid retail business, please refer to the 2024 ESG Report of Pou Sheng International (Holdings) Limited (“Pou Sheng”), a listed subsidiary of the Company.

Reporting Period

The information published in this Report covers the period from January 1, 2024 to December 31, 2024, which is the same as the financial year as reported in the Group’s 2024 Annual Report.

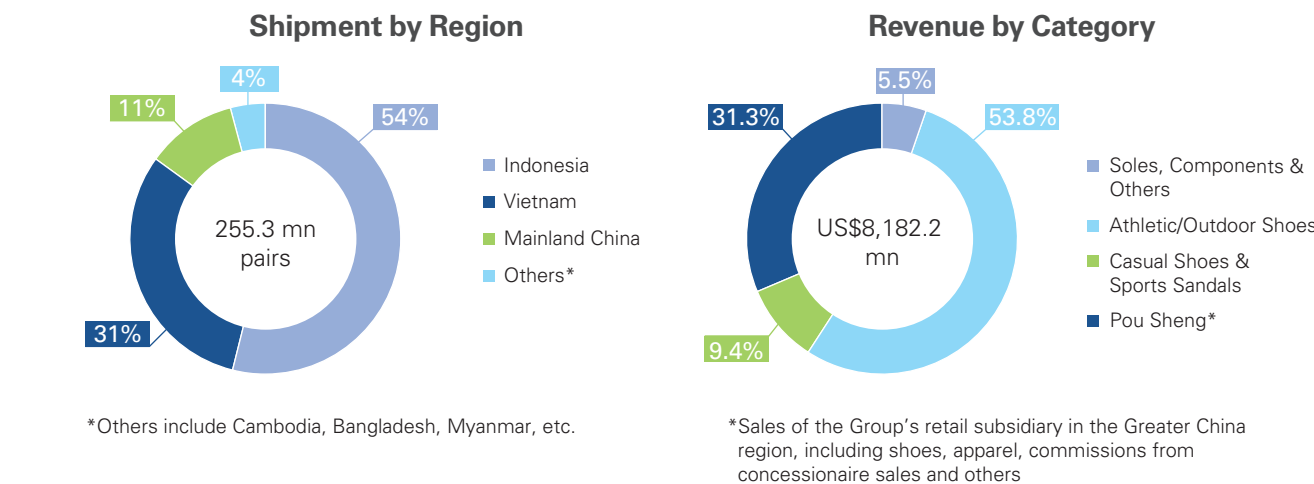
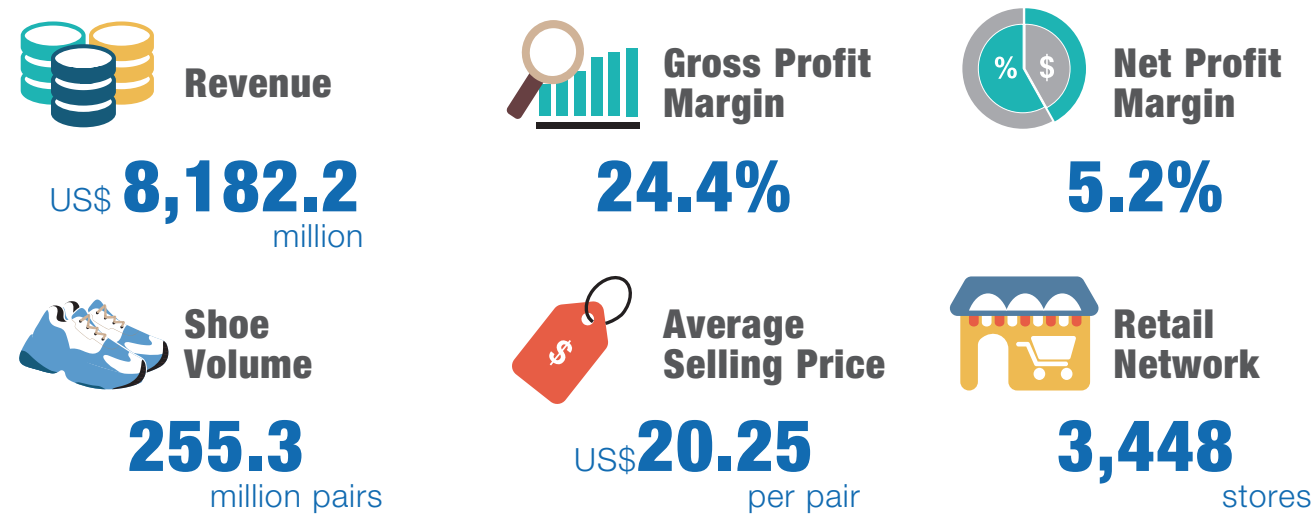
On behalf of the Board

Tsai Pei Chun, Patty
Managing Director
Hong Kong, March 11, 2025

Chapter 2

2024 Highlights

Financial and Business Performance



External Organization Participation



Awards & Recognition



Chapter 2

2024 Highlights

Recognition by Government Entities



Binh Tan People's Committee
(2008-2023)
Actively contributing to the establishment and development of trade unions (Vietnam)



Binh Tan Labor Federation
Actively Contributing Enterprise of the "Accompanying Enterprises" Program (Vietnam)



Dong Nai Province People's Committee
Outstanding Labor Health and Safety Work (Vietnam)



The Ministry of Environment and Forestry of Indonesia
National Environmental Protection Blue Medal Award (Indonesia)



The Ministry of Health of Indonesia
Outstanding Award in Women's Hygiene and Health (Indonesia)



SERAN Environmental Protection Bureau
Outstanding Award in Climate Change Practice Competition (Indonesia)

Recognition by Customers



New Balance
2024 Contribution Award (Vietnam)



adidas Social Responsibility & ESH Excellence Award
(Mainland China)



adidas The Best Environmental Innovation Award
(Mainland China)

Recognition by Third Parties



RoSPA Gold Award
Granted to: Yichun Yisen Industry Co., Ltd.
2024



RoSPA Gold Award
Granted to: Pui Chen Vietnam Enterprise Ltd.
2024



RoSPA Gold Award
Granted to: PT. NIKOMAS GEMILANG
2024



RoSPA Gold Award
Granted to: POU SUNG VIETNAM CO., LTD.
2024



The Royal Society for the Prevention of Accidents
RoSPA Gold Award
(Mainland China, Vietnam and Indonesia)



BWV award
(Mainland China and Vietnam)



BWV award
(Mainland China and Vietnam)



LWG Gold Award
(Mainland China and Vietnam)

Governance

5	Independent Directors	40%	Female Directors	20%
16	Hang Seng Composite Index Constituent		0 Significant Violations	
	Suppliers Honest Transaction Agreement	100%		

Social

1	Employee	265,500	Male: Female	22.8% : 77.2%
5	Female Mgmt	56.2%	Local Mgmt	85.9%
8	AVG Training Hours	25.6hrs/ppl	Employees Trained	100%
1	No Child Labor		No Forced Labor	
3	Fair Compensation Checks	100% Pass	CBA	94.3%
16	Respect for Religion Diversity	111 Facilities	Social & Labor Convergence Program	Factories Passed Verification 36%
3	Occupational Injury	decrease 32.6%	No Occupational Fatality	
12	Disabling FR	0.12	Disabling SR	3
1	Medical Activities	1,079 participants	Community Charity Donation	121,000 USD
4	Benefited Children	103,929 in total	Charity Housing	318 in total

Environmental

7	RTS	7,618MWh	REC	266,810MWh	Green Energy %	27%
13	Scope 1	71,000tCO ₂ e	Scope 2*	486,000tCO ₂ e	Scope 3	61,206tCO ₂ e
	Energy Intensity	11.7~26.6 MJ/pair	Carbon Intensity	2.7~4.3kg CO ₂ e/pair		
6	Water Intake	8,759.8m litres	Water Consumption	5,170.0m litres	Water Intensity	23.3 litres/pair
11	Higg Index	Factory Application 49%	ZDHC	Test Compliance Rate 100%	Water Recycle %	55.8%
12	Waste	84,628.9t	Waste Intensity (Hazardous)	0.03kg/pair	Waste Intensity (General)	0.35kg/pair
	Particulate	6,639kg	SO ₂	6,458kg	NO _x	19,992kg
					VOC	4,970kg

*Market Basis

Chapter 3

Corporate Governance

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 C1 of the Listing Rules.

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 2024 Annual Report.

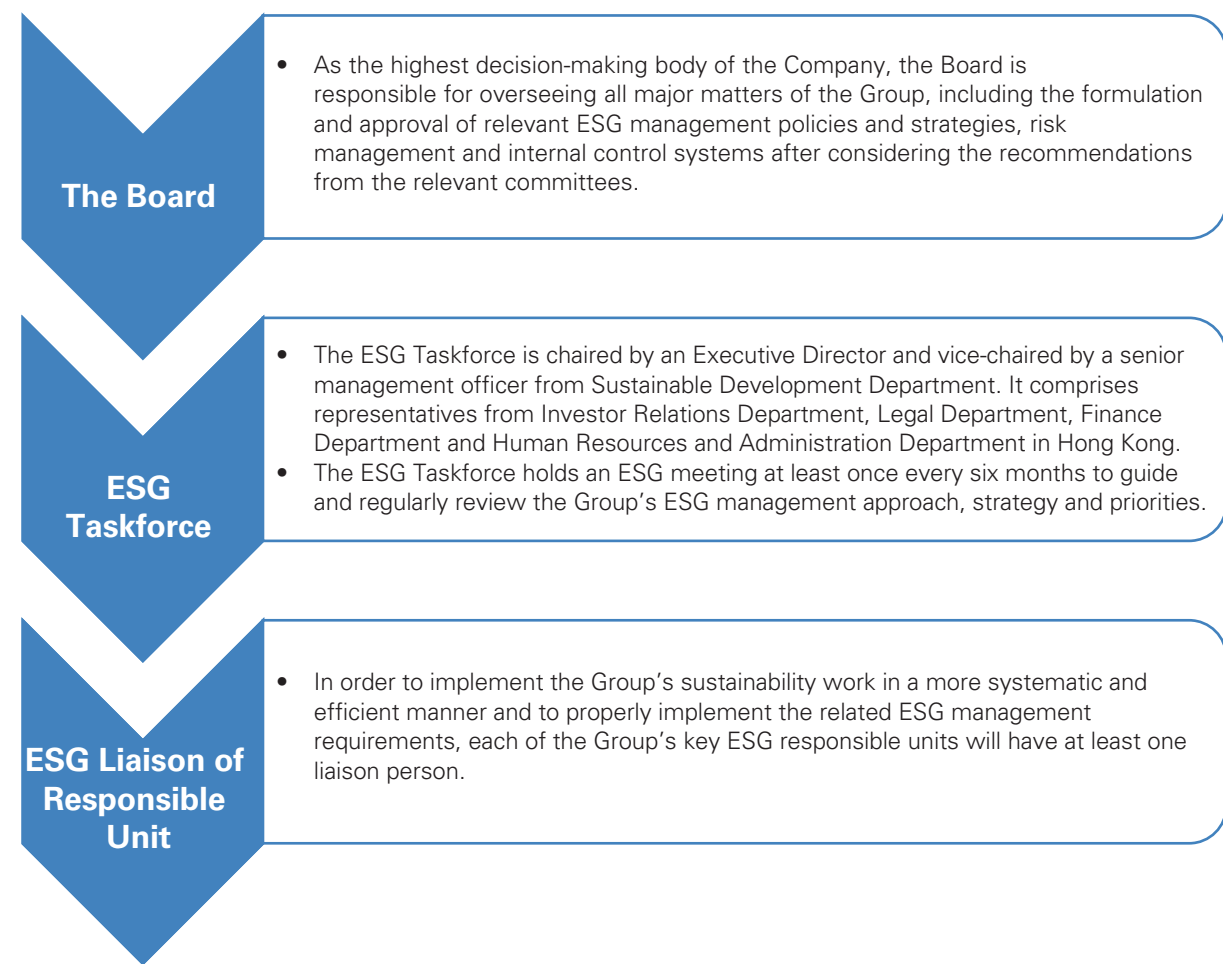
For information on how the Board assesses, prioritizes and manages material ESG-related issues, please refer to the “Stakeholder Engagement” chapter.

3.1.1 ESG Management Approach and Strategy

Guided by the core values of “Professionalism, Dedication, Innovation, and Service”, the Company incorporates ESG factors into decision-making process, adheres to a people-oriented approach through environmental protection, and serving the community, and innovates in the application of materials and improves product quality and the level of sustainable development through continuous integration of industrial resources and cooperation in know-how and technology. The Company has established a robust ESG management approach and strategy, laying the foundation for formulating effective ESG development goals, monitoring the implementation and results of ESG policies and code, and achieving sustainable development.

3.1.2 ESG Governance Structure

The Board has delegated key responsibility for the implementation of the Group’s ESG strategy to the ESG Taskforce. 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 ESG 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.



Chapter 3

Corporate Governance

3.1.3 Terms of Reference of the Board

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;
2. 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;
3. Understand the environmental and climate objectives recommended by the ESG Taskforce, propose appropriate adjustments in accordance with the Group's development strategy and external environment, confirm the setting of its objectives and 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 and climate-related 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.

3.1.4 Terms of Reference of the ESG Taskforce

The ESG Taskforce shall report to the Board at least twice each year and to advise and assist the Board on ESG issues to ensure that environmental protection and social concerns are incorporated into the Company's agenda and integrated into daily decision-making, corporate culture as well as future planning. Its responsibilities include:

1. Guide and regularly review the Group's ESG management approach, strategy and priorities to ensure that they are keeping pace and meeting timely needs;
2. 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 (including climate-related) 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 (including climate-related risks and opportunities) 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 Company'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.

3.1.5 Terms of Reference of the ESG Liaison of Responsible Unit

Each of the Group's key ESG responsible units will have at least one liaison person whose responsibilities include:

1. 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 Company's annual ESG report and other relevant information disclosures in accordance with the internal division of labor; and
5. Report regularly to the ESG Taskforce on the implementation of ESG initiatives.

Chapter 3

Corporate Governance

3.1.6 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.

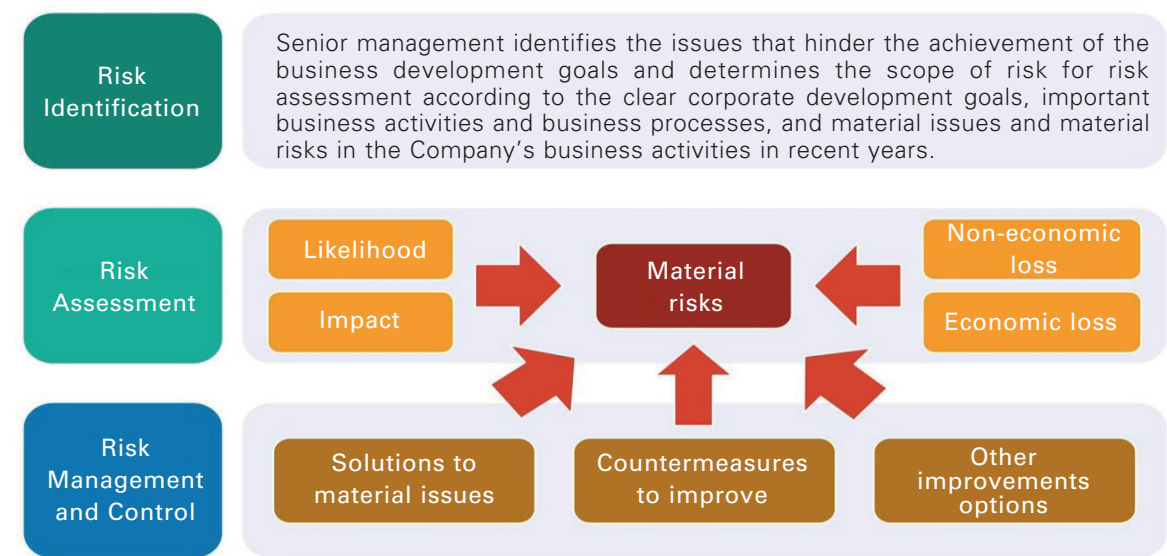
The Audit Committee of the Company is responsible for the ongoing review of the Group’s risk management and internal control functions. The Board authorizes the Audit Committee to (a) regularly review the Group’s risk management and internal control systems, and ensure that the management has performed 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 2024 Annual Report.

3.1.7 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.



Chapter 3

Corporate Governance

Risk Identification and Control Measures for 2024

Risk Identification	Risk Control Measures
Change in corporate image	<ul style="list-style-type: none">Adhere to the core values of “Professionalism, Dedication, Innovation and Service”, actively face and overcome various difficulties and challenges, to become the world’s leading footwear manufacturing service group. Strengthen corporate governance to realise the long-term goal of sustainable development.Continue to improve information transparency, strengthen the communication with stakeholders.
Ethical integrity and anti-corruption	<ul style="list-style-type: none">Integrate integrity and ethical values into the corporate business strategy. Code of Conduct and Practice Guidelines for Integrity Management, Prevention of Bribery Policy and Whistleblowing Policy have been formulated to ensure the relevant preventive measures for ethical business operations.Plan internal organization, staffing and functions, and establish a mutual supervision and checks and balances mechanism.Implement the relevant measures such as the principles and channels for reporting complaints, as well as to complement with education and training, and a system of rewards and punishments.
Risks of changing competitive landscape/ localized supply chain	<ul style="list-style-type: none">Enhance flexibility and diversity of manufacturing capabilities by leveraging local production strengths.Commitment to cost efficient operation.Optimize the cost effectiveness of logistics value.Guide suppliers to expand their multinational presence by setting up production plants in the Group’s manufacturing bases to increase the share of local purchases.
Financial risk	<ul style="list-style-type: none">Pay close attention to the international situation and monitor the financial market as well as the changes in the general economic indicators, promptly evaluate and take appropriate interest rate and exchange rate hedging measures as a response.Stabilize long-term capital through flexible financial operations.Allocate capital based on the principle of high liquidity and develop capital source channels to avoid systematic risks in the financial market.
Information risk	<ul style="list-style-type: none">Establish the Group Business Continuity Plan – no interruption of critical business.Information Security Management System (ISMS) – compliant with ISO 27001 International Standard for Information Security.
Legal risk	<ul style="list-style-type: none">Continuously review and monitor the latest regulation changes; timely revise the Company’s internal rules and regulations; conduct educational promotion and training to implement compliance with various regulations.Assist in providing legal advice and contract review to reduce business disputes and protect the Company’s rights and interests.

Risk Identification	Risk Control Measures
Climate change risk	<ul style="list-style-type: none">Keep track of international climate change risk management trends. Currently, follow the trend of international climate change risk management, assess climate-related impacts and risks by referring to the TCFD model. Subsequently, the IFRS S2 Climate-related Disclosures will be gradually introduced in accordance with regulatory requirements.Gradually strengthen climate risk identification and scenario analysis according to the regions where production plants are located.Strengthen carbon disclosure regulations in terms of (personnel training, certification, and information system establishment).Expand the use of green energy, improve energy efficiency and reduce greenhouse gas (“GHG”) emissions.Strengthen extreme climate response measures in production bases.Optimize factory ventilation design and integrate climate information in the design of new plants.Strengthen the financial disclosure of climate risk impact.
Sustainability disclosure risks	<ul style="list-style-type: none">Establish compliance with regulatory requirements for sustainability information related reporting.Plan the timetable for the introduction of IFRS standards for sustainability disclosure.Enhance cross-departmental co-operation and establish disclosure work arrangements and management models in accordance with IFRS and subsequent disclosure regulations.
Health and safety risks	<ul style="list-style-type: none">In addition to abiding by and complying with local safety and health-related regulations and customer requirements in the operating locations, a series of management measures have also been formulated for all units to follow, on the basis of the International Occupational Safety and Health Management System Standards and the Workplace Conduct Standards advocated by the Fair Labour Association.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.
Organizational strengths and resilience	<ul style="list-style-type: none">Promote information transparency and sharing by establishing an effective information management platform and regular communication meetings.Proactively respond to employee feedback through regular internal employee opinion surveys.Establish a solid operational foundation and enhance contingency and adaptability through process optimization, resource integration, risk management and flexible deployment.
Product quality control	<ul style="list-style-type: none">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).Comprehensively promote product quality related policies and measures.“Broken needle” protection and “Metal detection measures” are carried out in the production process to prevent consumers from being harmed when using products.
Innovation and technology risks	<ul style="list-style-type: none">Automation – gradually build automation and intelligent manufacturing in the Group.Digitalization – Support intelligent analytics to create automation and data-driven decision-making mechanisms.

3.2 Integrity Management and Anti-corruption

Management of Material Topics	
What it means to Yue Yuen To establish the corporate culture of integrity management development of Yue Yuen and to maintain a good business operation model.	
Impact Positive impact <ul style="list-style-type: none">➤ Actual: Implementation of regulatory compliance and maintenance of normal operations.➤ Potential: Early response to the new regulation and capacity building will help enhance competitiveness.	Negative impact <ul style="list-style-type: none">➤ Actual: Non-compliance with regulatory requirements will result in substantial fines and penalties, as well as intangible damage to the Company's image and business reputation.➤ Potential: Failure to respond to new regulatory changes, resulting in development or operational disruption.
Policy and Commitment Implement the "Code of Conduct and Practice Guidelines for Integrity Management", the "Prevention of Bribery Policy", and "Whistleblowing Policy" of the Company.	Indicator and Target <ul style="list-style-type: none">➤ Enhance the concept and understanding of ethical business operations among employees and suppliers, and require the signing of and compliance with relevant documents, and maintain a signing rate of over 90%.➤ Continuously promote internal ethical business operations and other legal regulations, maintain a training rate of over 80%, and formulate internal regulations in compliance with laws and regulations to create an internal culture of good compliance and ethical business operations.➤ Enforce compliance with laws and regulations, with no major violations of economic, environmental, and social laws and regulations every year.➤ Continuously assess risks related to corruption in the Company's major operating sites and maintain no corruption cases every year.
Actions <ul style="list-style-type: none">➤ Formulate the "Code of Conduct and Practice Guidelines for Integrity Management", the "Prevention of Bribery Policy", the "Whistleblowing Policy" and various management measures as the basis for implementation.➤ Set up an internal and external website of the Company to provide a communication window and a reporting channel for stakeholders in all departments. If any corruption case is discovered, necessary punishment or legal action will be taken depending on the seriousness of the case and the specific circumstances of the case.➤ Employees are required to comply with the Code of Conduct and sign the "Employee Ethics Pledge" and a "Confidentiality Undertaking".➤ Major suppliers are required to comply with the Company's honest trading system by signing the Company's "Honest Transaction Agreement" or to provide documents such as their own integrity statement or system.➤ Establish an Integrity Management promotion group to promote ethical business operation policies and prevention programs, and report to the Board of Directors at least once a year.➤ Regularly tracks and investigates new information on amendments to relevant laws and regulations and comply with such laws and regulations in accordance with departmental responsibilities, and organizes educational and training courses and promotions for relevant personnel as necessary.	
Evaluation Methods <ul style="list-style-type: none">➤ Board meetings, semi-annual meetings of operation management review and internal audit system.➤ If the Company discovers any corruption, necessary punitive or legal actions will be taken 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 "Prevention of Bribery 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 2024, 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 2024 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.

Chapter 3

Corporate Governance

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

Number of available suppliers ^(Note 1)	Number of the suppliers completing the Undertaking ^(Note 2)	Completion rate
12,277	12,277	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) 2024.

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).

The Company is committed to protecting the safety of the complainants of the reports received through the Company's internal and external reporting channels, and requires the personnel involved in handling the reports to maintain strict confidentiality of the identity of the complainants and the contents of the reports, and, if the complainants are the Company's employees, to undertake that they will not be subjected to any mishandling or retaliation as a result of the reports.

3.2.3 Communication and Training

The Company discloses its integrity management 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 integrity management.

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 integrity management 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.

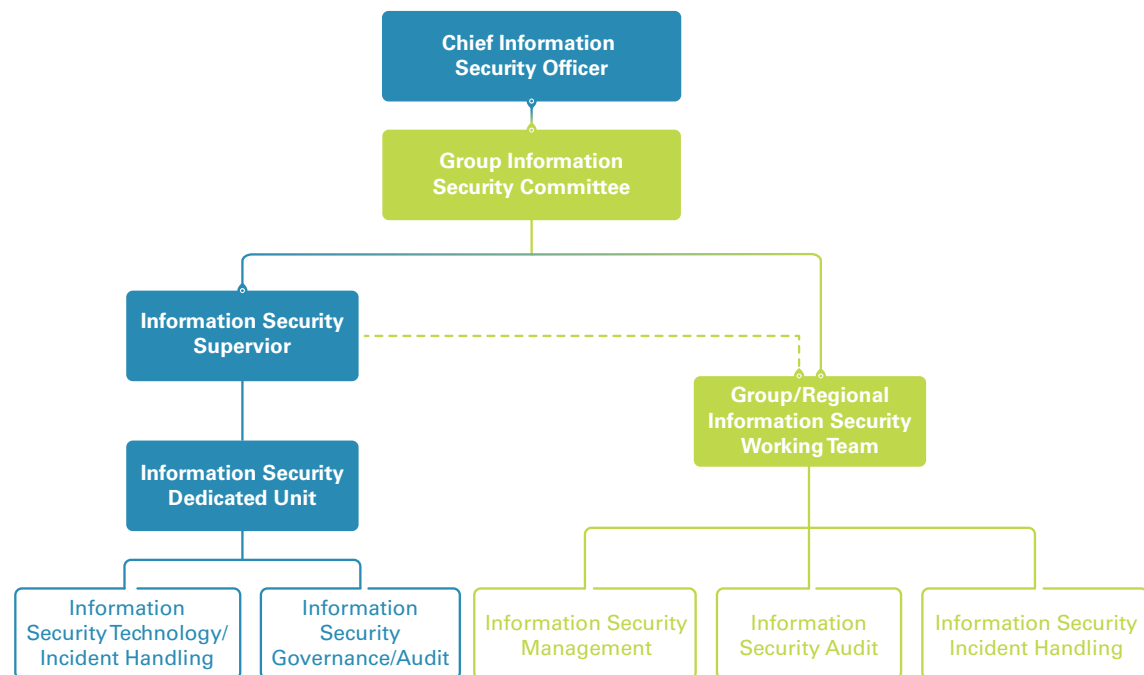
Chapter 3

Corporate Governance

3.4 Information Security Management

3.4.1 Information Security Management Framework

The Company collaborates with its parent company, Pou Chen Group to promote information security management. The Head of the Information Department serves as the Chief Information Security Officer, coordinating with the senior executives to establish the Group Information Security Committee to support, supervise, and make decisions regarding the information security management system. Since 2022, the Company has established an Information Security Supervisor and Dedicated Unit, and formed an Information Security Working Team comprised of information security specialists and dedicated personnel from various units of the Information Department. This Team is responsible for driving information security governance, technology, incident handling, and audit.

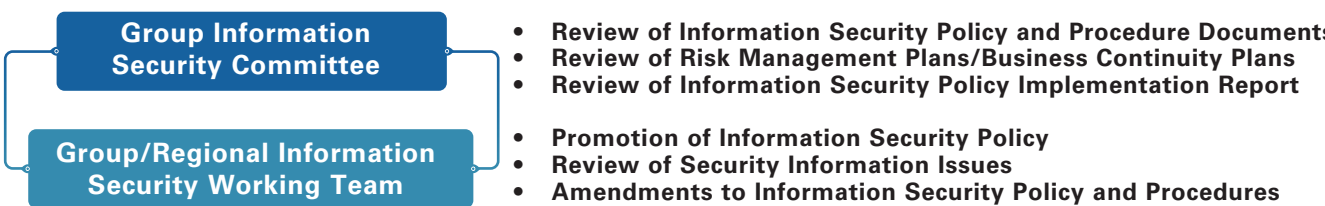


3.4.2 Information Security Policy

Since 2013, the Company has introduced and adopted the Information Security Management System (ISMS) in accordance with the requirements of the international information security standard ISO 27001, and has formulated the appropriate documents and control measures for the information security system, with the aim of achieving the following objectives through the joint efforts of all employees:

- ① Ensure the continuous operation of business activities and protect the stable use of information services provided.
- ② Ensure the confidentiality, integrity and availability of information assets under custody, as well as the privacy of personnel data.
- ③ Establish business continuity plans for information management and operations, regularly review and continuously improve the information security management system, so as to reflect the government's information security management policies, laws and regulations, technologies, the needs and expectations of stakeholders, internal and external issues, and the latest status of the Company's operations, as well as to ensure the feasibility and effectiveness of information security operations.

Review and Reporting Mechanism of Information Security Policies:



3.4.3 Information Security Measures

The Company attaches great importance to the management and maintenance of information security. On the basis of the existing information security protection, the Company complies with the relevant laws and regulations and international standards, and obtained the ISO 27001 international information security management certification in 2024. The Company continues to carry out the planning and promotion of information security refinement and optimisation projects, with a view to enhancing the information security protection capability.

1. Regular review of information security system: Review the information security system annually with reference to the cloud security standard ISO 27017 and the cyber security framework NIST, collect and evaluate changes in internal and external organisations, technologies and businesses, legal and environmental factors, and make timely revisions according to the needs, and improve the system through PDCA and standardised operations, in order to achieve a sound and effective process control.
2. Asset identification and risk management: The Company identifies and acknowledges its core information protection targets, conducts information system inventory and level assessment, identifies and evaluates critical systems, classifies information assets of critical systems, while completing risk assessment and handling measures. In addition, in order to ensure the resilience and strength of critical information system services, key business risks were reassessed during the year, and ongoing critical systems' business continuity plans related to manufacturing and production and drills to strengthen the digital resilience of the enterprise were carried out to maximise the interests of the customers.
3. Data protection operations: Through the promotion of confidential data classification and control measures, high confidentiality system authority review, email group reorganisation, regular inventory of public groups on the Group's communication platforms and notification of modifications to ensure the security of the Group's high confidentiality systems and prevent leakage of operational information.
4. Information security detection operations: By completing the vulnerability scanning of important system hosts and penetration testing of important information systems, a remediation plan is formulated and implemented for the vulnerabilities, and the remediation of vulnerabilities is completed in accordance with the plan to avoid hacker attacks. In addition, through the monitoring and analysis and the collection of external information for risk analysis, specific malicious external IP blocking is carried out, and relevant protection measures are implemented.
5. Staff training: The Company conducts information security induction courses and tests for new employees. In order to spread information security awareness to all employees, the Company planned and conducted information security awareness training, 100% of the participating employees completed the course and passed the test. Social engineering phishing email drills were conducted for active employees by counting the email open rate and malicious connection click rate, and 100% passed the test. Intensive training was given for employees who did not pass the test to ensure their information security awareness and vigilance. In the training programme to strengthen the professional and management of information security, emphasis is placed on practical exercises for information specialists to deepen their information protection and information security management and technical competence.

6. Outsourced information security: Regarding the management of outsourced information security, emphasis is put on the formulation and implementation of information security clauses in procurement agreements. Through the signing of new contractual security clauses, information service vendors are encouraged to actively build up the concept of security protection for information and equipment. During the year, self-assessment of information service vendors' information security was continuously promoted and the status of implementation is confirmed through self-assessment forms. The Company promotes its information security protection requirements, while keeping track of the actual implementation status.
7. Evaluation of information security effectiveness: To ensure the continuous improvement of information security and performance management, the implementation status in the Group's information units is assessed annually through the collaboration of internal information security audits and production safety audits.

To address various external Information security threats, the Company adopts a multi-layer network architecture design, and deploys various information security protection systems which have been implemented to enhance the overall security of the information environment.

- Cyber security: Important systems and network devices are monitored using mobile alerts to detect anomalies. Cross-border operations are subject to authorization and monitoring control. Firewalls, network segmentation, and computer antivirus software are automatically updated to effectively block the latest viruses and spams.
- Device security: Through mobile device management software, applications and approved device functionalities, including network connections, are managed and activated to ensure that device network connection undergo authentication to prevent data leakage. Additionally, endpoint management software is used to monitor users' computers to prevent unsafe applications.
- Information system security: Regular vulnerability scanning, patching and updates are conducted prior to system deployment. A multi-factor authentication mechanism is adopted for verifying the identity of system users, ensuring the security of information system.
- Audit trail logging security: Centralized logging is implemented to facilitate the centralization of important systems and network communications equipment, with an information monitoring and intelligence dashboard established. The purpose is to monitor cyber security risks and warnings, including computer login status, SSLVPN status. This setup aims to ensure the smooth operation of critical host and prevent virus attacks by analyzing irregular login activities.

The Company has established a corporate risk management mechanism and standard procedures for handling information security incidents, and has set out the relevant processes and measures, including procedures for notification of information security incidents, designation of responsible personnel to handle major information security incidents, assessment of damage and further necessary measures, and assessment of the possible impact of information security risks on the Company's operations and countermeasures. During 2024, the Company had no significant information security incidents, nor did it have any material financial losses and operational impacts caused by information security incidents.

Chapter 4

Stakeholder Engagement

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 2024 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	Issue of Interest: Economic performance (share price, revenue, profit), corporate governance, market image, significant events	
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	Frequency
	<ul style="list-style-type: none">Publish information on the Company/HKEx websites (such as announcements, circulars, quarterly results announcements, interim reports, annual reports, etc.)Shareholders’ meetingsResults presentation and roadshowsInvestors forums and broker summitsShare registrar and transfer office	<ul style="list-style-type: none">IrregularlyAt least yearlyFour times per yearIrregularlyIrregularly
	Interaction in 2024 <ul style="list-style-type: none">Quality communication with shareholders/investors of all types from various regions in prompt, complete and objective manners	
Customers	Issue of Interest: Product quality, information security management, management of prohibited/restricted substances, compliance with laws and regulations, transparency and reliability of information disclosure, sustainability indicators	
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 is the service principle of serving Yue Yuen’s customers. Yue Yuen also focuses on protecting the privacy and commercial confidentiality of brand customers.	Communication Channels and Methods	Frequency
	<ul style="list-style-type: none">Business visits/regular meetingsAd hoc communication meetingsAudit feedback/self-management performance feedbackEmails and phone contactsESG Report	<ul style="list-style-type: none">MonthlyIrregularlyMonthlyIrregularlyYearly
	Interaction in 2024 <ul style="list-style-type: none">A total of 77 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	Frequency
	<ul style="list-style-type: none">Cooperate with the government on compliance inspectionsRegular submission of statements (monthly/quarterly)/documentsESG ReportProposal consultation visits	<ul style="list-style-type: none">IrregularlyMonthly/QuarterlyYearlyIrregularly
	Interaction in 2024 <ul style="list-style-type: none">The frequency of interaction varies subject to different competent authorities in each district.	

Chapter 4

Stakeholder Engagement

Employees/Labor union	Issue of Interest: Working stability, 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 enhance the Company’s sustainable competitiveness.	Communication Channels and Methods	Frequency
	<ul style="list-style-type: none">Company internal website/email/employee suggestion box/questionnaireEmployee Welfare Committee/Occupational Safety and Health Committee/Labor unionCommittee for Complaints, Rewards and PenaltiesInternal staff publicationsEmployee and manager forumsConsultation services at life guidance and counseling for the overseas production factory sites’ employee	<ul style="list-style-type: none">IrregularlyMonthlyIrregularlyMonthly/ BimonthlyMonthly/ QuarterlyDaily
Interaction in 2024 <ul style="list-style-type: none">The Occupational Safety and Health Committee of the factory meets once a month, and the Collective Occupational Safety and Health Committee of the factory in the industrial park of the production base meets once a quarterThe communication meeting between the management and the labor union is held once a quarter.For employee feedback and communication matters, please refer to the description in “Chapter 7. Best Workplace – Employee Care and Attention”.		
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 contractual commitments, and labor human rights health and safety and environmental compliance into one of the primary considerations.	Communication Channels and Methods	Frequency
	<ul style="list-style-type: none">Procurement contracts/Letters of undertakingBusiness communication/emails and phone contactsSupplier assessment systemSupplier meetings	<ul style="list-style-type: none">IrregularlyIrregularlyYearlyIrregularly
Interaction in 2024 <ul style="list-style-type: none">Undertake supplier assessment at least once a yearDaily business window take charges to respond		

Media	Issue of Interest: Operational status, Major labor disputes, Newsworthy events	
Importance to Yue Yuen Media provides multiple views and opinions on improving the Company’s sustainable management performance.	Communication Channels and Methods	Frequency
	<ul style="list-style-type: none">Press releasesVisits and interactions	<ul style="list-style-type: none">IrregularlyIrregularly
Interaction in 2024 <ul style="list-style-type: none">Press releases on operating results, ESG and awardsCommunications for the concerned issues		
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	Communication Channels and Methods	Frequency
	<ul style="list-style-type: none">FLA SCI on-site audit and online platformCooperation plan with NGOsExplanatory documents for the concerned issuesESG Report	<ul style="list-style-type: none">YearlyIrregularlyRegularlyYearly
Interaction in 2024 <ul style="list-style-type: none">Attended the meetings of the FLA Board of Directors twice (including an online meeting and a physical meeting held in Turkey) and update the audit improvement progress every quarter		
Community	Issue of Interest: Environmental issues/compliance with laws and regulations, Commuting traffic impact, Career opportunities, 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. Through the community’s expectations for the Company’s sustainable development, the Company takes the responsibility of diverse investment in society.	Communication Channels and Methods	Frequency
	<ul style="list-style-type: none">Proactive visitsCommunication channels for external feedbackSponsor community charity events/community visitsThe Company’s website	<ul style="list-style-type: none">IrregularlyIrregularlyIrregularly/ QuarterlyIrregularly
Interaction in 2024 <ul style="list-style-type: none">Community interaction is handled and responded based on the needs of individual cases; please refer to the explanation in “Chapter 9 – Community Relations”.		

Chapter 4

Stakeholder Engagement

4.2 Identification of Material Issues

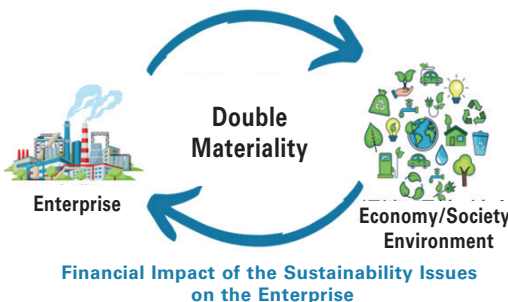
Analytical Process of Material Issues

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 for supply chain management, in addition to the need to comply with the customer’s supply chain certification of qualified vendors, the supplier management policies and practices have also become issues of increasing concern.

By analyzing issues that fall within stakeholders’ attention through the materiality analysis process and prioritizing them in terms of their economic, social and environmental impacts, Yue Yuen has effectively 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 internally formulated “Sustainability Report Material Issues Identification Procedures Management Measures” for internal compliance. In principle, a complete identification is carried out every three years in accordance with the Management Measures. However, when the annual reporting preparation process is initiated, the need to re-initiate the identification process will be assessed in accordance with the international situation, market changes, and operational development of the current year. In December 2024, the Sustainable Development Department initiated the preparatory work for the report and invited the working group to discuss and confirm whether there were any major topics that needed to be adjusted. The meeting resolved that the identification results of 2022 would be used in 2024 and the identification process of major topics would be re-initiated in 2025 in accordance with the guidelines on internal management.

Steps		Contents	
Step 1	Understanding the Company’s Sustainability	8 categories of stakeholders	Yue Yuen continued to use the previous identification results for this year, reviewed its business activities and sustainability roadmap, identified 8 categories of key stakeholders based on AA1000 Stakeholder Engagement Standard.
		25 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.

Steps		Contents	
Step 2	Impact Identification of Sustainability Issues	267 questionnaires – 119 internal colleagues – 148 external stakeholders	<p>Questionnaires were distributed to internal and external stakeholders to understand the degree of concern of stakeholders about 25 sustainability issues.</p> <p>Impact analysis and evaluation were conducted out on 25 sustainability issues. This involved identifying the interactions between the organization’s own operational activities and value chain, as well as the economic, environmental and social (including human rights) dimensions of the sustainability issues. The identification included actual and potential, positive and negative impacts, and took into account the principle of Double Materiality supported by GRI.</p> 
Step 3	Assessing the Significance of Impacts	16 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 16 material sustainability issues of Yue Yuen.
Step 4	Disclosure of Significant Sustainability Issues	10 major reporting topics	<p>The 16 major sustainability issues correspond to a total of 60 GRI indicators (across 18 GRI themes), and 10 major reporting themes were summarized in accordance with the 2021 edition of the GRI guidelines.</p> <p>The results of the assessment of material sustainability issues were confirmed by the Head of Sustainable Development Department, and the Report Working Group then shortlisted the corresponding GRI reporting themes for the identified material sustainability issues, and then summarized the major reporting topics for the current year to create a list of major topics for the ESG report, which was then reported to the Board of Directors.</p> <p>Yue Yuen communicates and responds to stakeholders through the annual ESG Report. The significance of each major topic to Yue Yuen, as well as the policy commitments, impacts and specific objectives and actions in relation to each topic, are described in the corresponding chapters.</p>

Chapter 4

Stakeholder Engagement

The Results of Materiality Analysis

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

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

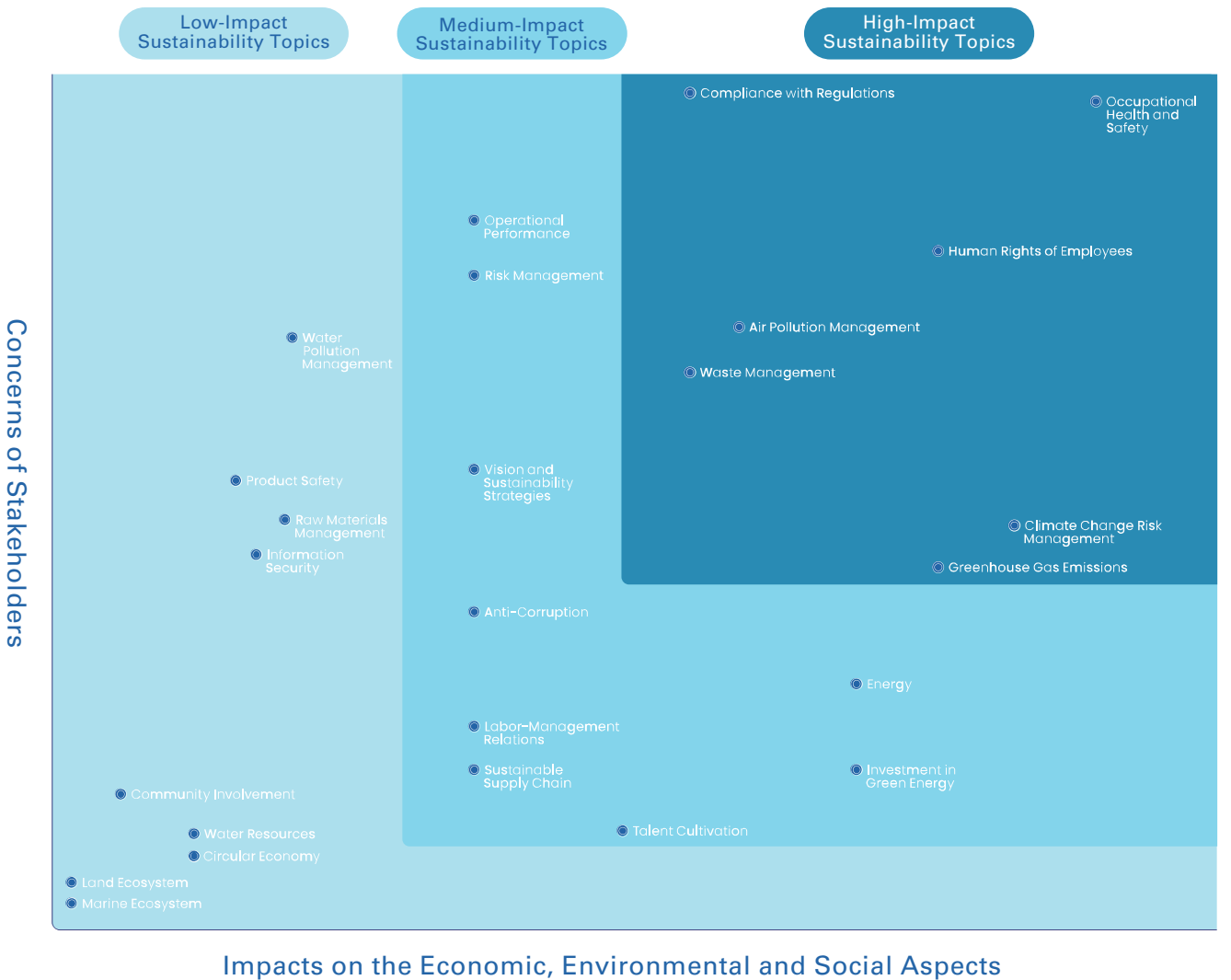
Definition of Materiality: Ranking 1-10 as high impact issues; 11-16 as medium impact issues; 17-25 as low impacts issues.

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 medium 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, medium and low impact blocks according to the impact degree.



Chapter 5

Environmental Sustainability

Under the drastically changing environment where the global climate warming disasters continue to intensify, Yue Yuen is actively thinking about how to operate steadily. ESG has gradually become the standard for the Group’s sustainable operation, and the environmental sustainability concept has been incorporated into the operating strategies and production process, taking into account profit-taking, employee care and social and environmental sustainability, so as to create a long-term competitive advantage and a foundation for sustainable development of the Group.

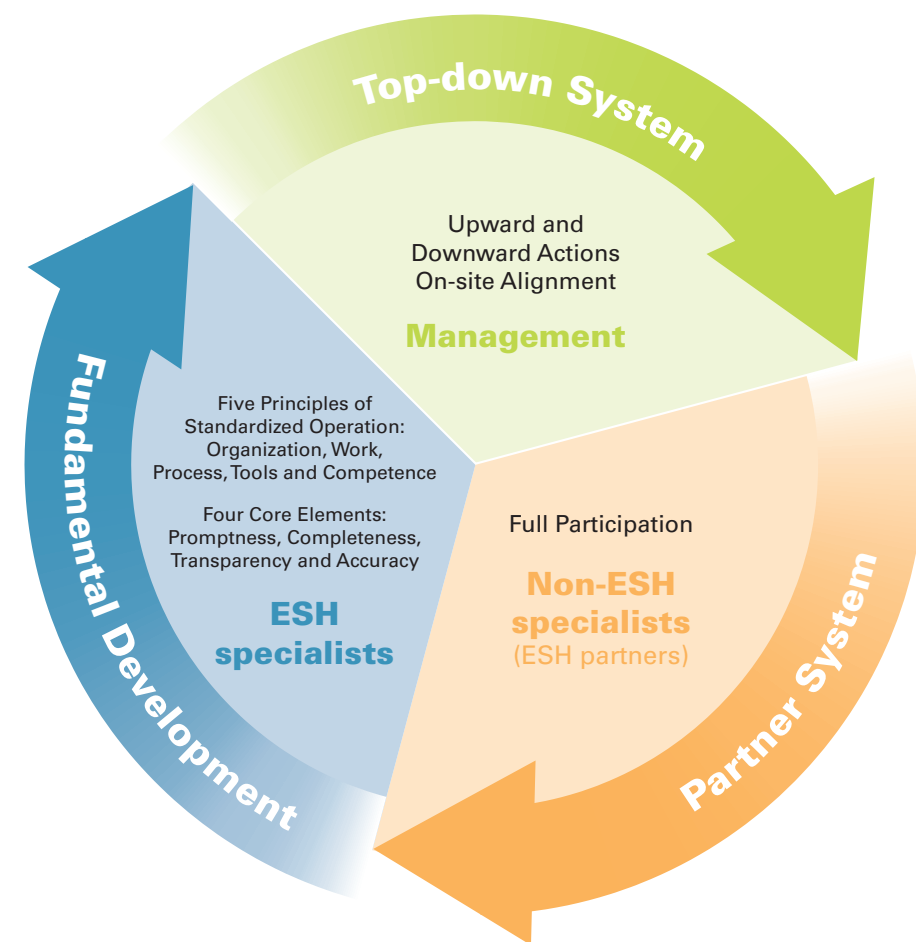
To face the wave of environmental sustainability, Yue Yuen actively strives towards the vision of “zero waste”, “low carbon emission” and “friendly environment”. In the face of global warming risks and international targets and challenges of GHG emissions, in addition to continuously strengthening various green innovation activities 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 2024, 64% of footwear factories have passed ISO 14001:2015 management system certification and 49% of factories using Higg FEM (Facility Environmental Module) for environmental assessment.

According to the identification process of material topics in the ESG Report, the Company 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 GHG 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. The aim is 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. In 2024, the Company did not have any major violations that resulted in fines (US\$30,000 or more) or administrative penalties.

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.



Chapter 5


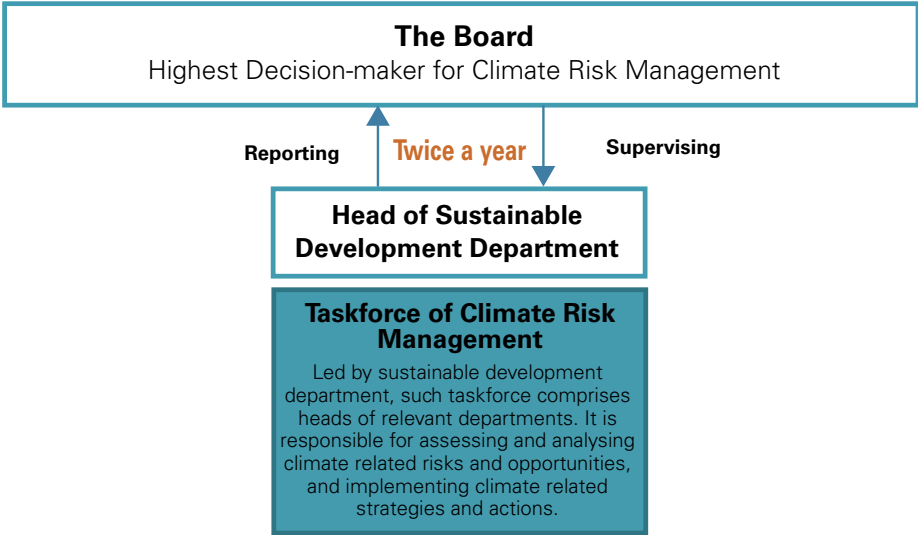
Environmental Sustainability

5.1 Response to Climate Change-related Risks

Management of Material Topics	
<p>What it means to Yue Yuen</p> <p>In response to the Climate Action of the United Nations’ Sustainable Development Goals (SDGs), Yue Yuen actively takes relevant measures to ensure a sustainable production model to cope with the operational risks and impacts arising from climate anomalies. In addition to continuously paying attention to the response trends and policy and regulatory requirements of international climate change, we will continue to implement various energy-saving and carbon reduction measures, improve the energy efficiency of factory equipment, and reduce GHG emissions caused by energy consumption, so as to provide benefits for mitigating climate change risks.</p>	
<p>Impact</p> <div> <div> <p>Positive impact</p> <ul style="list-style-type: none"> ➤ Actual: 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. </div> <div> <p>Negative impact</p> <ul style="list-style-type: none"> ➤ Actual: The impact of climate change on operations such as 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 </div> </div>	
<p>Policy and Commitment</p> <p>Climate Change Policy of Yue Yuen</p>	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ 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, Yue Yuen has committed to reducing absolute Scope 1 and 2 GHG emissions by 2030, with a 46.2% reduction compared with that in 2019 as the base year.
<p>Actions</p> <ul style="list-style-type: none"> ➤ Enlarged use of green energy: Rooftop solar power generation/green power procurement/Renewable Energy Certificate/usage of renewable energy. ➤ Improve energy efficiency: Procurement of energy-saving equipment at source, advance replacement of low-efficiency equipment. ➤ Online energy monitoring system aims to gradually establish energy management and control mechanism. 	
<p>Evaluation Methods</p> <p>Regular meetings report to the highest level of governance to review the achievement rate and adjust implementation measures.</p>	
<p>Stakeholder Engagement</p> <p>Communicate and interact regularly or irregularly in accordance with the stakeholder engagement mechanism, and disclose the information in the ESG Report, relevant platforms or websites.</p>	<p>Sustainability Indicators</p> <p>HKEx KPI A4 TCFD GRI 305 SDG 13</p>


5.1.1 Risks/opportunities arising from climate change



In order to reduce the impact of its operations on climate change, Yue Yuen, discloses climate change information and the risks and opportunities it brings with reference to the four core structures of TCFD, and formulates relevant adaptation and mitigation strategies, with the following disclosure structure:

Structure	Management Strategies & Practices
<div>  <p>Governance</p> </div>	<p>Governance Structure</p> <ul style="list-style-type: none"> The Board of Directors (Audit Committee) is the highest decision-maker for risk management. The Sustainable Development Department coordinates climate change related issues and the responsible person in charge reports to the Board quarterly on climate change and GHG-related issues. The Sustainable Development Department has established the Risk Management Taskforce on climate change issues, which is responsible for assessing and analyzing climate-related risks and responses. 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. <div>  </div>
	<p>Management Mechanism</p> <ul style="list-style-type: none"> Performance indicators include climate change-related work (carbon reduction, ventilation and cooling, disasters prevention). The climate-related actions of executives are linked with performance appraisal. The Company regularly tracks and reviews the progress and enhances the implementations, and includes the climate-related actions in bonus evaluation and reference for promotion. From time to time, Yue Yuen arranges training programmes on operational, environmental and social issues, including issues related to climate change, for its directors and independent directors, taking into account their professional backgrounds and time availability. The total number of hours of training for board members in 2024 was 86 hours, of which 27 hours were related to climate change. The training covered issues such as the latest laws and regulations, the introduction of IFRS S2, and risk responses.

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Structure	Management Strategies & Practices
	<ul style="list-style-type: none">Currently, the Board has partially included climate issues in its review of corporate strategies, major action plans, risk management policies, annual budgets, capital expenditures, as well as acquisitions and divestments. There is important impact of climate change on the long-term stable development and risk management of enterprises. In response to international trends and market requirements, the introduction of IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) will be actively promoted from 2025 onwards to enhance the transparency of information and the quality of decision-making. The Group has set up a “Sustainability Steering Committee” to co-ordinate sustainability strategies, monitor climate risks and guide capital utilisation, with the top executives of each operational/functional unit serving as steering members. In the future, internal professional training and data analysis will be strengthened, and relevant policies will be regularly reviewed and adjusted to ensure that the enterprise can develop steadily and adjust flexibly in response to climate challenges and market changes, and continue to fulfil social responsibilities and promote green transformation as well as sustainable development.
 <div>Strategies</div>	<div>Climate Risks/Opportunities<ul style="list-style-type: none">By referring to various scenarios, 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.Our internal definition categorises impacts as short-term if they occur within three years, medium-term between three and five years, and long-term beyond five years. Strategic decisions are made to prioritise immediate impacts in the short term; policy changes, technological developments and market changes in the medium term; and longer-term climate change trends thereafter. The TCFD guidelines were used to identify 8 climate risks and 8 opportunities.</div> <div>Potential Financial Impact<ul style="list-style-type: none">Conduct a qualitative assessment on the possible financial impact of risks and opportunities, and continue to invest in equipment rectification, risk prevention and remediation, and renewable energy.</div>

Structure	Management Strategies & Practices
 <div>Risk Management</div>	<div>Evaluation and Management Process<ul style="list-style-type: none">Conduct risk factor identification, operational impact and its likelihood assessment every three years, identify major risks and opportunities, and develop mitigation or adaptation strategies. (The results of the 2022 assessment were carried forward to 2024)</div> <div>Integrated Risks Policy<ul style="list-style-type: none">Climate risks issues are integrated into the overall risk management process.</div>
 <div>Indicators and Targets</div>	<div>Emission Disclosure<ul style="list-style-type: none">Conduct inventorying as per ISO 14064 (2018) standards, disclose GHG emissions in ESG Report every year, with a goal of achieving complete verification and certification in footwear manufacturing by 2026.</div> <div>Indicators and Purposes Settings<ul style="list-style-type: none">For the footwear business scope, set an emission reduction target of 46.2% in Scope 1 and 2 GHG emissions in 2030 compared with 2019.Continue to evaluate and formulate others climate management indicators.</div>

Process and Results of Identifying Climate Change-related Risks and Opportunities

In 2022, Yue Yuen initiated the identification of risks and opportunities for climate change, and 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 according to 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 contact unit), finance department (bank contact unit), administrative center (government/regulatory contact unit), footwear business department (customer contact unit), and supply chain management unit (supplier contact unit).

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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	Source and description of risks		Risk factors
Transition risks	Existing laws/regulations	<ul style="list-style-type: none">Climate information disclosure under the HKEx ESG FrameworkGHG management regulations issued by Ministry of Natural Resources and Environment,Vietnam	Enhanced disclosure requirements of carbon emission
	Existing laws/regulations	<ul style="list-style-type: none">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
	Existing laws/regulations/market	<ul style="list-style-type: none">The factories are suspended from production to reduce carbon emission under Dual Control of Energy Consumption policy in China	Impacts of production
		<ul style="list-style-type: none">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	<ul style="list-style-type: none">Currently, part of the companies in Europe and the United States have started to adopt the carbon-pricing mechanism, as the carbon markets in such countries are relatively mature; Mainland China will gradually include more industries in the carbon market under the 30& 60 targets	Carbon-pricing mechanism
	Technology	<ul style="list-style-type: none">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
	Technology	<ul style="list-style-type: none">It's less likely to happen as the Company exercises caution while investing in new technology	Investment failure in new technology
	Market	<ul style="list-style-type: none">As requested by the stakeholders, we shall engage in energy conservation and customer audits	Low-carbon production
	Market	<ul style="list-style-type: none">Green energy targets required by the customers	Compulsory requirements on the use of renewable resources
		<ul style="list-style-type: none">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 energyBuildings are too dilapidated for installation of Rooftop Solar System (RTS) equipment	
Physical risks	Reputation	<ul style="list-style-type: none">The end-consumers are gradually shifting to a low-carbon lifestyle and preferring low-carbon products	Changes in consumer preferences
	Reputation	<ul style="list-style-type: none">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
	Acute	<ul style="list-style-type: none">Such risk has arisen	Increasing intensity and frequency of extreme weather events (typhoon, rainstorm, etc.)
	Acute	<ul style="list-style-type: none">Such risk has arisen. The risk is subject to the distance between the factories and the forest	Increasing likelihood and intensity of wildfire
	Chronic	<ul style="list-style-type: none">Such risk has arisen	Rising average temperature
		<ul style="list-style-type: none">High temperature allowance in workplace (local regulations in Mainland China and Vietnam)	
	Chronic	<ul style="list-style-type: none">Such risk has arisen. 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
Resource efficiency	<ul style="list-style-type: none">Use of efficient mode of transportation	Extreme weather events
	<ul style="list-style-type: none">Automation process development	Low-carbon production and extreme weather events
	<ul style="list-style-type: none">To set up a circular economy model for shoe manufacturing	Low-carbon production
	<ul style="list-style-type: none">Use of buildings with higher efficiency	Low-carbon production
	<ul style="list-style-type: none">Improved efficiency of water use	Extreme weather conditions
Source of energy	<ul style="list-style-type: none">To improve energy efficiency	Low-carbon production and impacts of production
	<ul style="list-style-type: none">Introduction of new technologies	Rising average temperature
	<ul style="list-style-type: none">Participate in the carbon trading market	Enhanced disclosure requirements of carbon emission and carbon-pricing mechanism
	<ul style="list-style-type: none">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	<ul style="list-style-type: none">Changes in consumer preferences	Requirements and standards in relation to existing products and services
Market	<ul style="list-style-type: none">Entrance into new market	Low-carbon alternatives for products and services
	<ul style="list-style-type: none">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 risks/opportunity factors may last	Short-term: within 1-3 years; mid-term: within 3-5 years; long-term: 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’s climate risk assessment identified key uncertainties arising from changes in government climate policy (such as timing and magnitude of disclosure regulations), the pace of technological advancement (such as technology development and change in costs of energy-saving and renewable energy technology), and impacts on the supply chain from an increase in the frequency and intensity of extreme weather events. The Company is committed to developing the basic objectives of scientific reduction under the SBT1.5℃ scenario in line with the international trend of sustainable development and meeting the expectations of brand customers. However, subject to the limitation of climate information currently available at each production base, and the consideration of the impact on the business of extreme climate scenarios and strong carbon reduction policy, analysis and assessment of the SSP1-2.6 (2℃) and SSP5-8.5 (4.4℃) scenarios have been prioritised and conducted between 2022 to 2023. 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.

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

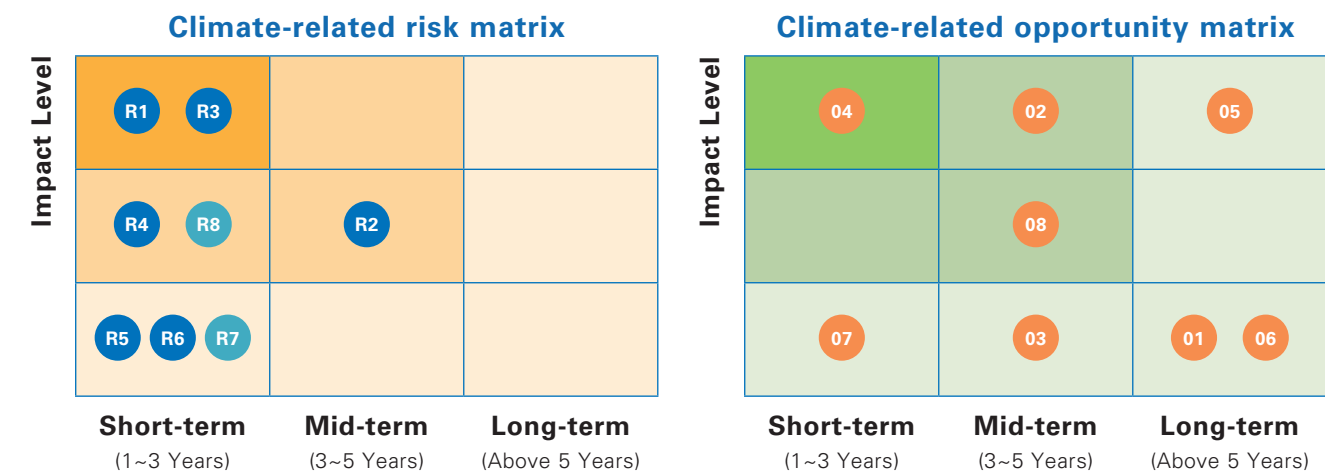
Scope of Assessment	Main production bases: Mainland China(Jiangxi/Guangdong), Indonesia(Banten/Jawa Barat), Vietnam(Ho Chi Minh City/ Dong Nai/Tien Giang/Tay Ninh)			
Climate scenarios	SSP1-2.6	Low emission scenario	Rise of temperature <2℃	The world attempts to achieve sustainability but is in slow progress
	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
Timing of Impact	Mid of the century (2050); end of the century (2100)			
Assess risk items	Rising sea level and flood risk		Forecast of movements in average temperature/high temperature in one day/precipitation in one day	
Tools applied	COMPARISON: LONG-TERM SEA LEVEL OUTCOMES (Climate Central, Inc)		World Bank Group Climate Change Knowledge Portal	

The results of the assessment are shown in the table below:

Under scenario SSP1-2.6	Under scenario SSP5-8.5
<ul style="list-style-type: none">Production sites in Tien Giang and Ho Chi Minh City, Vietnam may be at risk of sea level rise/flooding by mid-century (2050). Potential Financial Impact: Disruption of production site operations.At the end of the century (2100), the Tien Giang and Ho Chi Minh City sites in Vietnam may be at risk of sea level rise/flooding; 10-20% increase in daily rainfall at all sites in Vietnam and Indonesia; and an increase in daily high temperatures in Dongguan, Mainland China of more than 1.5° C. The potential financial impacts are as follows: disruption of operations at production sites/increased capital expenditure to improve the working environment for employees.	<ul style="list-style-type: none">By mid-century (2050), the Tien Giang and Ho Chi Minh City sites in Vietnam could be at risk of sea level rise/flooding; single-day rainfall could increase by 10-20% across Vietnam, Indonesia, and Dongguan site in Mainland China; single-day high temperatures could increase by more than 1.5℃ across all sites; and average temperature increase by more than 1.5℃ across sites in Mainland China. Potential financial impacts: disruption of operations at production sites and increased capital expenditure to improve the working environment for staff.At the end of the century (2100), the Tien Giang and Ho Chi Minh City sites in Vietnam may be at risk of sea level rise/flooding; the amount of daily rainfall at all sites may increase by 20-30%; and the increase in daily and average high temperatures at all sites may exceed 3-5° C. The potential financial impacts: disruption to operations, increase in capital expenditure to improve the working environment of staff.
<ul style="list-style-type: none">The results of the assessment will be taken into account in the allocation of subsequent operating bases.	

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:



Transition Risks		Derivative Opportunities	
<div>R1</div>	Enhanced disclosure requirements of carbon emission	<div>01</div>	Participate in the carbon trading market
<div>R2</div>	Carbon-pricing mechanism	<div>02</div>	Automation process development
<div>R3</div>	Compulsory requirements on the use of renewable resources	<div>03</div>	Improved efficiency of water use
<div>R4</div>	Low-carbon production	<div>04</div>	Participate in the renewable energy market
<div>R5</div>	Impacts of production	<div>05</div>	To set up a circular economy model for shoe manufacturing
<div>R6</div>	Impact on corporate image	<div>06</div>	Use of efficient mode of transportation
Physical Risk		<div>07</div>	To improve energy efficiency
<div>R7</div>	Extreme climate events	<div>08</div>	Introduction of new technologies
<div>R8</div>	Rising average temperature		

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.

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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)	Impacted Region	Climate opportunities	Time of impact	Potential financial impact	Response strategy
Transition Risks	Enhanced disclosure requirements of carbon emission (R1)	Short-term	<ul style="list-style-type: none">Increase in inventory capabilities built and third-party verification costs	<ul style="list-style-type: none">Subsequent verification fees>US\$230,000/yearPredict the estimated building and setting up fees of carbon inventory system> US\$280,000	Hong Kong, Vietnam	<ul style="list-style-type: none">Participate in the carbon trading market (O1)	Long-term	<ul style="list-style-type: none">To increase adaptability of regulations so as to maintain smooth operations.	<ul style="list-style-type: none">To build an Inventorying team with its inventorying capability trainedTo establish a systematic data collection systemTo expand the third-party verification coverage
	Carbon-pricing mechanism (R2)	Mid-term	<ul style="list-style-type: none">International carbon tariffs/fees mechanism will affect operations, restrict capacity deployment and impact operational revenue	<ul style="list-style-type: none">Being assessed	Head Office of the Group		Long-term	<ul style="list-style-type: none">To acquire carbon credits for emission offsets and create carbon credits revenue.	
	Compulsory requirements on the use of renewable resources (R3)	Short-term	<ul style="list-style-type: none">Increase in capital costs of renewable energy establishment, purchase of green electricity and renewable energy certificate	<ul style="list-style-type: none">In 2024, we spent approximately US\$1,200,000 to purchase renewable energy, and predicted it would rise year by year in the future.	All Production Bases	<ul style="list-style-type: none">Participate in the renewable energy market (O4)	Short-term	<ul style="list-style-type: none">Purchase renewable energy at an early stage to obtain stable renewable energy and maintain smooth operation	<ul style="list-style-type: none">To establish rooftop solar energy adapted to factory siteTo participate in the green power trading market where it domicilesTo purchase the renewable energy certificate with international/national authentication
	Low-carbon production (R4)	Short-term	<ul style="list-style-type: none">Increase capital expenditureProduction and equipment upgradeInvestments in low-carbon energyCarbon reduction for wastes	<ul style="list-style-type: none">In 2024, we spent approximately US\$20,000,000 to purchase and replace energy-saving equipment.	All Production Bases	<ul style="list-style-type: none">Improve energy efficiency (O7)	Short-term	<ul style="list-style-type: none">To save energy costs	<ul style="list-style-type: none">To increase the use of renewable energyTo use low-carbon efficient energyTo improve the energy efficiency of equipmentLeakage controlTo promote the use of energy monitoring/management systemTo enhance waste reuse through an effective use of resources
						<ul style="list-style-type: none">Participate in the renewable energy market (O4)	Short-term	<ul style="list-style-type: none">To stabilize energy supply	
						<ul style="list-style-type: none">Automation process development (O2)	Mid-term	<ul style="list-style-type: none">Smoothly set up automatic production lines to enhance competitiveness	
						<ul style="list-style-type: none">Create a circular economy model for shoe manufacturing (O5)	Long-term	<ul style="list-style-type: none">Enhancement of resource utilization	
	Impacts of production (R5)	Short-term	<ul style="list-style-type: none">Power restriction policyCarbon emission cap policyOrder placement affected by clients' comments	<ul style="list-style-type: none">Being assessed	All Production Bases	<ul style="list-style-type: none">Improve energy efficiency (O7)	Short-term	<ul style="list-style-type: none">To reduce operational costs	
	Impact on corporate image (R6)	Short-term	<ul style="list-style-type: none">ESG ratingInvestors' investment interestsImpact on source of funds and revenue	<ul style="list-style-type: none">Being assessed	Head Office of the Group				<ul style="list-style-type: none">To establish a dedicated ESG teamTo improve ESG information disclosure through external questionnaires, sustainability report and other platforms
Physical Risks	Extreme climate events (R7)	Short-term	<ul style="list-style-type: none">Interrupt the operation of production baseTraffic stopWater shortage resulted from droughtIncrease capital expenditure and reduce revenue	<ul style="list-style-type: none">Being assessed	Mainland China, Vietnam	<ul style="list-style-type: none">The use of efficient mode of transportation (O6)	Long-term	<ul style="list-style-type: none">Strengthen climate resilience to minimize operational disruptions and losses	<ul style="list-style-type: none">To enhance the responses to extreme weather measures at production sites: priority attention to the risk of heavy rain in Tay Ninh/Dong Nai, Vietnam and the region of Mainland China ^{Note 3}To set up an emergency power supply teamTo 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 ^{Note 3} and respond earlyTo strengthen the water treatment and water recycling measures
						<ul style="list-style-type: none">Automation process development (O2)	Mid-term		
						<ul style="list-style-type: none">Improved efficiency of water use (O3)	Mid-term		
	Average temperature increased (R8)	Short-term	<ul style="list-style-type: none">Increase in capital costs due to improved staff working environmentsIncrease in electricity costs and carbon emissions	<ul style="list-style-type: none">In 2024, we spent approximately US\$75,000 to purchase and replace ventilation equipment	All Production Bases	<ul style="list-style-type: none">Introduction of new technologies (O8)	Mid-term	<ul style="list-style-type: none">To save energy costs	<ul style="list-style-type: none">To optimize the factory ventilation design: priority attention to factories in the PRC, Indonesia and Vietnam ^{Note 3}To align new factory design with climate information

Note 1: Time period of impact of less than 3 years is considered as short-term, 3 to 5 years is considered as medium-term, and 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 the scenario analysis, the Company will adjust its response strategies in a progressive manner.

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The Company’s response strategy covers the areas of climate risk management, carbon emission reduction, energy efficiency improvement, ESG governance and resource management. Firstly, for all production bases, through the establishment of an inventory team and data collection system, the carbon footprint inventory is assessed with third-party verification to enhance the credibility of the data. In addition, the use of renewable energy (e.g., rooftop solar, green power trading renewable energy certificates) is planned, and the proportion of low-carbon energy and high-efficiency equipment use is increased to reduce emissions and improve energy efficiency.

In ESG governance, the transparency of information disclosure is enhanced through external reporting, and the ability of high-risk production sites (e.g., Vietnam, some sites in China) to respond to extreme weather events (e.g., heavy rainfall and flooding risks) is strengthened, such as setting up emergency power supply and water recycling measures. In addition, the enterprises will optimise the ventilation design of their plants and incorporate climate information into the design of new plants to ensure long-term operational resilience, further enhancing environmental sustainability and climate resilience.

The impact of the relevant climate issues on the Group’s business, strategy and financial planning is summarised in the table below:

Impacted Areas	Climate Risks	Business, Strategy and Financial Planning
Product and Services	Low Carbon Production, Impact to Production	<ul style="list-style-type: none">• Increase investment in energy conservation and green energy at all production sites. Reduce carbon emissions, stabilise energy use, and promote environmental sustainability and corporate social responsibility by promoting energy conservation projects, source energy-saving equipment procurement to reduce wasting at source, and expanding the use of green energy• Strengthen the development of reuse technology at all production sites, and commit to the efficient use of resources, we focus on increasing the proportion of waste reused, in order to achieve the dual objectives of resource recycling and environmental protection
Supply Chain/ Value Chain	Extreme Weather Events	<ul style="list-style-type: none">• Strengthen the local sourcing strategy at all our production bases to minimise supply risk and ensure continuity of business operations
Adjustment and Mitigation Activities	Increase in Average Temperature	<ul style="list-style-type: none">• Proactively improve the ventilation systems of all of our production bases to ensure a stable operating environment through measures such as increasing the number of ventilation devices and optimising ventilation methods
Business Operations	Strengthened Carbon Emission Disclosure, Carbon Pricing Mechanism	<ul style="list-style-type: none">• In addition to meeting the disclosure requirements, cooperate with customers to conduct carbon footprint inventories in some of their Vietnam and Indonesia factories in accordance with their market operation strategies to ensure the transparency of information and compliance with market trends, thereby enhancing our competitive edge and securing more orders
	Mandatory Use of Renewable Energy	<ul style="list-style-type: none">• Increase investments in green energy in response to customer demand, actively source green energy to strengthen customer relationships, improve our ESG performance rating to drive increase in order
	Impact on Company Image	<ul style="list-style-type: none">• Strengthen communication with stakeholders and enhance investors’ trusts• Establish an inter-departmental communication mechanism to respond to public opinion in a timely manner to promote corporate social responsibility and sustainable development projects

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	<ul style="list-style-type: none">• For the footwear business scope, set an emission reduction target of 46.2% in Scope 1 and 2 GHG emissions in 2030 compared with 2019.• Set Regularly targets each year in the assessment.	5.1.2 GHG Management
Energy Management	Quantitative indicators	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• The mid- and long-term plans aim to gradually improve the reuse rate of water resources in the factory.	5.3 Water Resources Management
Waste Reduction	Qualitative indicators	<ul style="list-style-type: none">• Promote waste reuse and improve the reuse rate of waste.• Using 2023 as the base year, a short-term goal has been established to increase the recycling rate of direct process waste by 3 percentage points by 2024.• Direct process waste covers nine categories, including waste EVA, waste TPU, waste rubber, waste foam, waste trimmings, waste paper, waste shoes, waste shoe uppers and industrial wastes.	5.4 Waste Management
Supply Chain Carbon Reduction	No indicator	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Future directions for evaluation: climate disaster response, zero-production disruption.	–

Note: Currently, the Company does not have an internal carbon pricing tool for internal decision-making.

Yue Yuen will gradually develop a monitoring mechanism to track climate-related risks to ensure that decisions can be made in response to changes in a timely manner. Firstly, a data monitoring system will be set up to regularly collect information on GHG emissions, energy use, extreme weather events and supply chain impacts. Secondly, climate risk indicators and KPIs will be adjusted on a rolling basis and linked to financial and operational strategies. In addition, a cross-departmental climate risk management team will be set up to ensure that finance, operations, supply chain and regulatory compliance departments can regularly assess risk changes.

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”.

Chapter 5

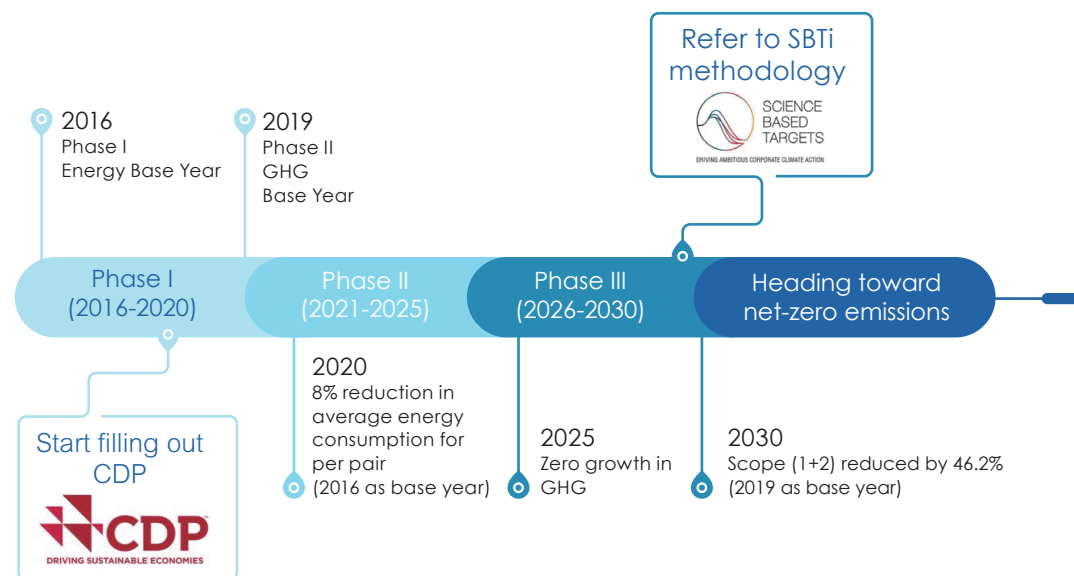
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Phased tasks and targets concerning GHG emission & energy management

Yue Yuen has footwear production bases across seven countries in Asia. It mainly focused on improving energy efficiency and strengthening energy conservation as its main management means until 2016, which was the year that the CDP Carbon Questionnaire was formerly filled out for the first time among Taiwanese footwear enterprises. The 2024 CDP questionnaire is aligned with the latest standards or initiatives such as the International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures, Climate-related Financial Disclosures (TCFD), and Nature-related Financial Disclosures (TNFD), etc. The contents of the questionnaire have been deepened and broadened. Yue Yuen achieved a Level B in the climate change rating, demonstrating that the Company implements proactive environmental friendly management strategies through understanding its own impact on the environment.

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 validated by the World Resources Institute (WRI) is consistent with the SBTi target-setting methodology. In 2024, Yue Yuen (Anfu) Footwear Co., Ltd. (“Anfu Company”), a subsidiary of Yue Yuen, completed Scope 1, 2, and 3 inventories in accordance with the ISO-14064-1 principles and the GHG Protocol, set the base year and reduction targets in accordance with the SBT target-setting method, and such targets have passed the validation of the SBT target audits.

With the remote vision of “Net Zero”, Yue Yuen 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 2024

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. Qualified third parties that comply with the local countries’ inspection regulations were gragually appointed to carry out verifications and inspection certificate were obtained.

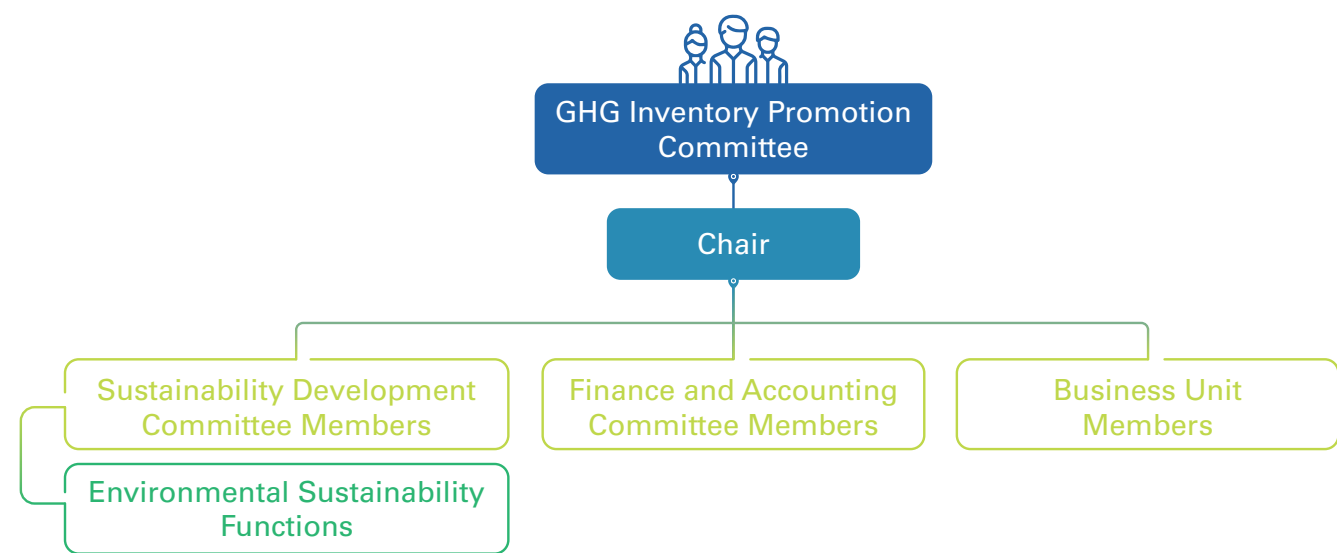
- In 2022, a GHG inventory promotion committee was set up to implement a group-wide cross-border GHG inventory based on the GHG inventory framework.
- In 2022, three legal entities in Vietnam conducted inventories in accordance with ISO 14064-1 standard and completed third-party verification. The verified and certified emissions approximately accounted for 20% of the emissions from their footwear manufacturing operations during the year.
- In 2023, one legal entity in the PRC completed its own inventory operations and obtained verification certificate.
- In 2024, a subsidiary in the PRC, Anfu Company, completed Scope 1, 2 and 3 inventories (data for 2023 activities) in accordance with ISO-14064-1 principles and GHG Protocol, and set base year and reduction targets in full compliance with the SBT methodology, and such target passed the validation of the SBT target audit.
- In 2024, seven legal entities in Vietnam carried out inventory operations and submitted a reduction plan following the GHG emissions regulation, namely Resolution 06/2022/ND-CP issued by Vietnam in 2022. The companies are required to reduce GHG emissions (as recommended by the Montreal Protocol) and mandatorily disclose Scope 1 and 2 GHG emissions starting from 2025. They will be subject to examination by the inspection unit designated by the government from 2027 onwards.

Yue Yuen will promote the GHG inventory in each production base year by year in the future, with the aim of achieving a comprehensive verification on shoe manufacturing by 2026. At this stage, the main direction is to strengthen the verification of inventories, expand the Scope 3 inventory, and actively promote energy conservation and expand the use of green energy. After a complete inventory is carried out in the whole group, the discussion on the setting of the annual carbon reduction target will be held again.

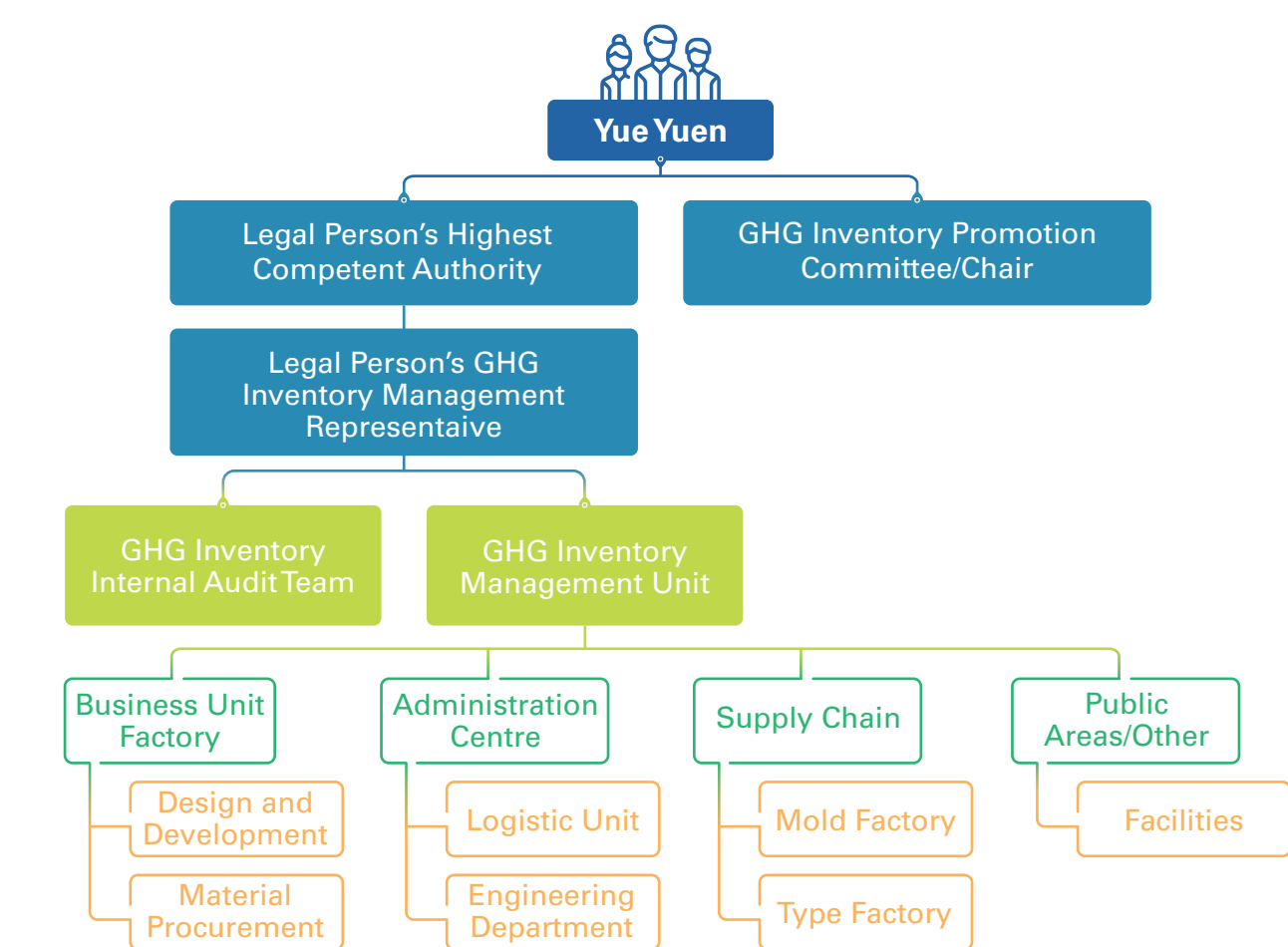
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GHG Inventory Promotion Committee



Organizational Chart for GHG Inventory



GHG Emissions and Carbon Emissions Intensity Per Pair fo Shoes

In 2024, the ISO 14064-1:2018 standard for the inventory fo GHG was introduced continuously. The total carbon emissions of category 1: direct GHG emission (Scope 1) and category 2: indirect GHG emission from energy input (Scope 2) combined were 704,000 tCO₂e. Category 1 was 71,000 tCO₂e, accounting for 10%, and category 2 was 633,000 tCO₂e, accounting for 90%.

Direct and indirect GHG emission – on Regional Basis and Market Basis

GHG Emission	Direct Emission	Indirect GHG Emission from Energy Input		Total Carbon Emission		Biofuel
(in 10,000 tCO ₂ e)	Category 1 (Scope 1)	Category 2 (Scope 2) – Regional Basis	Category 2 (Scope 2) – Market Basis	Category 1+ Category 2 (Regional Basis)	Category 1+ Category 2 (Market Basis)	Purchased Steam and Self-operated Boilers
2019	2.7	56.7	56.7	59.4	59.4	12.4
2020	1.8	53.6	53.6	55.4	55.4	9.1
2021	1.4	44.9	41.4	46.3	42.8	7.0
2022	5.0	70.1	59.3	75.1	64.3	8.0
2023	4.5	61.7	46.9	66.2	51.4	7.1
2024	7.1	63.3	48.6	70.4	55.7	10.6

- Note 1: Regarding the measurement method, input information and assumptions of GHG emissions, please refer to the 2022 Annual Report for the 2019~2022 data. For the 2024 data, please refer to Appendix E: GHG Inventory Principle 2024.
- 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 – carbon offset quantity of renewable energy certificates. Renewable Energy Certificates (RECs) include International Renewable Energy Certificates (I-RECs), Tradable Instruments for Global Renewables (TIGRs) of Perusahaan Listrik Negara (PLN) in Indonesia, and China’s Green Electricity Certificates (GECs).
- Note 4: Yue Yuen 2023 report originally disclosed that green power purchases from Mainland China were recognized as Power Purchase Agreements (PPAs). As the renewable energy installations were fully installed before this type of green energy contract was signed, the PPA items were classified as one of the types of Renewable Energy Certificates (GECs), and the wordings were amended uniformly in the 2024 report.

Direct and Indirect GHG Emission

Regional basis (10,000 tCO ₂ 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			
	2023		9.1	57.1
	2024		7.8	62.6

Carbon emission intensity per pair

Due to the differences in production shoe models, production processes, and national electricity emission coefficients, the production emission intensity of major production bases in Mainland China, Vietnam, and Indonesia in 2024 were in the range of 2.7~4.3 kg CO₂/pair of shoes.

Note: When calculating the intensity of carbon emission, only the GHG emissions of Category 1 and Category 2 were included, while other indirect GHG emissions were not.

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 “business travel (air travel)” and “upstream transportation and distribution” (Emissions from transporting the finished products to the ports are classified as “upstream transportation and distribution” as they are paid for by the Company, and therefore these items are re-categorized).

With the help of international trends and brand customers and other expected users, Yue Yuen has planned to expand the scope of Scope 3 inventory with the goal of applying for SBTi. In 2024, Yue Yuen’s subsidiary, Anfu Company has commenced the full scope of Scope 3 (15 categories) inventory in accordance with the GHG Protocol, completed third-party inspection and obtained the inspection certificate. Carbon reduction target has passed the validation of the SBT target audit.

Significant Indirect GHG Emissions

Other Indirect (Scope 3) (tCO ₂ e) ⁴	2022 ¹	2023 ¹	2024 ^{2,3}
Purchased Goods and Services	–	–	13,109.4
Capital Goods	–	–	42.5
Fuel and Energy related Activities	–	–	3,073.3
Upstream Transportation and Distribution	22,297.9	17,141.8	37,677.3
Waste Generated in Operations	–	–	43.9
Business Travel (Air Travel)	1,509.8	1,543.8	929.4
Employee Commuting	–	–	1,249.6
Upstream Leased Assets	–	–	–
Downstream Transportation and Distribution	–	–	–
Processing of Sold Products	–	–	3,057.8
Use of Sold Products	–	–	–
End-of-Life Treatment of Sold Products	–	–	2,022.6
Downstream Leased Assets	–	–	–
Franchises	–	–	–
Investments	–	–	–
Total	23,807.7	18,685.6	61,205.8

Note 1: In 2022-2023, Yue Yuen follows ISO 14064-1 standard for significance identification. Scope 3 inventory items are “Business Travel (Air Travel)” and “Upstream Transportation and Distribution”.

Note 2: Inventory data of “Anfu Company”, a subsidiary of Yue Yuen, which was disclosed in Scope 3 of 2024, has been verified by China SGS in accordance with ISO 14064-1 and has obtained the Reasonable Assurance Level Certificates.

Note 3: In addition to the inventory emissions of Anfu Company, the emissions from business travel in 2024 also include the GHG emissions from air travel of the headquarters.

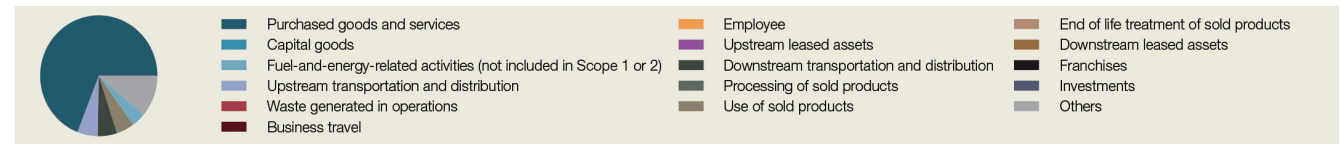
Note 4: Items without data indicate that there were no emissions in that year or they cannot be calculated at the time.

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According to SBTi’s Scope 3 GHG Management Manual for the value chain, Scope 3 emissions are the largest source of emissions for most companies, with about 40% of global emissions coming from purchasing behaviour (“purchased goods and services”) and “use of sold products”. In the footwear manufacturing industry, “upstream purchases of goods and services” is the most important source of Scope 3 emissions (see the chart below). In 2024, Yue Yuen’s subsidiary, Anfu Company, conducted an inventory of Scope 3 emissions, of which “purchased goods and services” accounted for 53.27% of the total emissions.

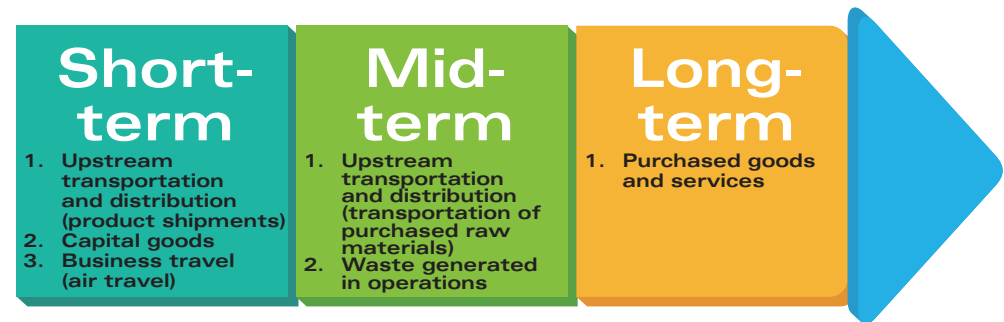
Scope 3 GHG management – for the value chain in Textile, Apparel, Footwear and Luxury Goods industry by SBTi



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

In response to the commitment of international sustainable Net-Zero and to jointly promote the reduction along the value chain, Yue Yuen has gradually expanded Scope 3 inventory at this stage, and will subsequently set an emission reduction target for each item. Inventory for “Business Travel (Air Travel)” and “Upstream Transportation and Distribution” (product shipment), which have already been inspected, will continue. In the short term, “capital goods” will be included in the inventory, and in the medium and long term, the inventory will be expanded to “upstream transport and distribution” (transportation of raw material purchases), “process waste” and “purchased goods (raw materials) and services”.

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



GHG Reduction Measures in Year 2024

More than 80% of the GHG emissions from the production process of footwear industry come from the use of electricity. As such, reducing energy-generated GHG emissions and increasing the use of renewable energy are the main objectives of Yue Yuen’s carbon reduction effort. Meanwhile, the efficiency of energy use will be enhanced continuously. Currently there is no plan to use carbon credits for emission reduction.

Energy Management

Energy management actions are mainly implemented through “Source Equipment Procurement Management” and “Promotion of Energy-Saving Projects”. In 2024, the cumulative energy savings reached 13,213 MWh, and GHG emissions were reduced by 8,627 tCO₂e.

Expanding the Use of Green Energy

In terms of Rooftop Solar System (RTS) installation, one new RTS facility was constructed in a factory in Mainland China and started power generation in 2024. The power generation capacity of the Indonesian installations increased from 0.48MW (2023) to 1.89MW with power generation and grid connection expected to begin in early 2025. By the end of 2024, the construction of RTS in 6 plants was completed, and the total annual solar energy consumption reached 7,617.6 MWh, reducing GHG emissions by 4,787.6 tCO₂e.

Renewable Energy Certificate (REC) is also one of the measures to reduce GHG emissions. Mainland China, Vietnam and Indonesia continued to purchase REC annually to offset the GHG emissions from electricity consumption. Starting in 2023, plants in Mainland China began to purchase Green Electricity Consumption Certificates (GEC) to offset GHG emissions. In 2024, the total purchases of renewable energy certificates, amounted to 266,810.0 MWh, offsetting 147,038.7 tCO₂e of GHG emissions.

GHG Emissions Offset by Green Energy of Yue Yuen in 2024^{1, 2, 3}

Type of Green Energy			Mainland China	Vietnam	Indonesia	Cambodia	Total
Solar Power	RTS	MWh	5,631.3	1,195.6	790.7	0	7,617.6
		t CO ₂ e	3,346.1	808.9	632.6	0	4,787.6
	REC	MWh	2,131.0	79,065.0	0	800.0	81,996.0
		t CO ₂ e	1,545.5	52,119.6	0	317.8	53,982.9
Wind Power	REC	MWh	10,281.0	0	0	0	10,281.0
		t CO ₂ e	7,456.0	0	0	0	7,456.0
Hydropower	REC	MWh	125.0	25,536.0	13,424.0	0	39,085.0
		t CO ₂ e	71.7	18,454.1	10,739.2	0	29,264.4
Geothermal Power	REC	MWh	0	0	129,129.0	0	129,129.0
		t CO ₂ e	0	0	52,944.6	0	52,944.6
Others ⁴	REC	MWh	6,319.0	0	0	0	6,319.0
		t CO ₂ e	3,390.8	0	0	0	3,390.8

- Note 1: Refer to Appendix E: GHG Inventory Principle 2024 for the principles in calculating GHG emissions in 2024.
- Note 2: The unit of electricity consumption/purchase is MWh, while the unit of GHG offset is tCO₂e.
- Note 3: Renewable Energy Certificates (REC) include International Renewable Energy Certificates (I-REC), Tradable Instruments for Global Renewables (TIGR) of Perusahaan Listrik Negara (PLN) in Indonesia, and China’s Green Electricity Certificates (GEC).
- Note 4: Regarding China’s Green Electricity Consumption Certificate (GEC), as the type of renewable energy needs to be confirmed by the trading centre before the issuance of the proof of purchase, the turnaround time ranges from 2-3 months after the completion of the transaction. As at the end of the reporting period, the type of renewable energy for the period from November to December 2024 had not yet been obtained. This will be revised in the report next year after it is clarified. The amount of GHG credits is currently calculated by uniformly applying the national electricity factor.

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5.2 Energy Management

Management of Material Topics	
<p>What it means to Yue Yuen</p> <p>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 resilience to natural disaster, etc. In addition, international regulations on climate laws and tax changes have led to the global trend of net-zero emissions, which affects the transformation of corporate energy, industry, and social lifestyles.</p>	
<p>Impact</p> <div> <div> Positive impact <ul style="list-style-type: none"> ➤ Actual: Improve energy management and reduce energy waste. ➤ Potential: Increase the affordability of regional energy, reduce environmental pollution and promote economic development. </div> <div> Negative impact <ul style="list-style-type: none"> ➤ Actual: 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 sustainable resources. </div> </div>	
<p>Policy and Commitment</p> <p>Climate Change Policy of Yue Yuen</p>	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ Improve energy efficiency: energy management measures/equipment efficiency enhancement ➤ Energy reduction and efficiency improvement ➤ Continue to expand green energy construction ➤ Promote low-carbon manufacturing technologies
<p>Actions</p> <ul style="list-style-type: none"> ➤ Expand the use of green energy: rooftop solar power generation/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 maximum use of common systems, routinely measure air compressor efficiency, and establish a system for the retirement of energy-consuming air compressor equipment. ➤ Establish an energy-saving intelligent knowledge management platform, share energy-saving and carbon-reducing technologies, and establish an energy-saving organizational culture. 	
<p>Evaluation Methods</p> <ul style="list-style-type: none"> ➤ Through Science Based Targeting Initiative (SBTi) and ISO14064-1 standard, regularly review the implementation of energy saving and carbon reduction tracking performance in the short, medium and long term and the level of target achievements. ➤ Regularly evaluate the construction of green energy infrastructure. ➤ Report to top management at regular meetings, review the target achievement rate and adjust the implementation measures. 	
<p>Stakeholder Engagement</p> <p>Regular or irregular communication and interaction in accordance with the stakeholders' engagement mechanism, as well as disclosure of information in the ESG Report, relevant platforms or websites</p>	<p>Sustainability Indicators</p> <p>HKEx KPI A2 GRI 302 SDG 7 SDG 12 SDG 13</p>

Energy use and energy intensity

The types of energy consumed in the Group’s footwear manufacturing business included electricity, fossil fuels (heavy oil/diesel/petrol/other oil products, natural gas, liquefied petroleum gas), biofuels, etc.. The use of biofuels involves the fuel for steam thermal energy supplied by external vendors. The total energy consumption of Yue Yuen in 2024 was 4,320.9 TJ, of which the energy consumption ratio of utility power was 82.6%.

Electricity usage statistics

Electricity	Electricity Units			Electricity Energy Represented		
	Utility Power	RTS	GEC	Utility Power	RTS	GEC
Unit	MWh	MWh	MWh	TJ	TJ	TJ
2024	975,192.1	7,617.6	18,856.0	3,567.8	27.4	67.9
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-hour • TJ: Tera joule

Note: GEC purchases are included in the utility power of China. The above utility power consumption is only grey power consumption after deducting the GEC purchases.

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Fuel use statistics

Fuels	Fuels Usage/ Fuels Consumption								
	Fossil Fuels						Biofuels		
	Heavy oil/Diesel/Petrol/ Other fuels			Natural gas/Liquefied petroleum gas			Rice husk/Palm shell		
Description	Non-renewable			Non-renewable			Renewable		
Unit	KL	TJ	MWh	10,000 M³	TJ	MWh	10,000 metric tons	TJ	MWh
2024	4,375.4	152.4	42,334.4	209.0	73.7	20,472.1	2.8	431.7	119,926.1
2023	3,663.7	125.7	34,922.3	178.8	63.7	17,684.0	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	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 intensity¹ (MJ/pair)	Description
2024	11.7~26.6	Mainland China, Indonesia and Vietnam are important shoe-making production areas of Yue Yuen, with shoe production volumes account for more than 90%. The average energy consumption per pair is estimated based on the three major production areas including Mainland China, Indonesia and Vietnam
2023	6.5~22.7	
2022	11.6~18.7	
2021	10.3~16.9	
2020	10.3~22.6	
2019	8.3~14.5	

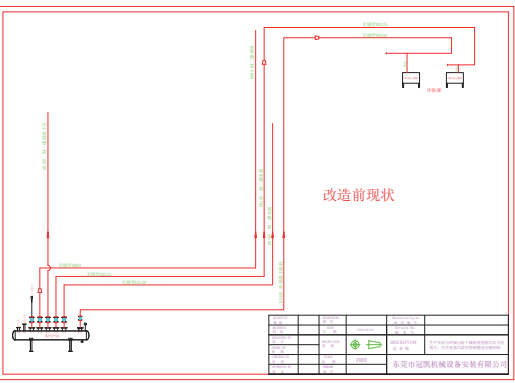
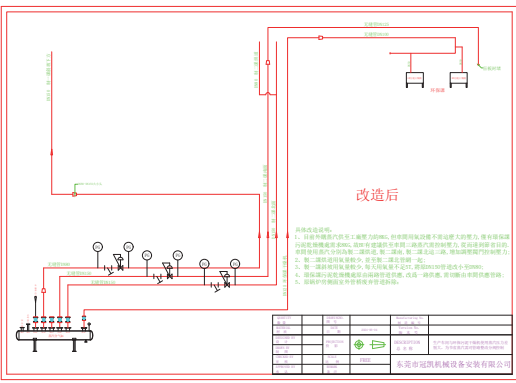
Note 1: Unit description: • MJ: Mega Joule • pair: pair of shoes
Note 2: Energy intensity was obtained by regions and presented by the scope of energy intensity.

Sustainable energy management: energy conservation projects and initiatives

2024	Mid-term	Long-term
<ul style="list-style-type: none"> ➤ Annual energy saving equipment procurement at source/replacement of low energy efficiency equipment: purchase new energy saving equipment to replace old models, cumulative energy saving benefits reached 15,480,378 MJ (4,300 MWh). ➤ Energy saving project: implemented 79 energy-saving projects in 2024, with energy-saving benefit of 32,088,497 MJ (8,913 MWh). 	<ul style="list-style-type: none"> ➤ Expansion of green energy construction: Rooftop solar power generation/green electricity procurement/REC/Use of renewable energy. ➤ Energy digitization: Energy monitoring/water and sewage monitoring/air pollution monitoring/ GHG inventory data system 	<ul style="list-style-type: none"> ➤ Sharing of energy saving and carbon reduction technologies on energy-saving intelligent knowledge management platform ➤ Establish energy conservation organization culture: communication and learning within the Group and model factory optimization

Energy Saving Improvement Cases

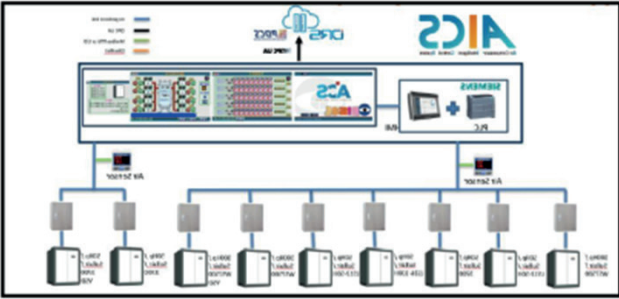
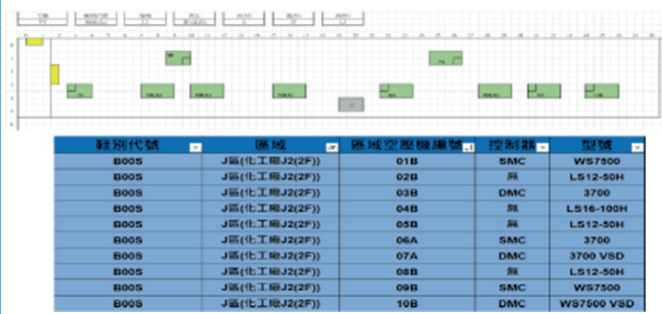
Steam pipe rationalisation (China plant)

Issue	To meet the required pressure and gas consumption of each area/machine, each existing steam pipeline needs to be maintained at the maximum pressure required for that line of machines, resulting in wastage.
Improvement measures	Depending on the location of each machine, the optimal pressure, the volume of air consumption and other different conditions of air consumption, merge the existing pipeline/set up independent pipeline for gas supply/modify pipe diameter to achieve a reasonable distribution so as to reduce the constant pressure and pressure/heat loss.
Improvement benefits	Approximately 900 tonnes of steam or US\$58,984 of steam cost per year can be saved. The investment of US\$28,225 will be paid back in 0.5 year.
	
Pipeline configuration before improvement	Pipeline configuration after improvement

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Improvement for multi-machine air compressor integration (Vietnam Plant)

Issue	In the chemical plant, there are 10 air compressors in the same air compressor room, which are operated by individual pressure control with manual start/stop control, resulting in long idling time, poor energy efficiency and unnecessary energy loss.
Improvement measures	Set up the air compressor multi-machine integrated system with interdependent control equipment to reduce the unnecessary inefficiency of air compressor.
Improvement benefits	Approximately 233,339 kWh of electricity or US\$17,801 of electricity cost per year can be saved. The investment of US\$46,000 will be paid back in 2.58 years.
<div> <div>  </div> <div>  </div> </div>	
<div> <div>Configuration of Control System Connection</div> <div>Models of Controllers</div> </div>	

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

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, Vietnam, and Indonesia and also gradually expanded the capacity of existing plants in 2024. Currently, the cumulative solar energy construction scale has reached 9.04 MW, and the cumulative annual consumption in 2024 is 7,617.6 MWh. The expanded capacity in these areas will formally commence generation of electricity in 2025. Plants in Mainland China, Vietnam, Indonesia and Cambodia have purchased Renewable Energy Certificates REC, with the cumulative purchase of certificates reaching 266,810.0 MWh in 2024. The share of green energy of the Group increased to 27% in 2024.

Yue Yuen green energy percentage

Green Energy Source	RTS	REC	Green Energy Percentage
Unit	MWh	MWh	%
2024	7,617.6	266,810.0	27
2023	5,036.0	169,475.0	24
2022	2,441.0	145,075.0	16
2021	1,222.8	73,996.0	9

Note 1: Green energy percentage (%) = (rooftop solar energy consumption RTS + renewable energy certificate REC) / (Rooftop solar energy consumption RTS + Utility + green energy GEC)

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



Mainland China



Vietnam



Indonesia



Mainland China

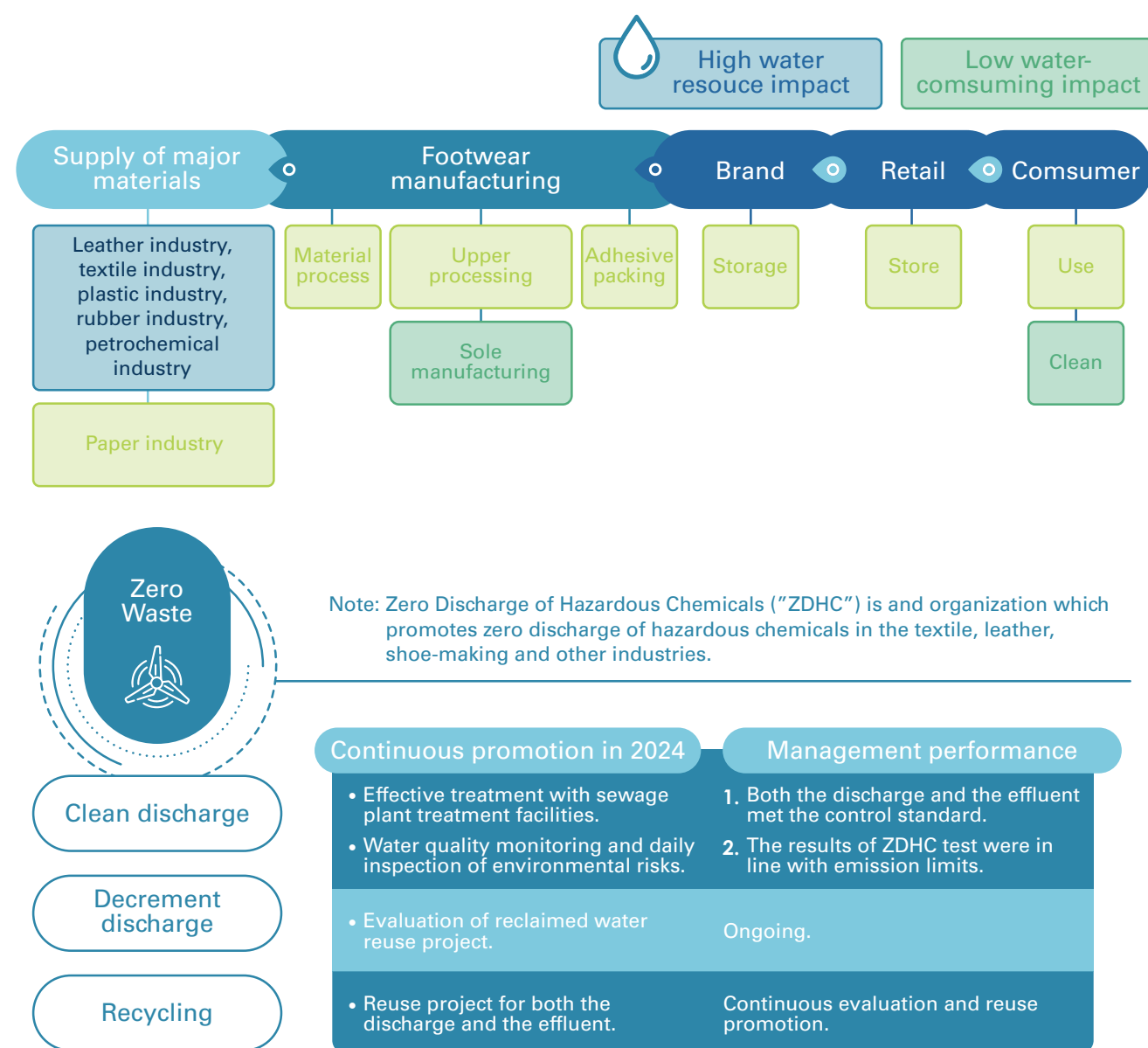
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5.3 Water Resources Management

In the shoe manufacturing value chain, the dyeing and finishing process of fabric material is a water resource impacting operation 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's water resource management policy follows the goal of zero-waste sustainability. In addition to ensuring the provision of safe water that complies with regulatory water quality standards and the treatment of discharged water that meets local regulatory standards, the medium- and long-term plans also aim to gradually increase the reuse rate of water resources in the plants to avoid excessive depletion of natural water resources.

Water resource impact of footwear manufacturing value chain



Water resource risk assessment form

Risk category	Assessment factor	Risk/opportunity	Response
Policy and regulation	Regulatory standards	<ul style="list-style-type: none">Tightening of wastewater quality/quantity discharge regulations.Imposing water consumption charges, sewage charges or environmental protection taxes.Increasing the requirement ratio of effluent recycling.Limiting the amount of water discharge permitted.	<ul style="list-style-type: none">Strengthen the treatment efficiency of sewage treatment plants, and plan for additional advanced treatment technology units where necessary to enhance water treatment capacity and reduce pollutant emissions.Actively evaluate the target processes for reuse of treated water and improve the reuse rate of water resources.
Technology/Market	Customer requirements	<ul style="list-style-type: none">Investment in new technologies for sewage treatment.Customers require us to provide green products with low water pollution (including materials using low water pollution processes).	<ul style="list-style-type: none">Continue to collect and evaluate new sewage treatment technology solutions and their applicability.Cooperate actively with manufacturers that have passed customer standard verification in line with customer needs.
Corporate reputation	Major event announcements	<ul style="list-style-type: none">The discharge water quality is non-compliant.	<ul style="list-style-type: none">Strengthen the daily self-monitoring mechanism, detect the risk of exceeding the standard at any time and rectify such risk immediately.
Immediate loss	<ul style="list-style-type: none">The frequency of disasters caused by drastic climate change.Financial damage and recovery costs.	<ul style="list-style-type: none">Increasing intensity and frequency of extreme weather conditions (typhoon, heavy rain, snowstorm, flooding, etc.) may result in employee being unable to work, damage to plant facilities and disruption of energy resources and materials supply.The water source is subject to variation due to deteriorating environmental conditions, which results in the increase of water resources treatment costs.	<ul style="list-style-type: none">Establish an abnormal event notification and response mechanism, including a response mechanism for abnormal events caused by climate risks.Incorporate climate risk into the consideration of the site selection assessment and construction design of new plants.The water purification/sewage treatment capacity of the water treatment plants has been improved, and advanced treatment technology units are planned to be added when necessary.
Long term risk	Water Risk Filter (WWF)	<ul style="list-style-type: none">Flooding risk and drought risk may result in risks of damage to plant facilities, water resource shortage and poor water quality.	<ul style="list-style-type: none">Continue to pay attention to international water resources risks and regional early warning information to provide decision-making reference for operators.

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 most of Yue Yuen's overseas footwear manufacturing bases are currently located in areas with limited risk of water stress. Bangladesh is categorized as having medium risk for drought, flooding and water quality, but the water issues are not affecting production at this time, so ongoing monitoring of local conditions is the current strategy.

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

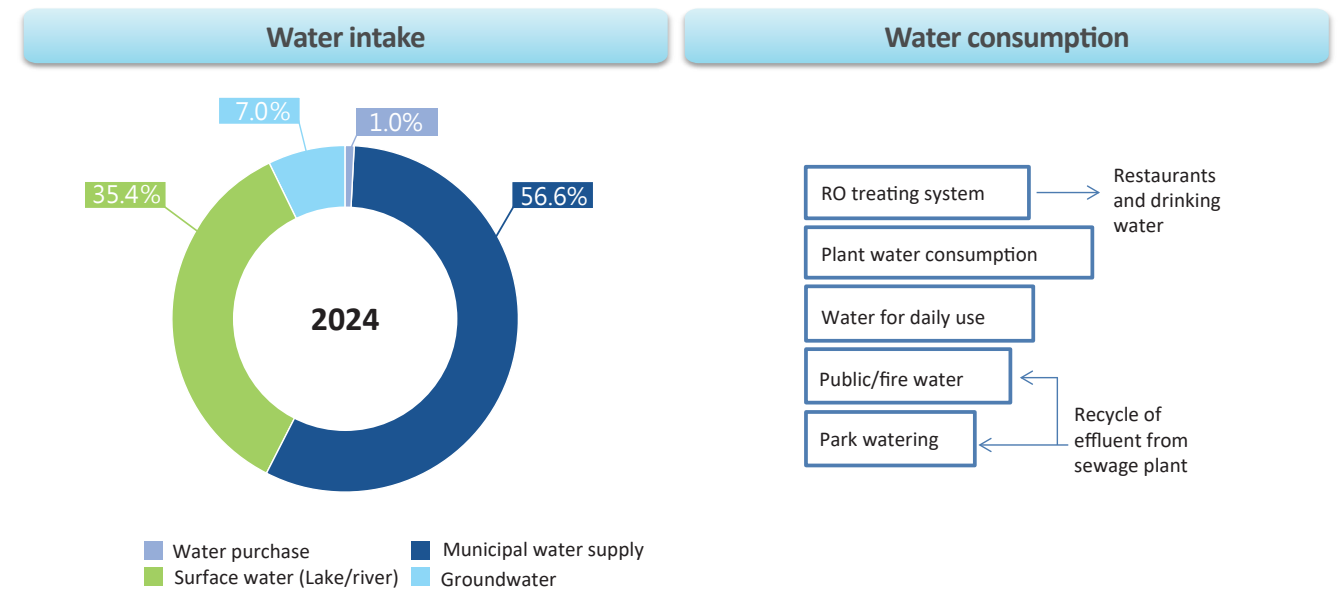
Water indicators (WRF)	Risk level					
	Mainland China	Indonesia	Vietnam	Bangladesh	Myanmar	Cambodia
Water Availability	2.3	1.7	2.2	2.7	2.0	2.1
Drought	2.4	2.5	2.9	3.8	3.1	2.9
Flooding	2.3	2.2	3.2	4.2	2.9	3.3
Water Quality	2.8	1.9	2.6	3.7	2.5	2.3
Ecosystem Services Status	3.1	2.8	3.3	2.8	2.8	2.9

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 Yue Yuen’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 2024 was approximately 8,759.8 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, a large artificial lake has been created to secure water supply for 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 2022 to 2024

Unit: million litres

Production sites	Water supply source	Year	Total water intake	Fresh water	Other water		
				Municipal water supply	Surface water (Rivers/lakes)	Groundwater	Purchased water
Mainland China	Jinjiang (Jiangxi)	2024	1,817.9	1,817.9	0.0	0.0	0.0
	Fuhe (Hubei)	2023	1,950.1	1,950.1	0.0	0.0	0.0
	South Branch of Dongjiang River (Guangdong)	2022	2,244.4	2,244.4	0.0	0.0	0.0
Vietnam	Tonai river SONG LA BUONG	2024	3,295.4	2,440.9	854.5	0.0	0.0
	River Water Supply Company	2023	3,576.6	3,092.7	483.9	0.0	0.0
	Ho Chi Minh City Dike Water Company	2022	3,548.4	2,827.3	721.1	0.0	0.0
Indonesia	Sungai Cikambuy Municipal water supply, well water	2024	3,264.1	634.4	2,245.8	298.2	85.7
		2023	3,181.8	476.8	2,294.1	317.9	93.0
		2022	3,828.3	440.2	2,882.3	391.1	114.7
Cambodia, Bangladesh and Myanmar	Water for industry park Groundwater	2024	382.4	64.8	0.0	317.6	0.0
		2023	357.9	64.3	0.0	293.6	0.0
		2022	432.5	87.8	0.0	344.7	0.0
Total		2024	8,759.8	4,958.0	3,100.3	615.8	85.7
		2023	9,066.4	5,583.9	2,778.0	611.5	93.0
		2022	10,053.6	5,599.7	3,603.4	735.8	114.7

Notes 1: Zero rainwater is used for direct collection and storage. For wastewater from other organisations, the amount of extraction containing cooling water is zero.

Notes 2: To improve the accuracy of data, the statistics of Mainland China plants in 2024 were changed from taking the total numbers from the main meters of the industrial zones to separate meters of different factories, and at the same time, the corresponding data in 2022 and 2023 were revised for comparability.

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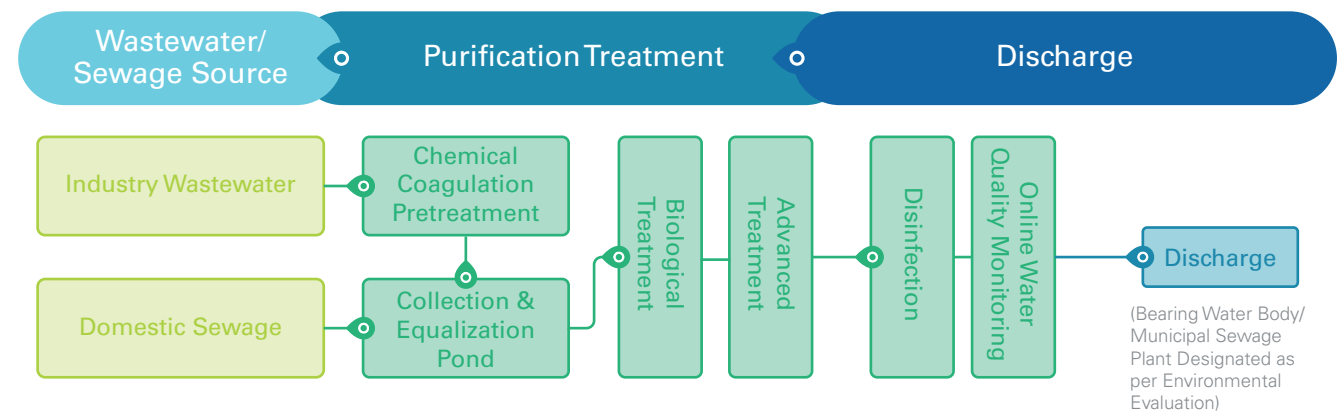
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Sewage discharge management

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 in the factories as well as in the parks where employees can relax after work.

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

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

Amount of Effluent and Water Consumption

Unit Million litres	Amount of effluent			Water consumption		
	2022	2023	2024	2022	2023	2024
Mainland China	806.5	623.6	519.6	1,437.9	1,326.5	1,298.3
Vietnam	1,935.8	1,815.2	1,855.9	1,612.6	1,761.4	1,439.5
Indonesia	1,944.5	1,218.7	1,033.8	1,883.8	1,963.1	2,230.2
Cambodia, Bangladesh and Myanmar	305.5	255.6	180.5	127.0	102.3	202.0
Total	4,992.3	3,913.1	3,589.8	5,061.3	5,153.3	5,170.0

Notes: 1. The total water consumption is calculated based on the process wastewater + domestic sewage in factory areas.
Water consumption = water intake - amount of effluent
2. To improve the accuracy of data, the statistics of Mainland China plants in 2024 were changed from taking the total numbers from the main meters of the industrial zones to separate meters of different factories, and at the same time, the corresponding data in 2022 and 2023 were revised for comparability.

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 23.3 litres/pair of shoes in 2024, which is estimated according to the total water consumption.

Recycle of The Processed Water

Yue Yuen 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 55.8% (Water recycling rate (%) = volume of recycled water/volume of processed water).

Volume of processed water and recycled water from sewage plants (Unit: million litres)						
	2022		2023		2024	
	Volume of processed water	Volume of recycled water	Volume of processed water	Volume of recycled water	Volume of processed water	Volume of recycled water
Mainland China	1,233.4	531.0	981.6	557.1	1,062.3	555.7
Vietnam	5,719.4	2,700.0	4,227.1	2,265.5	4,459.9	2,994.0
Indonesia	2,218.5	268.9	1,500.7	287.6	1,361.4	300.2
Cambodia, Bangladesh and Myanmar	773.0	313.8	602.4	279.9	538.0	293.1
Total	9,944.3	3,813.7	7,311.8	3,390.1	7,421.6	4,143.0
Water recycling rate (%)	38.4%		46.4%		55.8%	

Note: To improve the accuracy of data, the statistics of Mainland China plants in 2024 were changed from taking the total numbers from the main meters of the industrial zones to separate meters of different factories, and at the same time, the corresponding data in 2022 and 2023 were revised for comparability.

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5.4 Waste Management

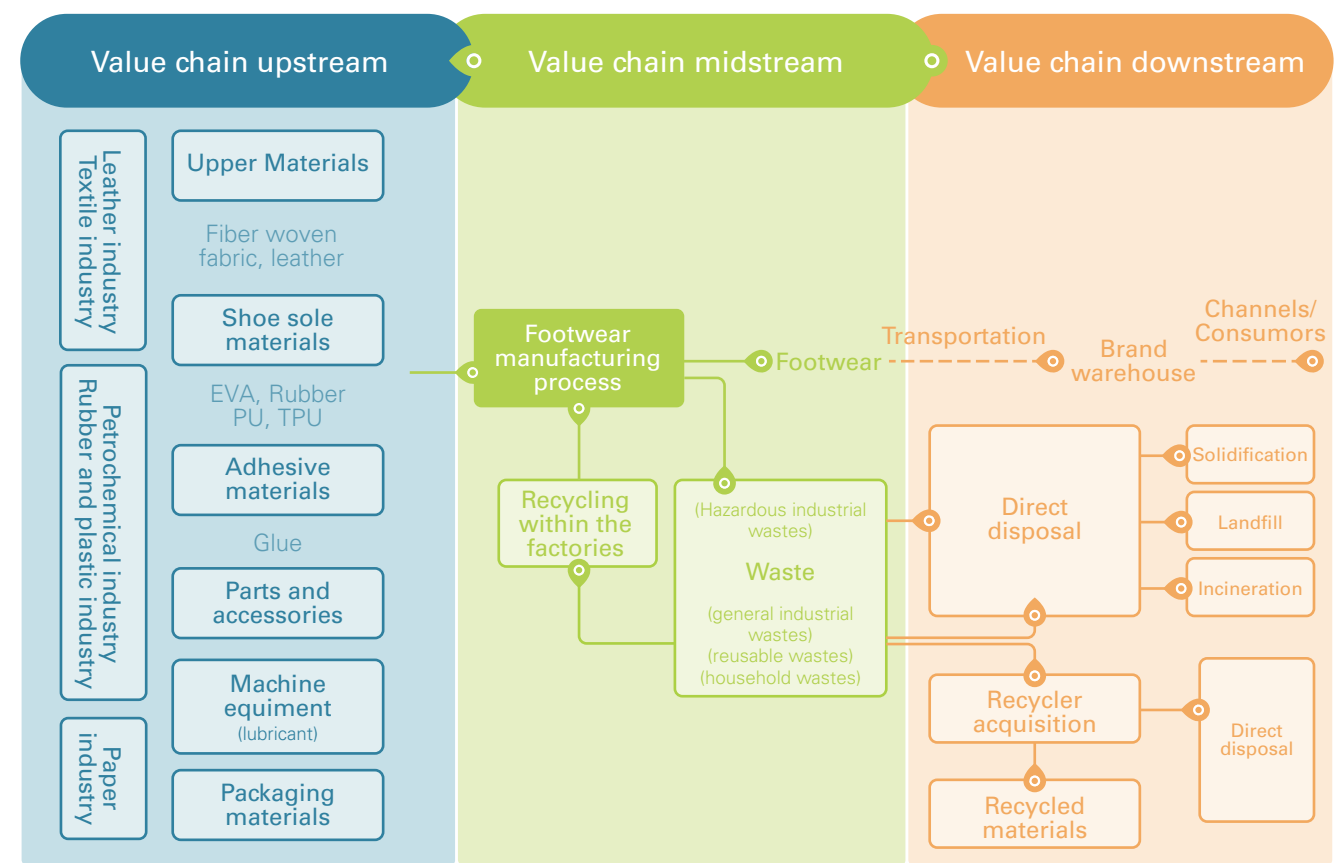
Management of Material Topics	
<p>What it means to Yue Yuen</p> <p>The wastes generated from the manufacturing process are divided into hazardous and general wastes. Hazardous wastes that cannot be disposed of through compliance procedures will have a serious impact on the surrounding environment. The storage and disposal of hazardous wastes is a matter required by the local competent authorities in various places and must be carried out in accordance with local laws and regulations. Such wastes shall be sorted, stored, removed and treated pursuant to local laws and regulations, and shall be supervised by relevant competent authorities of the local government to ensure legal and compliance operations.</p>	
<p>Impact</p> <div> <div> Positive impact <ul style="list-style-type: none"> ➤ Actual: Reduction of environmental pollution, which ensures the health and safety of employees and the community. ➤ Potential: Increased affordability of regional pollution treatment, which promotes environmental protection. </div> <div> Negative impact <ul style="list-style-type: none"> ➤ Actual: Wastes not properly disposed of by the vendors, which pollutes the environment. ➤ Potential: Risk of violating environmental laws and regulations, which affects operations and corporate image. </div> </div>	
<p>Policy and Commitment</p> <ul style="list-style-type: none"> ➤ Comply with and conform to regulations on environmental protection, safety and health and other requirements, and establish relevant standard operating procedures for implementation. ➤ Establish waste management and transportation and waste reduction and recycling mechanisms in accordance with local regulations to reduce the environmental impact of wastes. 	<p>Indicator and Target</p> <ul style="list-style-type: none"> ➤ In accordance with local laws and regulations, the qualified vendors recognized 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. ➤ Consolidation of waste categories and work of metering statistics were carried out between 2019 and 2022 in order to obtain comprehensive information on waste generation and to establish a baseline waste database. Through extensive surveys and statistics, a detailed understanding of process waste types was obtained. At the same time, different waste recycling technologies were explored and evaluated to find the most effective waste treatment solutions. ➤ The focus of implementation in 2023 and 2024 was on the testing and introduction of external technologies to further enhance the recycling of process waste. This included the incorporation of new technologies to effectively treat wastes of various types before converting into valuable resources, such that waste treatment could become a process of resource recycling. The Company worked with technology providers, research institutes and government agencies to ensure that the best practices and solutions were adopted. 2024 target was to increase the recycling rate of direct process waste by 3 percentage points compared to 2023.

Management of Material Topics	
<p>Actions</p> <ul style="list-style-type: none"> ➤ Plan and establish the waste baseline data and reporting mechanism, through sessions of publicity and communication to ensure that reporting forms are completed in accordance with the requirements through monthly review of reporting contents. ➤ To enhance the recycling of waste, the composition and treatment of waste in respective regions are confirmed through the review of reporting information. Tests are performed on the application of the most appropriate recycling technologies according to the characteristics of the wastes in respective regions, after which satisfactory ways of treatments will be extended to areas as needed. ➤ Compliance status of wastes processing providers are confirmed through annual audits ➤ Actively pursue waste recycling technologies to achieve the goal of resource sustainability. 	
<p>Evaluation Methods</p> <ul style="list-style-type: none"> ➤ Monthly review of waste declaration and environmental compliance risk check. ➤ Completing the collection of the relevant waste data in the plants and confirmation of waste treatment execution. ➤ Evaluation of the digital management mechanism and process. ➤ The Company's semi-annual management review and reporting meetings. ➤ Quarterly Environmental Energy and Safety and Health Committee meetings. 	
<p>Stakeholder Engagement</p> <p>Regular or irregular communication and interaction in accordance with the stakeholders' engagement mechanism, as well as disclosure of information in the ESG Report, relevant platforms or websites</p>	<p>Sustainability Indicators</p> <p>HKEx KPI A1 GRI 306 SDG 12</p>

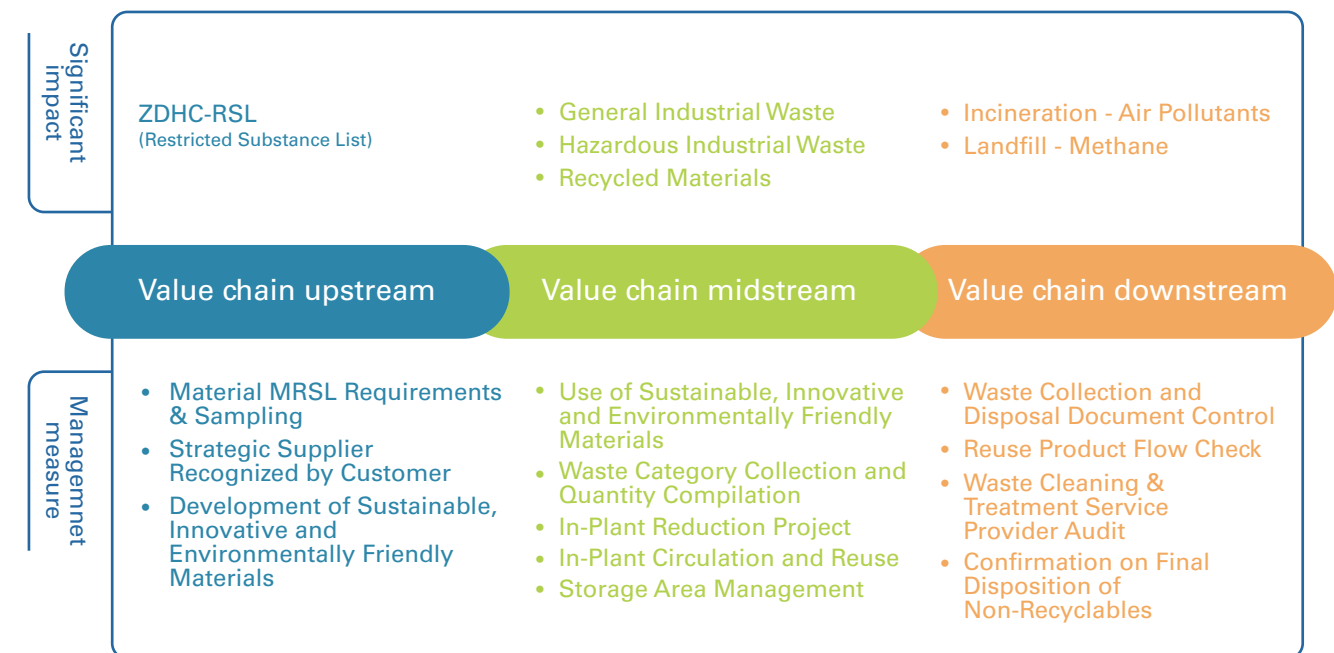
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Waste Streams of Footwear Value Chain



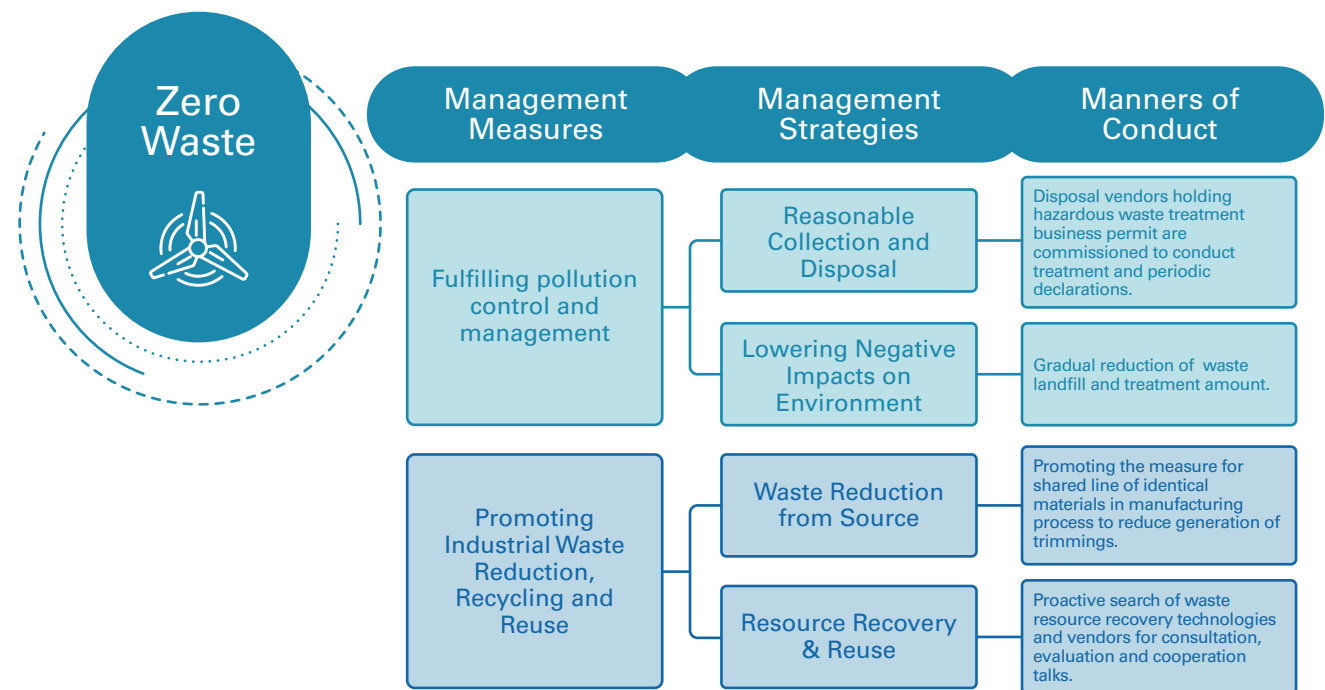
Note: Solid lines indicate the controllable areas and dotted lines indicate the uncontrollable areas.



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 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.

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 actively exploring ways to recycle the waste shoe materials generated from shoe factories. In 2023, the Company worked with See Green Industrial Co., Ltd and applied for the qualification of waste recycling case. In January 2024, the Company was granted the qualification of recycling case for waste shoe materials after numerous technical verifications and on-site factory visits by experts and scholars. Other recycling technologies are also under research and testing. Since 2024, See Green Industrial Co., Ltd has been assisting the Group in recycling some of the Group’s footwear wastes and together, a joint venture has been established to assess and assist in the treatment of wastes from the Group’s overseas production plants in the future.



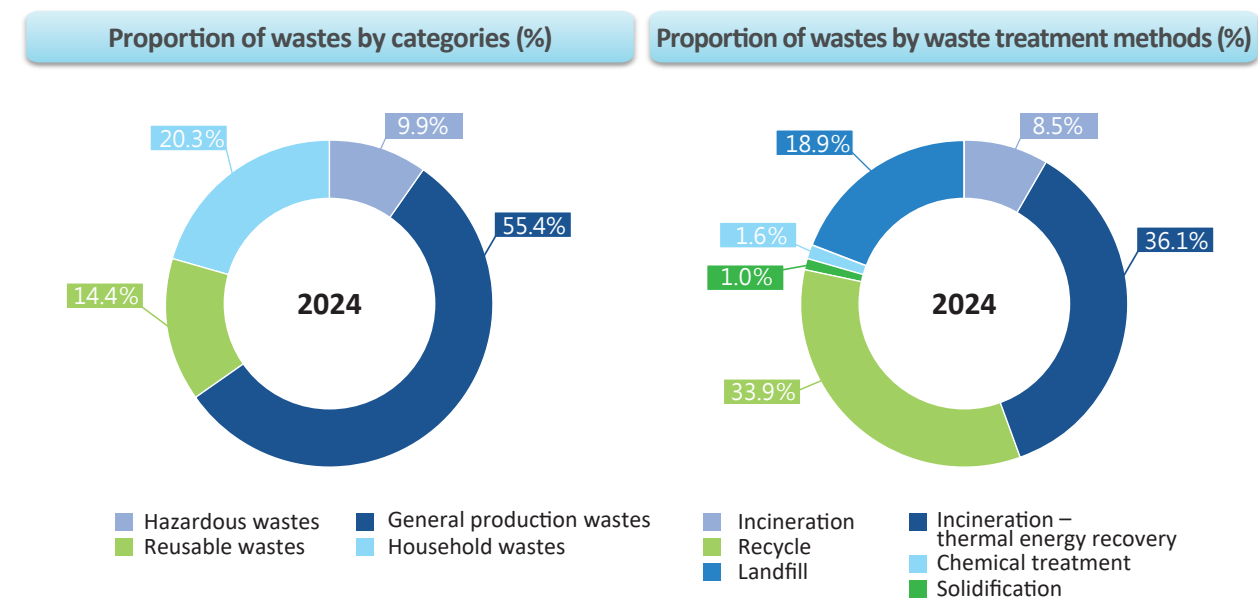
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Waste Classification and Treatment

Wastes in the factories are mainly classified into hazardous (toxic, inflammable, corrosive, etc.) and non-hazardous wastes, and non-hazardous wastes can be further divided into three types of wastes, namely general industrial wastes, reusable wastes and household wastes. There are six types of wastes disposal methods which include landfill, incineration, incineration-thermal energy recovery, reuse, solidification and chemical treatment. 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 production wastes disposal. As for the hazardous production 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 2024 were 84,628.9 metric tons, with 8,379.2 metric tons of hazardous wastes and 79,249.7 metric tons of non-hazardous wastes. 100% of wastes generated were disposed of in accordance with the local government’s regulations on wastes, and assigned to local compliant service providers with Regularly confirmation of handling process to ensure that the wastes were properly handled.

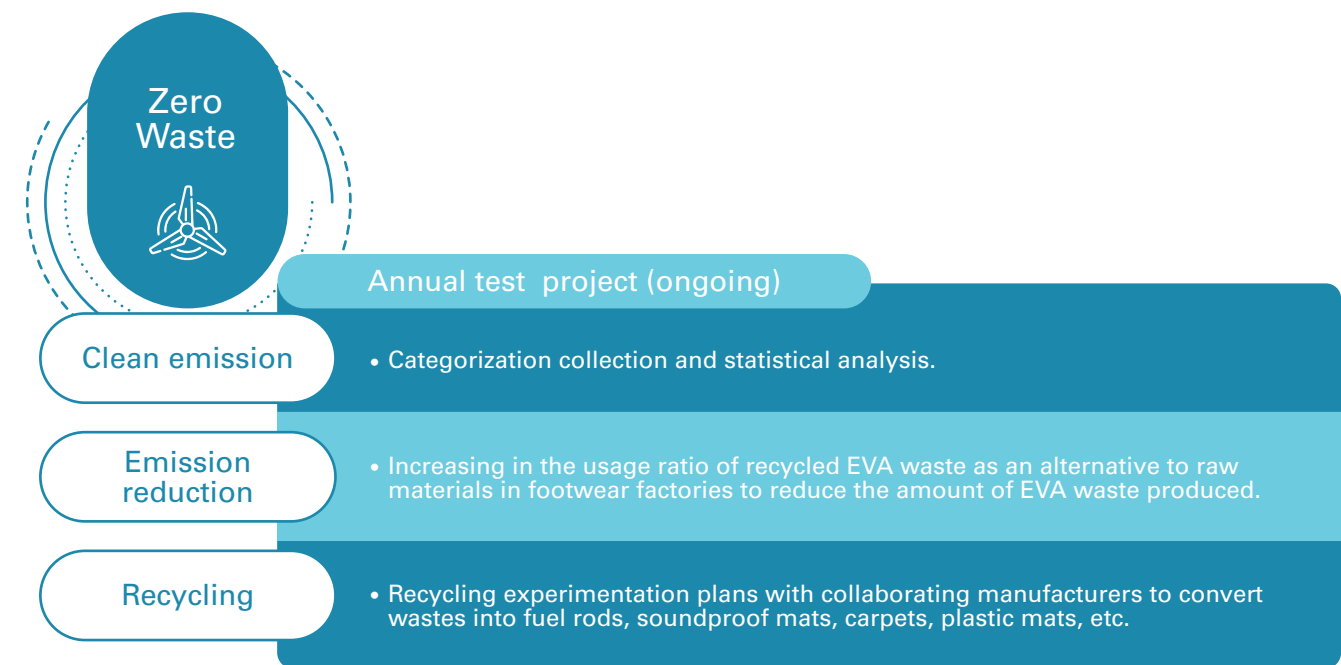
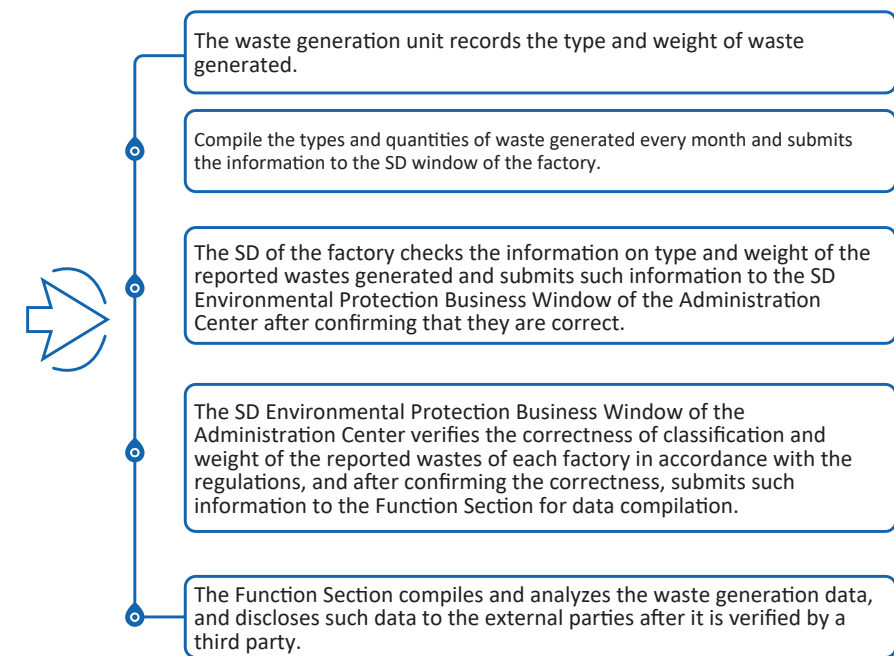


Waste Intensity

The major footwear production bases of Yue Yuen are mainly in Mainland China, Vietnam and Indonesia, accounting for more than 90% in terms of production. Therefore, the waste intensity of footwear is estimated based on that of Mainland China, Vietnam and Indonesia. The hazardous waste intensity was approximately 0.03 kg/pair of shoes, which is estimated according to total hazardous wastes; general waste intensity was 0.35 kg/pair of shoes.

Recycling Rate of Direct Process Waste

Yue Yuen continues to commit to developing and introducing recycling technologies for direct process wastes, covering nine categories of direct process wastes, including waste EVA, waste TPU, waste rubber, waste foam, waste trimmings, waste paper, waste shoes, waste uppers and industrial wastes. The recycling rate of direct process waste is projected to reach 36.2% in 2024, an increase of 3.8 percentage points compared to 32.4% in 2023.



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

Unit: metric tons

Region	Year	Hazardous wastes	Non-hazardous wastes			Total
			General industrial wastes	Reusable wastes	Household wastes	
Mainland China	2024	855.0	5,331.7	1,593.9	291.5	8,072.1
	2023	839.6	3,657.4	1,183.7	279.1	5,959.8
	2022	641.3	3,714.9	2,208.1	950.1	7,514.4
Vietnam	2024	3,202.2	16,597.2	6,739.3	9,154.3	35,693.0
	2023	1,178.7	15,588.7	3,067.5	5,266.3	25,101.3
	2022	3,174.1	19,869.0	6,651.0	6,425.5	36,119.5
Indonesia	2024	2,871.5	23,033.4	3,702.5	7,226.4	36,833.8
	2023	2,070.4	17,208.4	3,099.7	5,433.5	27,812.0
	2022	2,238.9	21,661.2	2,086.0	6,883.5	32,869.6
Cambodia, Bangladesh and Myanmar	2024	1,450.5	1,902.5	142.8	534.2	4,030.0
	2023	1,232.7	1,298.6	273.4	509.4	3,314.0
	2022	166.5	1,178.7	559.5	641.6	2,546.3
Total	2024	8,379.2	46,864.8	12,178.5	17,206.4	84,628.9
	2023	5,321.4	37,753.1	7,624.3	11,488.3	62,187.1
	2022	6,220.8	46,423.8	11,504.6	14,900.7	79,049.9

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

* Waste statistics are all off-site treatment statistics.

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

Unit: metric tons

Type	Region	Year	Landfill	Incineration	Incineration – thermal energy recovery	Recycle	Solidification	Chemical processing	Total
Hazardous wastes	Mainland China	2024	0.0	36.8	818.2	0.0	0.0	0.0	855.0
		2023	0.0	0.0	818.0	21.6	0.0	0.0	839.6
		2022	0.0	0.0	628.4	12.9	0.0	0.0	641.3
	Vietnam	2024	6.6	2,260.0	475.4	376.1	84.1	0.0	3,202.2
		2023	5.6	576.0	452.4	144.6	0.0	0.0	1,178.7
		2022	0.4	409.3	2,516.6	247.8	0.0	0.0	3,174.1
	Indonesia	2024	602.7	174.2	1,081.9	903.7	109.0	0.0	2,871.5
		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
	Cambodia, Bangladesh and Myanmar	2024	67.6	0.0	27.0	43.3	0.0	1,312.6	1,450.5
		2023	68.2	0.0	12.4	43.0	0.0	1,109.0	1,232.6
		2022	99.8	3.8	0.0	62.9	0.0	0.0	166.5
Non-hazardous wastes	Mainland China	2024	0.0	798.6	3,686.3	2,732.2	0.0	0.0	7,217.1
		2023	0.0	0.0	3,239.4	1,880.8	0.0	0.0	5,120.2
		2022	0.0	0.0	4,507.7	2,365.4	0.0	0.0	6,873.1
	Vietnam	2024	8,375.8	3,739.5	8,945.9	10,769.4	660.2	0.0	32,490.8
		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
	Indonesia	2024	5,703.1	0.0	15,083.7	13,175.5	0.0	0.0	33,962.3
		2023	4,750.1	0.0	12,533.0	8,458.5	0.0	0.0	25,741.6
		2022	4,228.0	0.0	14,228.4	12,174.3	0.0	0.0	30,630.7
	Cambodia, Bangladesh and Myanmar	2024	1,242.5	169.5	447.6	719.9	0.0	0.0	2,579.5
		2023	931.5	162.3	321.3	666.3	0.0	0.0	2,081.4
		2022	974.1	402.6	489.7	513.4	0.0	0.0	2,379.8
Total		2024	15,998.3	7,178.6	30,566.0	28,720.1	853.3	1,312.6	84,628.9
		2023	9,852.0	4,862.4	26,523.8	19,839.9	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	79,049.9

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

5.5 Air Pollutant Management

Management of Material Topics	
<p>What it means to Yue Yuen</p> <p>Air pollutants include volatile organic compounds VOC, sulfur oxides (“SO_x”), nitrogen oxides (“NO_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.</p>	
<p>Impact</p> <div><div>Positive impact</div><div>Negative impact</div></div> <div><div><div>➤ Actual: Reduce the impact of pollution on the environment and ensure the health and safety of employees and communities.</div><div>➤ Potential: Improve air quality and reduce acid rain.</div></div><div><div>➤ Actual: The production bases fail to properly dispose of the wastes, which will pollute the environment.</div><div>➤ Potential: Risk of violating environmental laws and regulations, which affects operations and corporate image.</div></div></div>	
<p>Policy and Commitment</p> <div>➤ “Guidelines on Management and Control of Air Pollutants”</div> <div>➤ Adopt the compliance with local emission standards as the baseline, and strive to reduce the impact of industrial activities on employees and residents in the vicinity of the factories.</div> <div>➤ Comply with and conform to regulations on environmental protection, safety and health and other requirements, and formulate and implement operating procedures accordingly.</div>	<p>Indicator and Target</p> <div>➤ Install prevention equipment and conduct air pollution emission testing in accordance with local regulations to ensure compliance with local regulations on emission standards and reduce the impact of air pollution emissions on the environment.</div> <div>➤ Set up source control mechanism for prevention equipment, and conduct inventory and operation optimization of equipment type and operation parameters to ensure the processing efficiency of equipment already installed.</div>
<p>Actions</p> <div>➤ Establish equipment design review and control mechanism and factory environmental risk checking mechanism.</div> <div>➤ 2024: 50 pieces of air pollution prevention equipment such as dust treatment systems, activated carbon adsorption facilities were purchssed, in accordance with Mainland China’s government’s policies on the renewal and replacement of inefficient processes and technologies.</div> <div>➤ In accordance with the factory environmental risk checking mechanism, 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 factories can meet the requirements of local regulations.</div>	
<p>Evaluation Methods</p> <div>➤ Monthly environmental compliance risk check and improvement rate: the annual implementation rate of internal environmental risk assessment in 2024 was 100%. There are 479 incidents of risk management of air pollution, and the completion rate of improvement is 99.8%, which will be continuously tracked and managed.</div> <div>➤ The Company’s semi-annual management review and reporting meetings, and quarterly Environmental Energy and Safety and Health Committee meetings.</div>	
<p>Stakeholder Engagement</p> <p>Regular or irregular communication and interaction in accordance with the stakeholders’ engagement mechanism, as well as disclosure of information in the ESG Report, relevant platforms or websites.</p>	<p>Sustainability Indicators</p> <p>HKEx KPI A1 GRI 305 SDG 12</p>

Air pollutants from footwear include VOC, 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 Management and Control of Air Pollutants”, adopted the compliance with the local emission standards as the baseline, and strived to reduce the impact of industrial activities on employees and residents in the vicinity of the factories. 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 VOC generated from the manufacturing process has also gradually changed from fugitive emissions to pipeline collection and treatment. For the management of VOC emissions, the Group has complied with the environmental assessment requirements stipulated by the competent authorities in every production base and has set up regulatory-compliant and effective collection and treatment facilities. For the production bases in Mainland China, in addition to establishing facilities for comprehensive treatment and purification, the Group has gradually installed online monitoring facilities to tighten its management on air pollutant emission, so as to assume the corporate responsibility of improving air quality in the local areas.

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

Region	Year	Particulate (kg/year)	SO ₂ (kg/year)	NO _x (kg/year)	VOC (kg/year)
Mainland China	2024	4,140.6	15.0	3,133.4	4,969.9
	2023	6,095.0	5.9	2.4	5,940.4
	2022	4,266.3	49.5	891.4	5,428.5
Indonesia	2024	365.5	569.3	1,721.9	0.0
	2023	732.3	1,408.5	4,241.3	0.0
	2022	1,808.6	6,919.1	26,775.6	0.0
Vietnam	2024	2,133.0	5,873.5	15,136.8	0.0
	2023	1,860.9	1,559.4	3,788.5	0.0
	2022	5,973.7	1,618.8	7,149.9	0.0
Total	2024	6,639.1	6,457.8	19,992.1	4,969.9
	2023	8,688.2	2,973.8	8,032.2	5,940.4
	2022	12,048.6	8,587.4	34,816.9	5,428.5

Note: Calculation of air pollution emissions: Mainland 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.

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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 indispensable element 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 requirements of relevant organizations such as Restricted Substance List (“RSL”) and Zero Discharge of Hazardous Chemicals (“ZDHC”). 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 RSL test reports for materials that meet the brands’ specifications, but also conducts sample tests on specific materials to ensure that the quality meets the requirements.

Establishing a Restricted Substances List (“RSL”)

Various chemicals, including but not limited to melt glue, leather treatment agents, accelerators and activators, are used in the process of leather, cloth and sole treatment, sewing and gluing for all kinds of shoes. In order to prevent the negative impact of chemicals on human health and the natural environment, Yue Yuen follows the 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 requirement of the 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. Suppliers are required to test reports periodically to ensure that test results are in compliance with the standards.

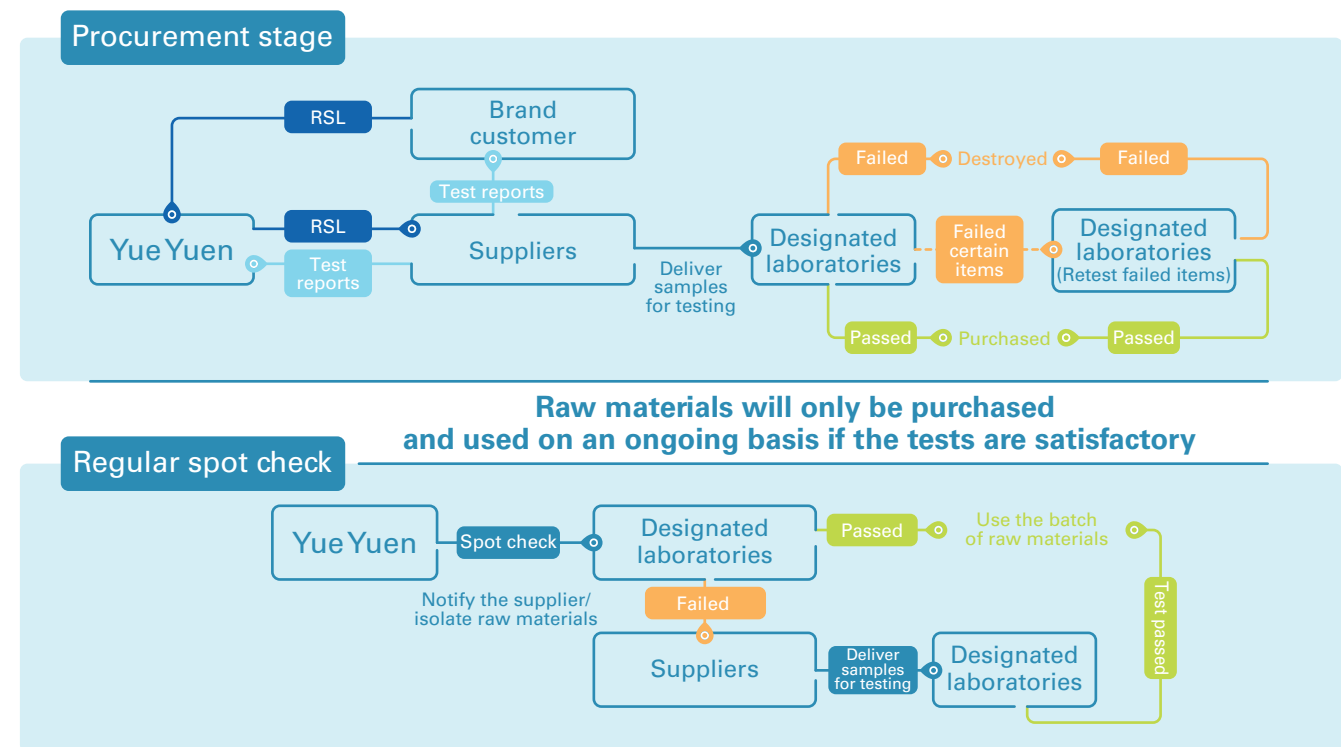
ZDHC–MRSL	AFIRM	Brand RSL			
		Nike	Adidas	VF	Decathlon
https://mrsl.roadmaptozero.com/MRSL2_0	https://afirm-group.com/wp-content/uploads/2024/03/2024_AFIRM_RSL_2024_0314_EN-1.pdf	https://chemistry.nike.com/restricted-substances-list	https://res.cloudinary.com/confirmed-web/image/upload/v1723035457/adidas-group/sustainability/policies/products/2024/adidas_Restricted_Substances_Policy_A-01__240901_dl4qoc.pdf	https://d1io3yog0oux5.cloudfront.net/_f66cca85b01b8effe180c9015bc8b5b/vfc/files/pages/vfc/db/436/description/VF_2024_RSL_-_final.pdf	https://sustainability.decathlon.com/legal-documents

Prohibited Substances

Polyvinyl chloride (PVC), perfluorochemicals (PFCs) and volatile organic compounds (VOCs) are globally recognized hazardous chemicals, and some manufacturers have already complied with the Conflict Minerals Reporting Template (“CMRT”) in prohibiting 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, also initiated projects in chemical reduction and optimization of prohibition target, by reducing the use of specified chemicals or finding 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 for testing, instead of being delivered to another countries. The test results of all samples will be simultaneously sent to Yue Yuen and the brand customers, and products will only be purchased if the test results are in compliance with the requirements. The test report of each chemical is valid for 12 months, but for the suppliers with any record of failed 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.



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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 (SDS) which contains the information of each chemical.

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

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

Staff Education and Training

Regular education and trainings are necessary for ensuring the safety of chemical users and employees who may be exposed to hazardous chemicals 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. At the same time, Yue Yuen also actively follows the online training courses recommended by brand customers to understand the latest RSL list policy and practices, chemical/sample testing methods, review process, chemical management and other information of the brand customers.

Brand education and training material – incorporating concept of ZDHC



AFIRM chemical teaching material and toolkit



ZDHC online training platform



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 2024, the Group purchased a total of approximately 1,570,000 tons of raw materials for footwear manufacturing, of which 1,470,000 tons were non-renewable materials and approximately 100,000 tons were renewable materials.

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

Preferred raw material	Raw materials	
	Type	Weight (Metric ton)
1	Natural leather	110,900
2	Textiles and plush fabrics	88,500
3	Chemical raw material	731,000
Note 1: Strategic suppliers of natural leather are 100% certified by the Leather Working Group (LWG) and the purchase weight is approximately 10,700 metric tons.		
Note 2: 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.		

In 2024, the Group procured approximately 246 million units (2023: approximately 203 million units) of shoe boxes, including inner and outer boxes, weighing a total of approximately 75,089 tons (2023: 53,847 tons). A box for each pair of shoes weighs an average of 0.00031 tons (2023: 0.00026 tons).

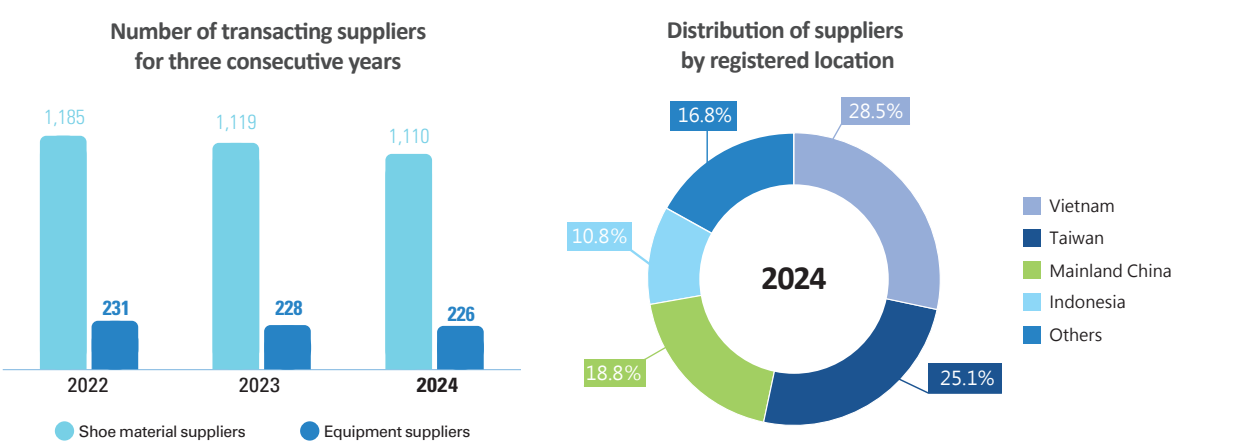
6.2 Supply Chain Management

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 ➢ Actual: Control costs, increase revenue, lower operational risks and consolidate commercial competitiveness. ➢ Potential: Stability and speed of material supply, while improving the sustainable management of the Company's overall supply chain. Negative impact ➢ Actual: Unstable supply of raw materials due to supplier's non-compliance with the Group's requirements or regulations. ➢ Potential: The Group's image may be affected indirectly.		
Policy and Commitment Supplier Management Policy ➢ Improving supplier management ➢ Supply chain management	Supplier – Friendly Workplace Guidelines ➢ 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. ➢ Improving supplier management: (1) rapid response in the supply chain (local for local procurement); (2) multi-country layout of suppliers; (3) procurement trend analysis and response; (4) sustainable development capabilities. ➢ 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. ➢ Establish an online database for innovative footwear materials and promote innovative and green products internally. ➢ 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. ➢ Deepen the exchange of information on innovative materials, automated production equipment, and environmental energy conservation issues between the Group and suppliers. ➢ Strengthen the supply chain system of the Group; improve the supplier management mechanism; enhance the procurement contracting process. ➢ Focus on supplier development and expand programmes on supplier carbon management counselling, occupational disaster risk reduction and the development of a grievance mechanism, in order to enhance the competitiveness of the Group's suppliers and increase the value of the overall supply chain.		
Evaluation Methods ➢ Report at regular meetings, review target achievement rates, and continue to promote material procurement management and supplier management according to established goals. ➢ Semi-annual review meeting of the Company's operation and management.		
Stakeholder Engagement Business communication/e-mail and telephone contact, regular assessment and review meetings with suppliers.		Sustainability Indicators HKEx KPI B5.2, B5.3 & B5.4 SDG 12 SASB GRI 308/414 CG-AA-430a/430b/440a/000.A

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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 2024, 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 local purchases is as follows:

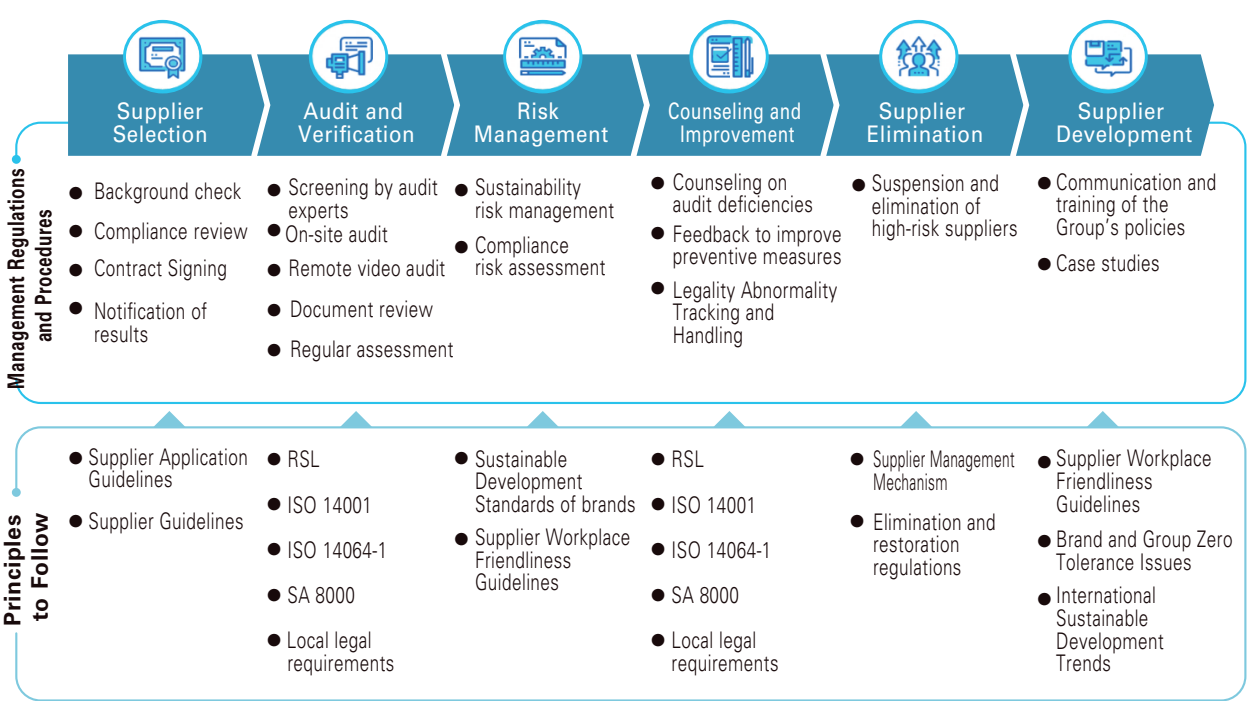
Country	Raw material	Machinery and equipment
Vietnam	67.1%	13.8%
Indonesia	52.1%	28.9%
Mainland China	70.4%	60.3%
Myanmar	7.9%	100.0%
Cambodia	14.3%	38.1%
Bangladesh	13.9%	11.6%

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.

Contract and Commitment	Audit Mechanism	Selection Mechanism
<ul style="list-style-type: none"> Non-Disclosure & Product Security Undertakings Honest Transaction Agreement Undertaking under the Supplier Customs Compliance Regulations 	<ul style="list-style-type: none"> Passing the audit is a mandatory condition before becoming a partner supplier New suppliers are subjected to on-line or on-site inspection In accordance with ISO14001, Supplier Sustainable Development Management is driven by 12 audit criteria in 3 categories 	<ul style="list-style-type: none"> Carry out supplier confirmation through a survey system for the establishment of MDA, rigorously screening the qualifications of new suppliers
Performance Assessment	Counseling and Communication	Supplier Development
Regularly evaluate and grade supplier's performance with the quantitative matrix of quality, cost, delivery, service, innovation, and sustainability	<ul style="list-style-type: none"> Regularly review supplier performance through supplier evaluation Provide guidance and support suppliers on issues such as environmental protection, occupational health and safety, and fire safety to comply with local laws. Roll out energy saving and waste reduction programs Communicate the Group's policies to suppliers 	<ul style="list-style-type: none"> Introduce competitive products from suppliers to brand customers/factories Establish sustainable Supply Chain Management system

Supplier Management System and Framework



Supplier Review

We actively implement supply chain management initiatives, setting up dedicated units and personnel, conducting internal and external training to obtain professional qualifications in various fields, such as RSL, ISO14001, ISO14064, ISO45001, SA8000 and other auditor qualifications, as well as performing risk assessment and audit verification on suppliers’ 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 Company selects new suppliers in accordance with 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. To ensure that the quality control of incoming materials of each factory meets the requirements of brand standards, all first-tier suppliers must comply 100% with the RSL (Restricted Substances List) standards of the partner brands



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

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 a complaint management mechanism has been established, 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. For engineering contractor suppliers, we also assessed their compliance by examining their business licenses, environmental, safety and health-related qualifications as well as personnel certificates to ensure they meet legal and regulatory requirements.

Supplier Management and Consultation Mechanisms

In addition to the continuation of the selection criteria in assessing new suppliers, we incorporate specifications of the brand customers to 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 include regular written assessments, and annual reviews and consultation through on-site 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, we also collect and recognize highlight projects of suppliers including but not limited to green design, green production, green procurement, green marketing, green products and green recycling. In 2024, we focused our brand customers’ attention on circular economy and the goals of net-zero carbon emissions, promoted such goals to our 133 major shoe material suppliers and invited them to work toward the brand’s initiative.

Despite the inability to establish connection with 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 23.2% 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 addition, we included the freedom of association of Tier 1 suppliers’ employees as an issue of concern, with a total of 35.2% of suppliers participated in the negotiations of collective labor agreements, benefiting 100% of their employees. 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 based on the degree of compliance with local environmental regulations. In 2024, a total of 401 suppliers were enquired and 10 of which were identified as having been penalized for non-compliance within one year, and we proactively tracked and followed up on noncompliance cases. No supplier with material risks was found in 2024.

In addition to following the Regular Supplier Management and Consultation Mechanisms to conduct the supplier management, we also encourage Tier 1 major shoe material suppliers to move towards the international trend with sustainable development, such as the Higg Facility Environmental Module (Higg FEM) of the Sustainable Apparel Coalition (SAC), Leather Working Group (LWG), Forest Stewardship Council (FSC) Certification and Global Recycled Standard (GRS). During the year, a total of 45.8% of the suppliers have been assessed for the Higg FEM or have obtained certification.

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Standards for Regular Supplier Management and Consultation Mechanisms		
Quality Management	ESH Management	Human Rights Management
Half year business review (HBR) scoring, reviewing quality abnormalities, restricted substances abnormalities or customer complaints on a semi-annual basis, and analyzing and reviewing Grade C suppliers.	Environmental Management <ol style="list-style-type: none">Environmental Protection Management SystemStationary Pollution Source Operation PermitWater Pollution Control Compliance ManagementHazardous Wastes Disposal	Compliance Practice <ol style="list-style-type: none">Recruitment and AppointmentWorking HoursRemuneration and BenefitsComplaint MechanismForced LabourAnti-discrimination
	Fire Safety <ol style="list-style-type: none">Fire Safety InspectionFire Safety Equipment Maintenance and RepairsInspection of Fire Safety FacilitiesFire Evacuation Drill	Management Attitude <ol style="list-style-type: none">Freedom of AssociationProhibition of Forced LabourProtection of Employees with Special NeedsMigrant Worker Management
	Safety and Health <ol style="list-style-type: none">Occupational Safety and Health Management SystemOperation Environment MonitoringPersonnel in Safety and Health, First Aid, Dangerous Machinery and Equipment OperatorManagement of Dangerous Machineries and Facilities	Other Support <ol style="list-style-type: none">Dormitory InspectionEmployee Interviews

Note: Grade C suppliers are scored between 60-75 points. A deficiency review meeting will be held and suppliers are required to complete the improvement within three months, and those who fail to do so will have their products removed and suspended.

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 2024, 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 in safety and health include mainly the storage and usage of chemicals and 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; human resources (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. 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.

2024 Results of Periodic Management Review on Suppliers’ Quality	
No. of HBR suppliers	No. of suppliers lower than C grade
104	3

2024 Supplier Sustainability Audit Results		
Evaluation Method	No. of Suppliers Audited	Improvement Rate
Regular written assessment	401	97.5%
Annual reviews and consultation	18	100%
On-site assessments without warning	5	89.7%
On-site assessment	82	61.2%

Summary of Deficiencies Identified in 2024 Supplier Sustainability Audits						
Category	Safety & Health	Environmental Protection	Fire Safety	HR	Labor	Total
Percentage	40.6%	11.5%	25.3%	14.6%	8.0%	100%

Suppliers Development

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

In the area of 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. Other than the above, we also 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.

Supplier – Friendly Workplace Guidelines and Supplier Compliance Conference

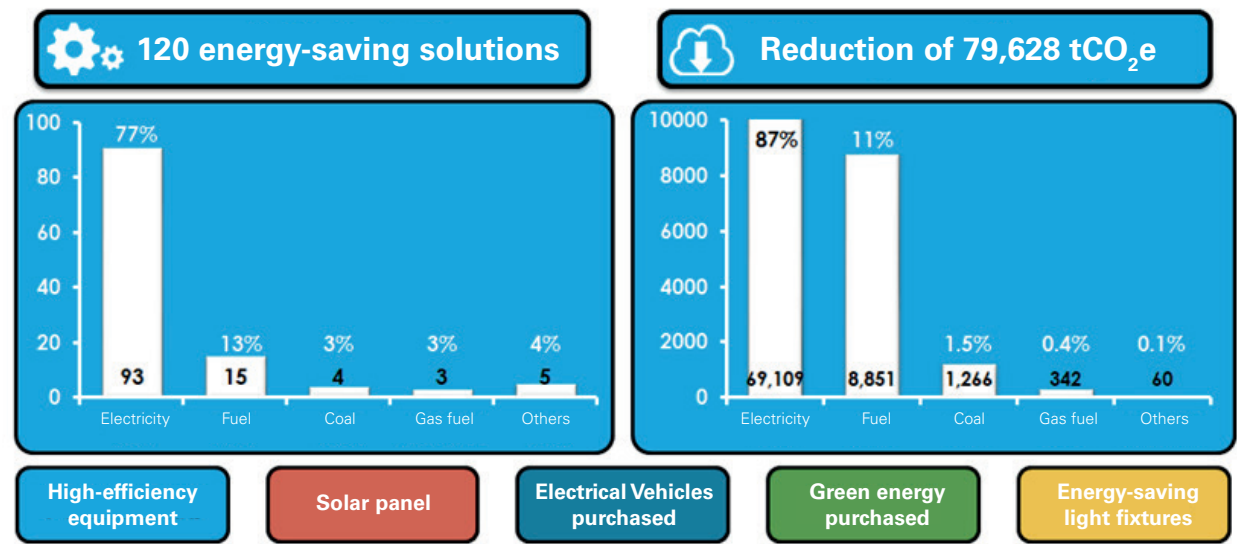
To gradually enhance the sustainable management of our partner suppliers, Yue Yuen developed the supplier friendly workplace guidelines with reference to the FLA, international standards and specification of brand customers, including areas such as forced labor, child labor, discrimination, remuneration and benefits, working hours, freedom of association and collective bargaining, disciplinary action, recruitment and employment. Guidelines on the official website in Traditional Chinese, Simplified Chinese, English, Vietnamese and Indonesian are published 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 share the guidelines to their respective suppliers at the same time. Every year, we continue to promote to Tier 1 suppliers and invite suppliers to commit to abide by the supplier friendly workplace guidelines provided by Yue Yuen.

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 40 suppliers.

Carbon Management among Suppliers

In 2024, Yue Yuen continued to educate suppliers on the issue of responding to global climate change and recognizing that the carbon emission management mechanism had become an important management issue for all countries and enterprises. While enhancing the transparency of carbon management information disclosure in the supply chain, Yue Yuen not only can enhance its own management, but also assist the industrial supply chain in fulfilling their corporate social responsibilities and carbon management practices, at the same time serving the customers’ low-carbon vision and strengthen the suppliers’ carbon management knowledge. Yue Yuen selected 94 cooperating supplier factories with high transaction volume, and provided them with GHG inventory tools and inventory training, and conducted individual counselling and discussion on reduction plans/effectiveness calculation. Through these actions, Yue Yuen completed the 2023 initiative of organizational GHG emissions inventory, of which 68 suppliers demonstrated reduction results, reducing GHG emissions by 79,628 (tCO₂e) in 2024. There were a total of 120 cases of energy-saving solutions in the following five categories: high-efficiency equipment, solar panels, purchase of electric vehicles, purchase of green electricity, and energy-saving light fixtures. Yue Yuen conducted annual project results sharing and invited suppliers to set rolling carbon reduction targets (at least 1% reduction over the same period of previous year) from 2025 onwards, with a view to meeting the international trend of net-zero carbon emission.

The effectiveness of GHG reductions by suppliers in 2024 is as follows:



Note: GHG emissions from suppliers are only disclosed through suppliers’ own inventory results.

Occupational Hazards 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 2024, there were a total of 12 cases of occupational injuries, and 100% of the cases were tracked and improved.

2024 statistics for occupational hazards of key suppliers:	
Disabling frequency rate (FR)	1.07
Disabling severity rate (SR)	50
Frequency-severity indicator (FSI)	0.23
FR = Number of Disabling Injuries X 1,000,000/Total Working Hours Experienced	
SR = Total Number of Working Days Lost X 1,000,000/Total Working Hours Experienced	
FSI = √ (((SRXFR)/1000))	

Causes of occupational hazards	No. of cases
Pinch injury or getting caught by machinery	3
Being struck by or stepped on by machinery/persons/objects	2
Slips and trips in the workplace	3
Being struck by falling objects	4

Chapter 6

Responsible Production

Establishment of Complaint Mechanism

In addition to disclosing the contact channels that the stakeholders can contact directly on the official website to the public, the advanced complaint mechanism was established in 2019, and in order to deepen the connection with suppliers and confirm the implementation of complaint mechanism, two conferences 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 2024. Together with the existing complaint mechanism, a total of 122 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	Counseling advice	Results
September 2024	Since the retiring staff had made substantial contributions to the factory, the suppliers' staff suggested that the factory should organize regular farewell activities in the form of seminars on a quarterly or half-yearly basis and prepare a small gift for the retiring staff.	If employees can retire from the factory, it usually means that they have considerable loyalty and contribution to the factory, and the factory should show appreciation to the retiring employees as much as it can afford.	The supplier immediately arranged and budgeted for the implementation of such activities on a half-yearly basis, which is expected to commence in 2025.
October 2024	Staff of a supplier complained that the lactation of the breastfeeding room in the facility was inappropriately located and inadequately equipped, and hoped that improvements could be made.	The supplier was counselled to find suitable locations for setting up breastfeeding rooms in accordance with local regulations.	The supplier identified a suitable location for a breastfeeding room, and provided the employees with the amenities including a refrigerator, washing facilities, and breastfeeding comforts in accordance with the law.

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 2024, 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 MRS� 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.

Chapter 6

Responsible Production

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. Regular factory production safety audits are launched 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'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 are no products sold or shipped subject to recalls for safety and health reasons. For products returned by brand customers, the Company will handle the products properly in accordance with the brand's guidelines to ensure that the products will not enter the market or be misused. Firstly, returned products will be crushed, and then sorted and processed according to the waste management standards of our factories. If the materials of the products can be recycled, we will give priority to in-house recycling and reintroduce the usable material back into the production cycle to enhance resource efficiency and reduce waste. For parts that cannot be recycled in our factories, we will engage qualified external recycling companies to carry out resource recycling, such as for reprocessing into other products or heat recovery. For wastes that cannot be recycled or reused, we will engage qualified waste treatment companies to carry out harmless treatment in accordance with environmental laws and regulations and the management standards of our factories to ensure that there is no impact on the environment. We are committed to optimizing waste management processes to enhance the recycling rate, and working closely with brands to ensure that the returned products are handled in compliance with the requirements of sustainable development and environmental responsibility.

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 2024, there were no incidents of non-compliance of product standards in the footwear products manufactured by the Company, and no complaints or fines were received due to safety and health hazards posed to consumers.

Product Label and Service Information

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

Chapter 7

Best Workplace

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 production plants in 2024 certified by Social & Labor Convergence Program (“SLCP”) was 36%.

7.1 Manpower and Talent

Management of Material Topics	
<p>What it means to Yue Yuen</p> <p>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.</p> <p>Nurturing corporate key talents and building the succession team are the foundation of corporate sustainable development, even the advantage of its competitiveness. We set up a dedicated comprehensive training process and provide systematic and essential education and training to improve the employees’ knowledge and skills and create operational efficiency and value.</p>	
<p>Impact</p> <div> <div>Positive impact</div> <ul style="list-style-type: none"> Actual: Improve business competitiveness, talent quality and employee functions. Potential: Sound labor management, which can help the Company recruit excellent talents and create employment opportunities. </div> <div> <div>Negative impact</div> <ul style="list-style-type: none"> Actual: Affect human resource in talents’ recruitment and retention, which in turn has impact on operations and production; succession and upgrading of human and technical expertise. Potential: The Company’s image may be prejudiced. </div>	
<p>Policy and Commitment</p> <ul style="list-style-type: none"> Design remuneration systems compatible to the local markets with reference to the local government decree, the salary levels in the industry as well as market conditions in production and operation bases, so as to encourage 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. 	<p>Indicator and Target</p> <ul style="list-style-type: none"> Review the remuneration policies regularly to make sure our salary standards are competitive, and are linked to performance management for reward differentiation to facilitate the recruitment and retention of talents, with the principle of compliance with the local laws and regulations of its global production sites. Carry out the “Training for High Potential Talents” to strengthen the middle to senior management talent pool, explore key potential talents, improve their risk management and decision-making ability and strengthen the leadership of middle to senior talents, and prepare a sustainable and long-term talent training plan. Analyze the structural gaps of the Group’s key technical talents for continued nurturing of the Group’s key technical talents, targeting employees of all nationalities. It is expected that the extent of the talent gap will be reduced to a manageable risk over the next five years. Cooperate with the Group’s digitization promotion, purchase external digital resources and simultaneously establish 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	
<p>Actions</p> <ul style="list-style-type: none"> Follow the long-term regular practices, no specific actions in project management are implemented. Regularly review the personnel recruitment and turnover status, salary structure and implementation status of performance appraisal system, adjust salary and bonus based on the performance of the Company and employees. Continuous personnel recruitment, turnover rate analysis and salary structure review to ensure adequate supply of talents required by 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. 	
<p>Evaluation Methods</p> <ul style="list-style-type: none"> Understand the reason for resignation according to the analysis of turnover rate and discuss the countermeasures with business units so as to improve and follow up such issue. Match performance management and reward system and results with an aim to review and adjust regularly. Evaluation of 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. 	
<p>Stakeholder Engagement</p> <p>Provide a variety of channels, including but not limited to telephones hotlines, social media, suggestion boxes, employee forums, internal referrals, direct communication and interviews, for internal and external person to raise problems and complaints.</p>	<p>Sustainability Indicators</p> <p>HKEx KPI B1.1/B1.2/B3.2</p> <p>GRI 201/202/401/402/404/405/406/</p> <p>SDG 3/5/8</p>

7.1.1 Bring Together Talents of Diverse Backgrounds

Yue 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 Mainland China, Vietnam, Indonesia, Bangladesh, Cambodia and Myanmar etc., and the main sites are in Vietnam, Indonesia and Mainland China. Talent analyses are conducted according to age, gender and region, etc.

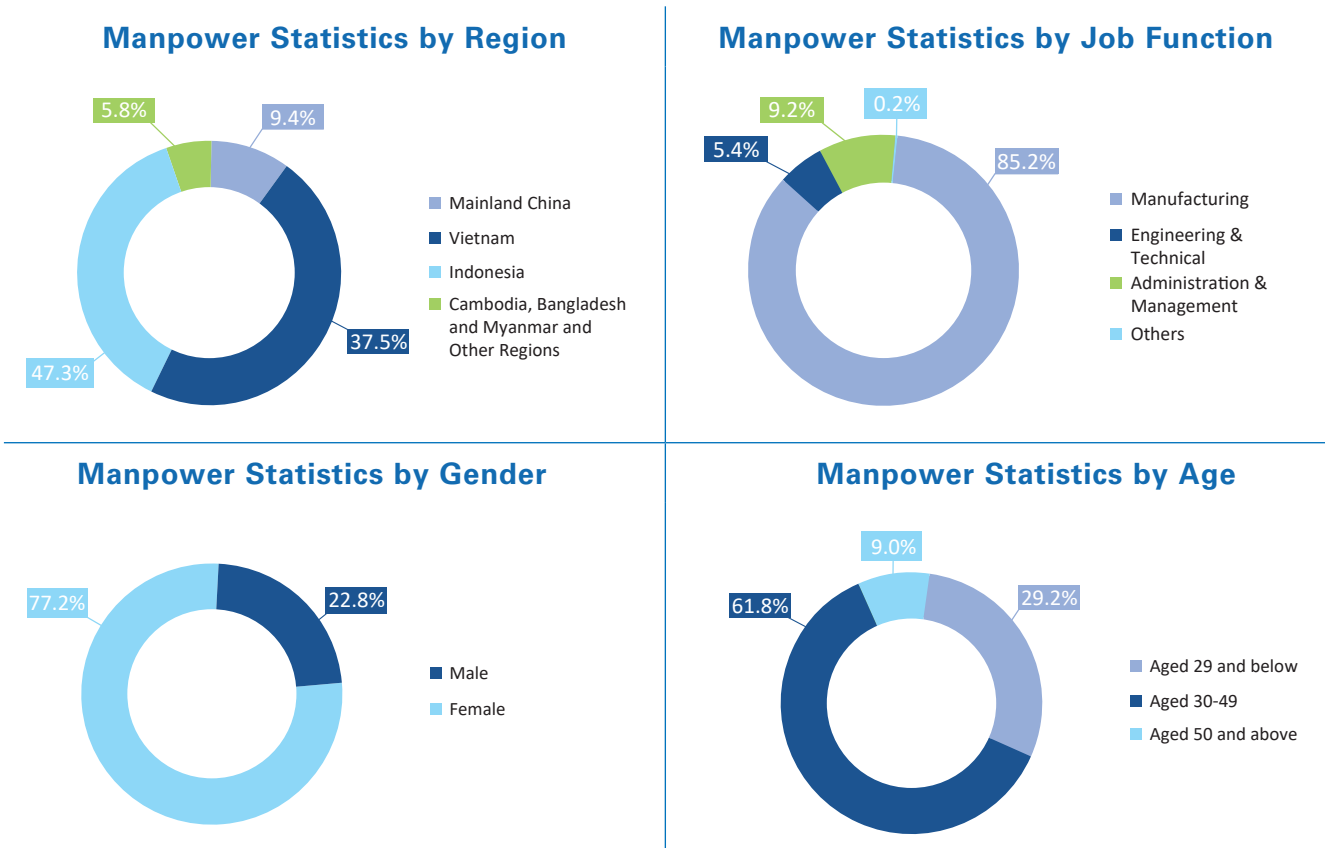
As at December 31, 2024, the total number of regular employees was 265,500 (2023: 242,600). Employees in Mainland China accounted for 9.4% (2023: 10.2%), employees in Vietnam accounted for 37.5% (2023: 38.9%), and employees in Indonesia accounted for 47.3% (2023: 45.7%), while employees in Cambodia, Bangladesh and Myanmar and other regions accounted for 5.8% (2023: 5.2%). In compliance with local laws and regulations of each region, overseas employees (with non-local nationality) employed in each region and local employees (with local nationality) employed in Myanmar have fixed-term contracts, accounting for 1.5% of the total number of regular employees. Currently, no labour dispatch workers are used.

The most common types of non-employee workers in Yue Yuen include some with fixed-term service contracts, such as security, cleaning and greening personnel, contracted drivers, restaurant workers and medical personnel. There are also non-fixed-term engineering contractors for equipment maintenance and project construction. In 2024, the statistics were conducted on working hours of non-employees for the first time, with the total working hours of 10,665,691 hours, where the number of persons was estimated to 4,922 using the full-time equivalent method (FTE) ^{Note}.

The Company sincerely welcomes talents from all industry to join our team to continuously enhance our professional talent pool. 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 was about 22.8%:77.2%. In the major production sites, overall proportion of local employees (local nationality) in senior management was 28.1%, and female management staff accounted for 56.2% in total, with an aim to ensure the localization and diversity of human capital.

Note: The number of non-employees is estimated using the full-time equivalent method (FTE). Number of non-employees (persons) = working hours (hours)/working hours per day (8 hours)/working hours throughout the year in the region where they are located. In case of less than 1 person, it is calculated as 1 person.



Percentage of local management ^{Note 1}				
Regions	Percentage of senior management		Overall percentage of management ^{Note 2}	
	2023	2024	2023	2024
Hong Kong, Macau and Taiwan	100%	100%	94.8%	95.5%
Mainland China	9.5%	9.5%	93.3%	93.3%
Vietnam	8.6%	10.2%	78.9%	80.2%
Indonesia	35.6%	45.1%	86.6%	87.4%
Total in the Company	22.0%	28.1%	85.1%	85.9%

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 2024 was 57,543 in total, and the recruitment rate was 21.7%. The number of leavers was 26,548, and the voluntary turnover rate was 10.0%.

	Recruitment rate ^{Note 1/Note 2}		Voluntary turnover rate ^{Note 3}	
	2023	2024	2023	2024
By gender				
Female	6.8%	21.2%	13.6%	9.5%
Male	5.4%	23.2%	12.6%	11.7%
By age				
Aged 29 and below	9.5%	40.7%	15.7%	14.3%
Aged 30~49	3.4%	12.7%	12.1%	7.4%
Aged 50 and above	21.0%	22.0%	15.5%	13.5%
By region				
Mainland China	32.0%	35.5%	7.4%	18.4%
Vietnam	2.6%	19.0%	24.4%	13.3%
Indonesia	4.1%	16.8%	5.5%	2.5%
Cambodia, Bangladesh and Myanmar and other regions	5.3%	56.3%	11.8%	36.3%
Total in the Company	6.5%	21.7%	13.4%	10.0%

Note 1: New Recruits refer to staffs with seniority less than one year by the end of December 2024.

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.

With the gradual recovery of the global economy and the rebounded market demand, the total number of employees of Yue Yuen globally at the end of 2024 increased by 9.4%, as compared with the end of 2023. The increase reflected that the Group had been expanding in the backdrop of steady recovery of the footwear manufacturing business, and also reflected its confidence and investment in long-term development. In 2024, the Company’s operating performance was significantly enhanced, as it continued to benefit from the significant increase in demand for footwear products during the year, further driving up the production scale and the manpower demand. We firmly believe that such increase in human capital has not only laid foundation for the enterprise to successfully respond to market challenges, but also is an important force to support sustainable development in future. In the future, Yue Yuen will continue to uphold the “people-oriented” core value, and actively invest in employee development, to form an inclusive and resilient working environment, and create more value together with colleagues around the world.

7.1.2 Employee Care and Attention

Yue Yuen provides a comprehensive and perfect welfare system for all employees, covering insurance plans, maternity care, retirement system and other benefits. In addition to the basic rights and interests as required by laws and regulations, the Company has tailored welfare plans in light of the cultural customs and needs in different regions, and elaborately developed diversified welfare measures, such as club activities, kindergartens, breastfeeding rooms, and etc. The Company has consistently improved the well-being of its employees, and launched exclusive benefits and activities according to local cultures, in an effort to build up the best working environment, so that each employee feels deep care and support in all respects.

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 all employees in accordance with the laws and regulations in each 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.

Chapter 7

Best Workplace

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. Employees who are despatched to overseas enjoy benefits such as health care, recreation 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.
- Free lunch is provided.
- For pregnant female workers, Vietnam and Indonesia plants can reduce their working hours by one hour per day, while allowing them to receive full salaries, so that they can work with peace of mind. Pregnant women in the factories in each region have benefits that are better than those stipulated in the law, such as early meals, provision of pregnant women’s meals, separate toilets and access roads, etc. According to the arrangements of different factories, a variety of nutritional supplements, such as milk and bread, are provided on a regular monthly basis to provide pregnant women with complete nutrition and vitality. In order to avoid crowds of people reporting to or leaving from work and to protect their safety, the Indonesian factories provide special entrances or exits for pregnant women to get through by swiping cards.



Indonesia – Lucky Draw Activity



Vietnam – Gathering with Workers



Mainland China – Basketball Match Activity

Diverse and Extensive Club Activities

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 231 internal employee activities were held overseas, with approximately 317,366 participations of employees in 2024.



Vietnam – Sports Match



Myanmar – Water-Sprinkling Festival Event



Indonesia – Team Building



Mainland China – Cooking Competition

Maternity Care

The Company ensures that the maternity and parental leaves of employees at the operation sites in various countries comply with local laws and regulations. At the main operation sites overseas, we have actively improved maternity protection. In particular, full-paid maternity leave (including parental leave) is provided in Mainland China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar in accordance with the law. In addition, in Mainland China, maternity examination leave, paternity leave and parental leave are provided; in Vietnam, maternity examination leave and paternity leave are provided; in Indonesia and Myanmar, paternity leave is provided; in Cambodia, maternity examination leave is provided, so as to ensure that employees have sufficient support and flexibility during pregnancy and childcare, thus further improving the balanced environment between work and family. For the childcare welfare measures, please refer to the “Gender Friendliness” in the section headed “7.2.3 Management and Mitigation of Human Rights Issues”.

In 2024, at the major operation locations, a total of 11,604 female employees applied for maternity leave (including parental leave), of which 9,236 employees were expected to resume work after the end of the leave, with a return rate of 80%. In the previous year, 8,396 female employees stayed in their jobs for one year after returning to work, resulting in a retention rate of 78%. Particulars on the reinstatement and retention at the Company’s major production sites are as follows: in Mainland China, the reinstatement rate was 76%, and the retention rate was 77%; in Indonesia, the reinstatement rate was 88%, and the retention rate was 82%; and in Vietnam, the reinstatement rate was 69%, and the retention rate was 78%.

In Indonesia, both the reinstatement rate and retention rate were high, showing that the working environment and support measures provided by the Company were helpful for employees to return smoothly to and stay for work. It also demonstrated that the Company continued to optimize relevant policies in order to improve employees’ workplace stability and family care supportive measures, and actively created a friendly working environment, to ensure that employees are fully protected during childcare and that they are able to develop steadily after returning to the workplace.

Statistics on maternity leave (including parental leave) at major operation sites in 2024 compared with employees returning from maternity leave in 2023

Country	Number of Applicants for Maternity Leave in 2024	Estimated Number of Employees Returning from Maternity Leave in 2024 (A)	Actual Number of Employees Returning from Maternity Leave in 2024 (B)	Reinstatement Rate in 2024 (C = B/A)	Number of Employees Returning from Maternity Leave in 2023 (D)	Number of Employees Returning from Maternity Leave for 12 Months in 2023 (E)	Retention Rate in 2023 (F = E/D)
Mainland China*	172	130	130	100%	112	86	77%
Indonesia	5,484	4,816	4,476	93%	5,834	4,779	82%
Vietnam	5,243	3,616	3,588	99%	4,199	3,259	78%
Cambodia	514	506	506	100%	499	211	42%
Bangladesh	81	81	64	79%	58	33	57%
Myanmar	110	87	48	55%	72	28	39%
Total	11,604	9,236	8,812	95%	10,774	8,396	78%

Note: Mainland China includes Hong Kong and Macau

Employee Retirement Plans

A sound and appropriate pension plan provides value and protection for both enterprises and employees in the long run. A stable pension system not only attracts and retains outstanding talents, but also enhances the stability of the team, thus further supporting the long-term financial planning and strategic development of enterprises. The Company’s operation sites globally implement retirement plans in accordance with local laws and regulations, and make contributions to pension/pension insurance according to law, to ensure that the retirement rights and interests of all employees are fully protected. By implementing such systems, the Company ensures that its employees around the world are entitled to a stable retirement plan, reflecting our commitment to the well-being of employees. In the future, we will continue to optimize the policies on pension, and enhance our corporate social responsibility, ensuring that each employee enjoy a stable and worry-free retirement life.

2024 Pension Contribution Ratio at Major Operation Sites around the World

Region		Mainland China	Vietnam	Indonesia		Cambodia
Retirement System		Social Insurance (Pension)	Social Insurance (Pension)	Social Insurance		Social Insurance (Pension System)
				Insurance for Elderly	Retirement Insurance	
Contribution Ratio	Employers	15%~16%	14%	3.7%	2.0%	2.0%
	Employees	8%	8%	2.0%	1.0%	2.0%

Note: There is no statutory retirement system in Bangladesh and Myanmar.

2024 Summary of Contributions to and Payments from the Pension at Major Operation Sites around the World

Region	Mainland China	Vietnam	Indonesia	Cambodia
Contribution amount (US\$)	26,189,035	57,930,927	16,214,642	367,576.24
Number of persons applying for retirement	1,583	272	136	0

Note: In Indonesia, a separate severance pay for retirees amounting to USD1,182,528 was paid.
Contributions and pension payments are converted to U.S. dollars at the exchange rate as at 31 December 2024.

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.

Chapter 7

Best Workplace

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 home visits, the Company connects with local employees and communities. The employees’ direct supervisors and factory management have an opportunity to show their care through a closer interaction with the families of employees. Though understanding the local culture and living environment, they can provide the necessary assistance according to actual needs.

Since 2017, in line with the Company’s promotion of employee care activities, home visits have been carried out. The visits not only strengthen promote relationship between management and employees, but also enhance understanding of employees’ living conditions. The activities allow families to gain insight into their loved ones’ work status, fostering pride in high-performing employees and boosting their motivation at work.

Employee home visits have been a long-standing project of the company. Through active employee home visits, the company understands the needs of the employees’ families and the communities in which they live, and brings in community-friendly actions such as medical and health clinics, health education and promotion, housing renovation, and educational assistance programmes in the hope of bringing about an overall improvement in the community’s quality of life and sustainable development.

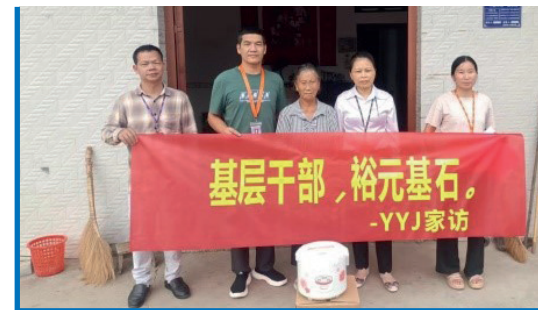
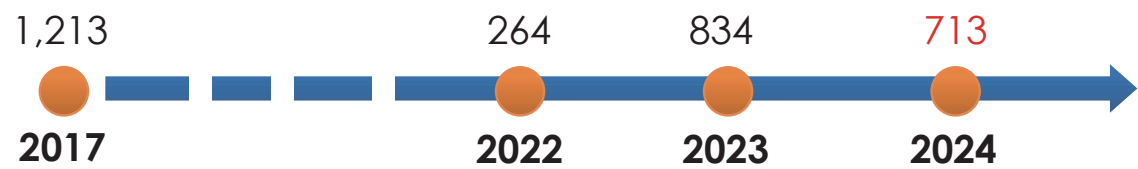
The home visit programme has two main target groups:

- Encouragement home visit: to visit outstanding, enthusiastic and experienced employees/managers, the selection of which is determined by the factory itself, for outstanding and enthusiastic employees who want to be nurtured or have potentials.
- Assistance home visit: to visit employees/managers who are poor or with urgent needs, such as those facing surgeries without health insurance coverage, or condolences to family members of employees who have passed away, mostly are one-time care activities.

At the end of 2024, the Company added project-based home visits to provide flexible home visit care for employees who need long-term care due to sudden natural or man-made disasters or work-related injuries, and for those who suffer from sudden illnesses.

The candidates are selected by the factory itself or reported by an executive and approved by the factory supervisor. Encouraging home visits are conducted at least once every two months, with at least two or more employees visited each time, while other types of home visits are conducted by each factory according to actual needs.

In 2024, Yue Yuen visited the families of 713 employees, including outstanding employees, poor employees, pregnant employees, injured and sick employees, etc. The total number of home visits made by the visitors and the respondents was 7,148 person-hours.



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.

Chapter 7

Best Workplace

Ratios of Standard Entry Level Wage Compared to Local Minimum Wage in Major Production Sites

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	Type	Overall average annual remuneration ratio of female employees to male employees
Mainland China	Direct Staff	0.71:1
	Entry-Level	0.79:1
	Mid-Level	0.92:1
	Senior-Level	0.72:1
Vietnam	Direct Staff	1.08:1
	Entry-Level	1.01:1
	Mid-Level	1.01:1
	Senior-Level	–
Indonesia	Direct Staff	1.12:1
	Entry-Level	1.01:1
	Mid-Level	0.95:1
	Senior-Level	–
Total	Direct Staff	1.04:1
	Entry-Level	0.98:1
	Mid-Level	0.87:1
	Senior-Level	0.72:1

Note: The wage statistics in this table are for regular employees in Mainland China, Indonesia and Vietnam who have been employed for at least one year as of December 31, 2024 (exclusive of employees on no-pay leaves or maternity leaves).

Remuneration Policy and Process for Senior Managers

The remuneration of the Directors shall be decided by the Board as recommended by the remuneration committee of the Company (“Remuneration Committee”) having regard to a written remuneration policy (which ensures a clear link to business strategy and a close alignment with the Shareholders’ interest and current market best practice). Remuneration should be paid with reference to the Board’s corporate goals and objectives, the salaries paid by comparable companies, time commitment and responsibilities of the executive Directors and INEDs, internal equity of employment conditions across the Group and applicability of performance-based remuneration. The Directors’ fees are paid in line with market practice. No individual may determine his or her own remuneration.

Remuneration package of the Company’s managers includes basic salaries, variable remuneration, discretionary bonus linked to the financial performance of the Group and individual performance, share options and other competitive fringe benefits such as medical and life insurances. Basic salary was determined with reference to individual’s responsibility, competence and skills, experience and market pay level. Part of the variable remuneration is based on the Company’s operational performance and the KPI appraisal of managers. The KPIs are set by department and they not only cover job-related indicators, but also include environmental, social and governance (ESG) targets. In particular, the KPIs include: legal compliance achievement rate, carbon reduction practices and the establishment of green supply chain in the environmental aspect; the availability of talent pipeline, the formulation of long-term talent development plans, and the promotion of a diverse and inclusive culture in the social aspect; and, compliance with laws and regulations, establishment of a risk management structure (including information security, intellectual property management, and operational risk management), revenue and profit target achievement rate of profit center, achievement rate of gross profit margin and profit margin improvement, and financial operations and etc. in the governance aspect. Furthermore, in addition to referring to past operating performance, the remuneration of the Company’s Directors and managers are also based on strategic performance targets and remuneration payment standards, structures and systems as adjusted taking into account future risk factors.

The Company adopted the Yue Yuen Share Option Scheme and the Yue Yuen Share Award Scheme to provide its Directors and eligible employees with incentives and rewards to recognize their contributions and to align their interest with the Company.

Annual Total Compensation Ratio

Ratio of the annual total compensation for the highest-paid individual in the organization to the median annual total compensation for other employees in the organization (excluding the highest-paid individual) ^{Note 1}	21.8
Ratio of the percentage increase in annual total compensation of the highest-paid individual in the organization to the median average percentage increase in annual total compensation for other employees in the organization (excluding the highest-paid individual) ^{Note 2}	0.8

Notes:

1. Annual total compensation ratio = Ratio of the annual total compensation for the highest-paid individual in the organization (authorized responsible supervisor of business unit) / median annual total compensation for other employees in the organization
2. Percentage change in annual total compensation ratio = ratio of change in annual total compensation of the highest paid individual (authorized responsible supervisor of business unit) / ratio of change in median annual total compensation for other employees in the organization (excluding the highest paid individual)

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, Cambodia and Bangladesh, and does not differ due to gender or age. During the 2024 performance assessment, all employees who have worked over three months participated in the 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, development or termination of employment, internal job matching and performance counseling are provided to promote the transition assistance of employees’ ability to continue employment and career planning. In addition, the transition assistance programme for potential retirees will be included in future meetings to assess issues such as pre-retirement plans, employment service referrals and related training, etc. to ensure a smooth transition to retirement and to enhance the stability and adaptability of the career transition.

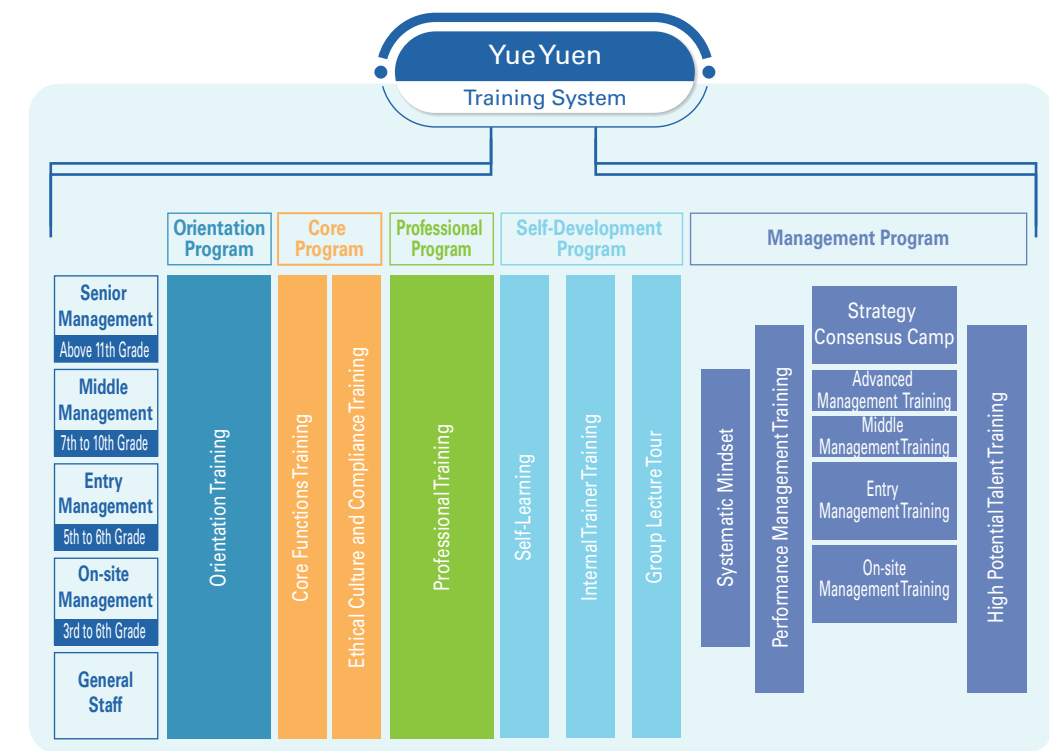
Complete Education and Training Mechanism

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 enterprise.
- 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 Group’s 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.

Chapter 7








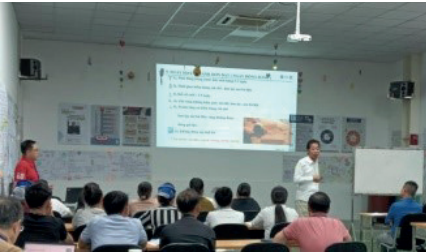

Best Workplace

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 Entry Management Theme Training	Management Program TTUP - Local Management Training	Self-development Program Language Training (Vietnam/Indonesia)
		
Core Program Accountability	Professional Program Shoe-making Technology Program	Management Program Strategy Consensus Camp

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 2024, 4,021 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. By the end of 2024, 123 colleagues have benefited from this learning resource.

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. By the end of 2024, 258 colleagues have benefited from this learning resource.

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. By the end of 2024, 160 colleagues have benefited from this learning resource.

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 2024, 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, 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.

Nurturing Talents Locally to Ensure Continuous Supply of Management and Technological Expertise

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 2024, 380 local management trainees have completed the local beginners class (L1) course designed by the headquarters and 322 local management trainees 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, 132 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.

Develop Local Technology Expertise: Specialized Training to Nurture Talents to Ensure Continuous Supply of Technological Expertise

To nurture technology locally and to enhance the management and technical expertise of the local managers, training programs on the operation and management of shoe factories were provided to cultivate professional knowledge in overall operation and production management of shoe factories. The target group included both overseas and local managers. Overseas managers are currently playing a crucial role in management and technology of the existing shoe factories. It is expected that local managers will take over the responsibilities of the overseas managers in the future, thus both overseas and local managers are regarded as important candidates for training. This not only supports the current management mode, but also serves as a foundation training plan for the localized development of shoe factories in the future.

Professional training on footwear manufacturing technology includes factory operation and production management, paper template production principles and practice and chemical training. 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 2024, a total of 20 scheduled classes were completed, including 4 classes of beginner course for factory management, 5 classes of advanced course for factory management, 6 classes of paper template/mould production principles course, 1 class of paper template production practice course and 4 classes of chemical practitioner training. In total, 611 trainees were trained.

Implementation of Education and Training

All employees of Yue Yuen receive annual training (100% of employees are trained). In 2024, the Group invested approximately 6,805,015 training hours for education and training, with a total of 1,250,651 employees participated in these trainings, and average training hours of approximately 25.6 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

Unit: hours	2023	2024
By gender		
Male	14.4	17.9
Female	13.4	27.9
By employee category		
Entry-Level	13.6	25.3
Mid-Level	17.7	47.5
Senior-Level	16.0	14.7

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

An analysis of the Company’s education and training for employees by gender and job level is set out in the following table:

Region	Job Level	Gender	Number of Employees Trained	Total Training Hours
Company Total	Entry-Level	Female	949,385	5,620,203
		Male	263,767	1,015,619
	Mid-Level	Female	20,224	101,563
		Male	16,342	65,958
	Senior-Level	Female	169	252
		Male	764	1,420

7.2 Human Rights Management

Management of Material Topics	
What it means to Yue Yuen 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	
Impact <div> <div> Positive impact <ul style="list-style-type: none"> Actual: Help to create a friendly workplace and ensure labor rights, improve the system to protect employees’ rights and interests, and consolidate human capital. Potential: Enhance corporate image, which is positive for attracting employees in the community. </div> <div> Negative impact <ul style="list-style-type: none"> Actual: Imbalanced management undermines employee rights and retention, which in turn affects operations and production. Potential: Management imbalance will affect the Group’s image and order stability. </div> </div>	
Policy and Commitment On the premise of complying with the laws and regulations of the countries in which we operate, the Group supports and respects the “United Nations Universal Declaration of Human Rights”, the principles of Articles 1 and 2 of the “United Nations Global Compact”, the three principles of the “United Nations Guiding Principles on Enterprises and Human Rights”: Protection, Respect and Remedy, as well as the international human rights norms set out in the “Declaration on Fundamental Principles and Rights at Work” of the International Labor Organization (ILO). We adhere to the Group’s Code of Conduct to 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 <ul style="list-style-type: none"> Reduce operational risks and foster a contented enterprise by minimizing possible hazards at work and providing labor rights protection to maintain good communication based on mutual trust, creating a win-win partnership between labor and management. Comply with global regulations, the Group’s Code of Conduct, and international human rights standards in all production sites 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 in 2024 <ul style="list-style-type: none"> Rate of participation in the friendly workplace course: 100% Zero harassment and discrimination : 0 case Responsible recruitment: zero violation
Actions <ul style="list-style-type: none"> Conducted annual compliance KPI assessment – social responsibility assessment (social responsibility assessment) for all wholly-owned footwear factories under the Group in 2024 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 2024, such measures were extended to all wholly-owned factories, accounting for 100% of the total. 	
Evaluation Methods <ul style="list-style-type: none"> 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. (Note: “wholly-owned” is defined as the Company directly or indirectly owning 100% of a company’s entire issued share capital) 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 established by major NGOs and many brand-name customers as the core standards for for promoting the work of human rights protection among all staff. Through internal and external audits, potential problems are identified and addressed to continuously improve the working environment, control risks, and foster a more harmonious labor-management relationship, ultimately creating an enterprise with a positive workplace culture.

Code of Conduct	Human Rights Management Measures
1. Employment Relationship 2. No Discrimination 3. Harassment or Abuse 4. Forced Labor 5. Child Labor 6. Freedom of Association and Collective Bargaining 7. Health, Safety and Environment 8. Working Hours 9. Remuneration 10. Community Connectivity	Human rights issues and management measures applicable to all employees: <ol style="list-style-type: none"> Responsible recruitment Fair remuneration Prohibition of child labor No forced and compulsory labor Minimum notice period for major operations Freedom of association Collective bargaining Voice of employees Staff grievance mechanism 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 colleagues of the Group from all locations can share the same values and behavioral standards. 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 2024, 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 focusing on violation of laws and regulations in the workplace. Starting from Taiwanese personnel and foreign management, through online training, a total of 1,308 employees have participated in the training as of December 2024, with a completion rate of 96.9%. In 2025, it is planned to reschedule the courses to ensure that employees understand and comply with internal regulations, government regulations and international standards.

In addition to the above friendly workplace training, there are different human rights training and publicity initiatives across the factories of Yue Yuen and regional plants. Through meeting announcements, lunch break broadcast, irregular on-site training, distribution of small information cards, poster displays and others, personnel at all levels can understand and foster a friendly and harmonious workplace, ensuring mutual respect and interaction among colleagues.

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Friendly Workplace Program

Main contents:

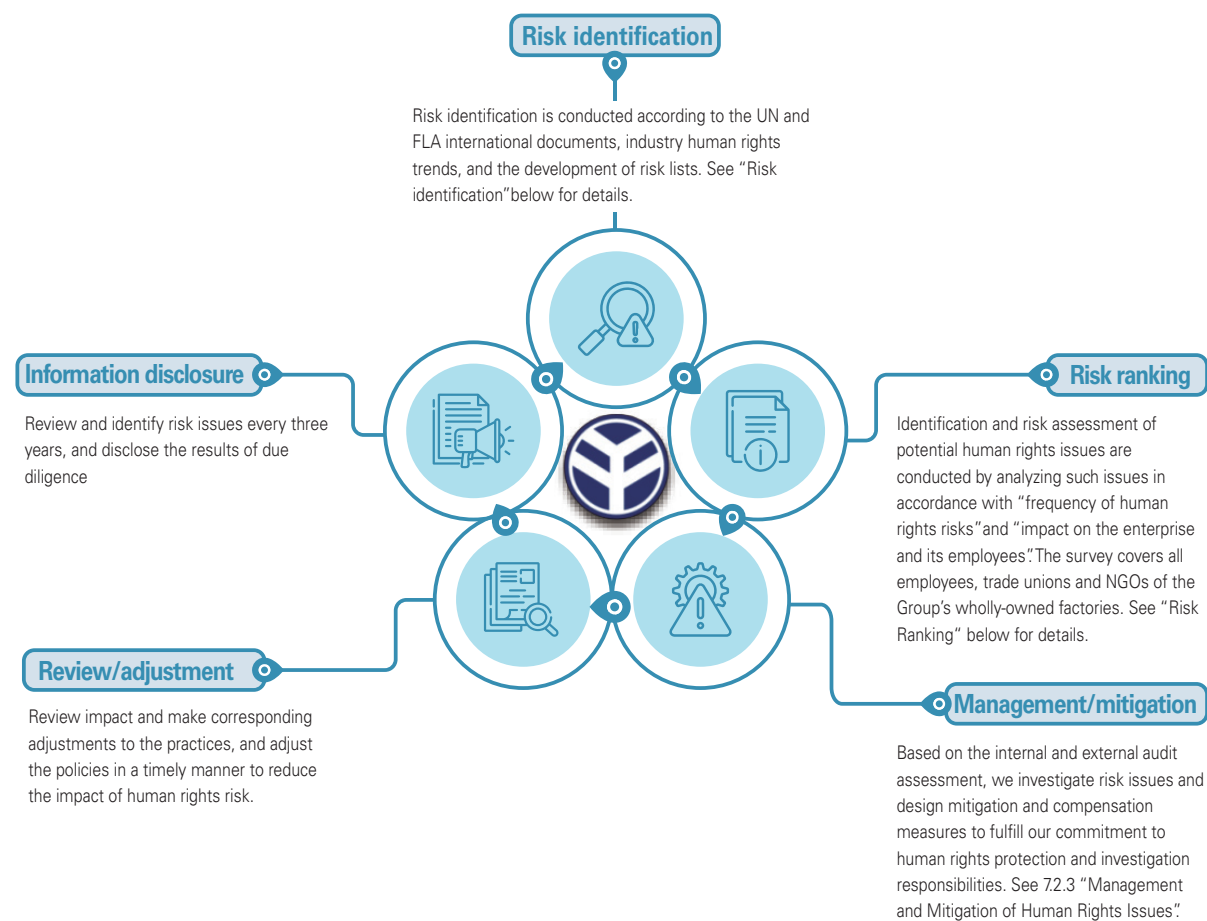
- The Group’s regulations (including the Group’s Code of Conduct)
- The Group’s Discipline and Engagement Committee Measures
- Management Measures of Complaints and Punishments for Prevention and Treatment of Sexual Assault and Sexual Harassment
- National sexual harassment and abuse laws
- Practical 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 identification 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 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, age, disability, sexual orientation, nationality, political opinion, social status or minority status.
Respect for religion diversity	
Harassment or Abuse	Each employee shall be treated with respect. No employee shall be subject to physical, sexual, psychological or verbal harassment or abuse.
Forced Labor	Any form of forced labor and human trafficking, including the use of prison labor, indentured labor, bonded labor, or involuntary labor through any penalty, is prohibited. Restrictions on freedom of movement or withholding of personal documents are prohibited in the workplace or through employment agencies, and employees are required and ensured to understand their terms and rights in recruitment and employment. We must sign employment contracts in the employee’s native language and ensure that agencies do not use forced labor and do not charge employees recruitment fees.
Prohibition of Child Labor	No individuals aged below 15 or under the age of completing the statutory compulsory education in this area 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.

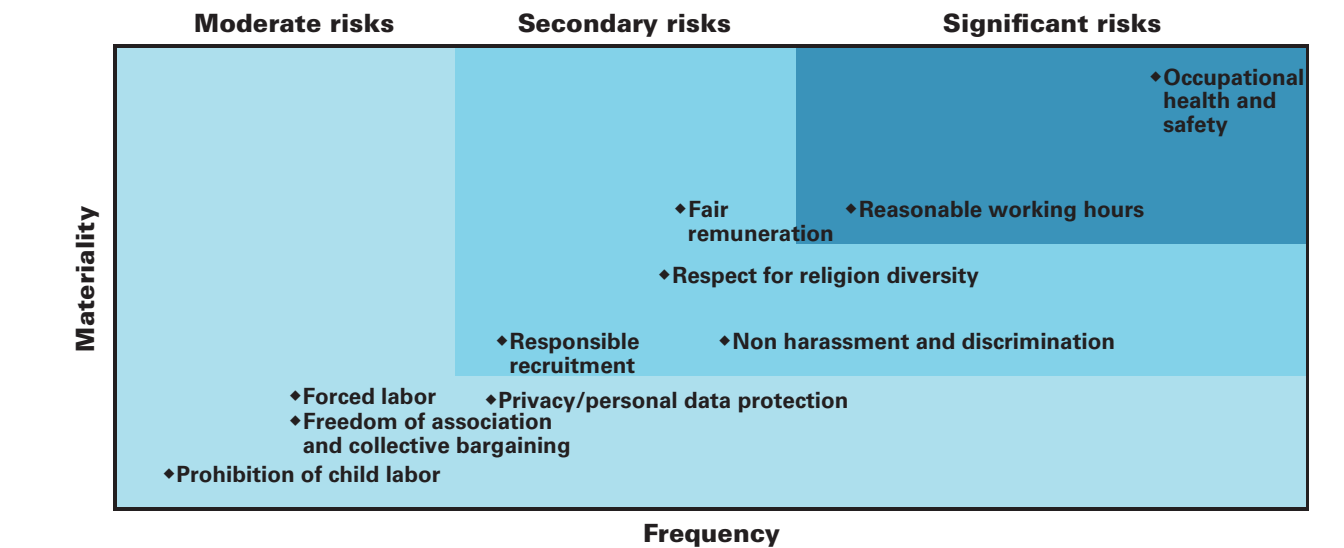
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Risk Ranking

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 in total 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 2024 we will follow the identification results in 2022.

Human rights risk matrix



7.2.3 Management and Mitigation of Human Rights Issues

FLA Engagement and Certification

The significance of becoming a member of the international human rights organization FLA and obtaining FLA certification is showing 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 14 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.

Production 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 2024/08/14-16

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

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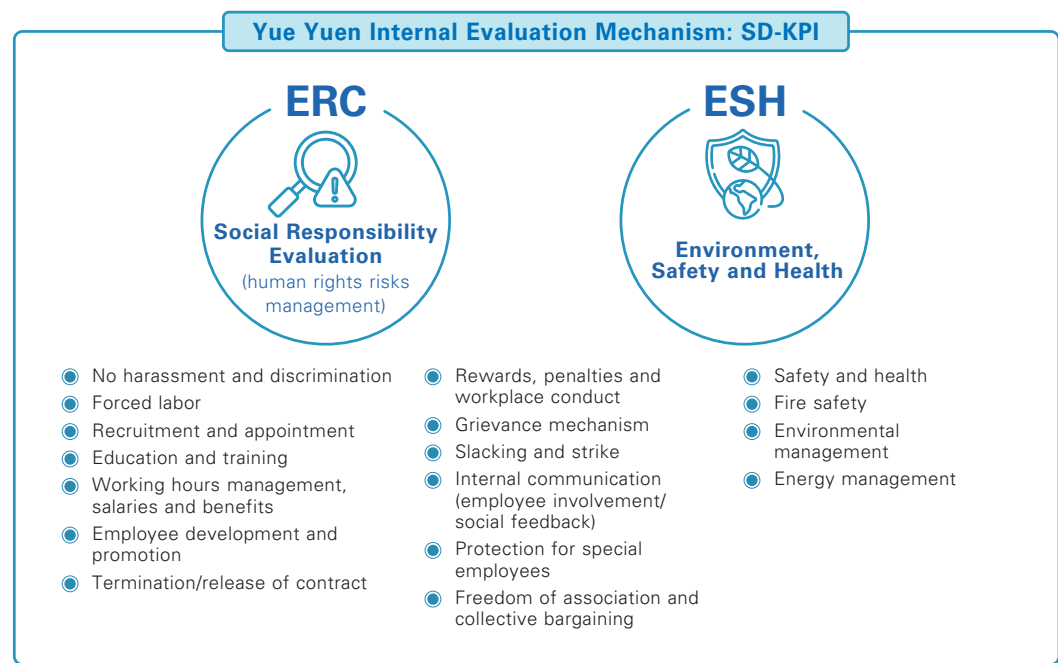
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In August 2024, FLA entrusted a third-party audit unit to conduct a three-day compliance assessment at the Company’s PMA Factory in Myanmar. Through document review, onsite visits and observations and interviews with employees and management, recommendations 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.

Yue Yuen’s factory in Myanmar has commenced mass production from 2015, creating nearly 4,000 local job opportunities. In the backdrop where local infrastructure has yet to be improved, employees’ awareness of work safety is weak and they have less understandings of labor laws and regulations, we have established management standards and focused on employee education and training, thus creating a safe, inclusive and respecting-women working environment. We also accept the assessment by FLA SCI, a third-party labor inspection agency, to review labor safety risks in the factory. Through on-site compliance inspection of the production factory, no major emergency deficiency required to be determined by FLA was identified.

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 2024. 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 2024:

Audit Date	Human Rights Risk Aspect	Findings	Corrective Action Plan (CAP)
2024.08.15	Permanent contractors management	After conducting a spot check on permanent contractor contracts, it was found that the information set out in the labor contracts of outsourced security guards of a factory in Mainland China was completed with incorrect payment dates.	<div>1. After the audit, the factory has re-examined the contents of the labor contract and made corrections to ensure all the information was duly completed.</div> <div>2. The factory has offered further training for the responsible personnel in charge of contacting permanent contractor to avoid recurrence of similar incidents.</div>
2024.08.21	Working hours management	After reviewing management documents of the factory, it was found that the voluntary overtime application form in a factory in Mainland China had not been signed. According to the regulations, employees must indeed sign a voluntary overtime application form before they work overtime.	<div>1. After the audit, the factory has re-checked the signing status of the voluntary overtime application forms and carried out publicity in the factory.</div> <div>2. Subsequently, the factory will strengthen spot check during its ordinary operations to avoid omissions or failure in signing.</div>
2024.09.20	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.	<div>1. The factory has produced and posted posters at various prominent locations in respective buildings, such as bulletin boards, and spots next to inspection stations or that can be easily seen on the production line.</div> <div>2. The factory has conducted further training for entire personnel to explain the Company’s core values/code of conduct.</div>
2024.11.12	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 “It is strictly forbidden for any worker not to comply with the above procedures, but to solve problems by striking or walking out.” Factories cannot forbid worker organizations from organizing strikes or walkouts to avoid prejudicing the rights and interests of employees.	<div>1. The factory immediately corrected the publicity documents of complaint and consultation channels.</div> <div>2. The factory has conducted a comprehensive review around the factory and replaced the posters, and has conducted a publicity programme for all employees. Subsequently, the factory will strengthen the self-inspection procedure and regularly review the internal operation procedure documents and the publicity information of the factory.</div>

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In 2024, 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 also actively advocated 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 185 issues to be improved from the previous year (i.e. 2023) have been followed up and settled in 2024.

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”), and 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. Relevant management principles are also demonstrated in the aspects including hiring, compensation, benefits, promotion, discipline, termination and retirement, etc. Yue Yuen’s factories utilizes diversified channels for recruitment, and verifies during the interview to confirm the job applicants’ willingness to apply and the documents provided are correct, ensuring compliance with the age requirements of local laws and regulations. Only those who meet the requirements will be recruited. Every new employee is required to sign an employment contract when hired, clearly defining the rights, responsibilities and obligations of both employers and employees, and all employees have the right to terminate their employment with the factory. The conclusion, modification, dissolution and termination of relevant employment contracts all strictly abide by the relevant laws and policies.

Meanwhile, adhering to the spirit of human rights as advocated by the 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 continuous day-to-day promotion and advocacy of human rights, which sets out that:

- Employees are not required to pay agency fees.
- Workers retain control of their travel documents and have full freedom of movement.
- 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: Yue Yuen has also prepared a responsible recruitment commitment letter and, in case of recruiting by appointing external agencies, it will invite the cooperative agency or recruiting unit to sign the same, to effectively eliminate the risks of forced labor and human trafficking. In 2024, after checking the internal labor dispatching status of the Company, 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 to ensure legal compliance through the annual internal audit mechanism.

Fair remuneration

The definition and standard of the Global Living Wage Coalition (“GLWC”) on 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 response to emergencies.

As a responsible member of the Fair Labor Association (“FLA”), Yue Yuen is committed to the ongoing development of fair compensation to support the livelihood of our employees and their families by conducting a survey on the Group’s remuneration 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 reviewing the compliance status of Yue Yuen in respect of working hours and remuneration in production plants through the audit mechanism, the Group also utilizes the FLA compensation data collection tool and online platform, 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 2024, which included factories in Vietnam, Indonesia and Cambodia, confirming 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) shall be documented and reported according to regulations (subject to legal requirements), and the Company has formulated 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. Once a mistakenly-employment 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 use of child labor at the Company’s production sites in 2024.

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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 shall 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 voluntarily done by employees 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 use of forced or compulsory labor in 2024.

The Company strictly abides by the relevant laws and regulations of the countries where its factories are located as well as the regulations 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 Period Regarding Major Operational Changes

The Company strives to build a harmonious employer-employee relationship, and the minimum notice period regarding major 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 termination of employment contracts. All the signed documentation of CBAs shall be submitted to the local competent authority for filing. The operation 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 major operational changes governed by local labor laws.

Production base	Indonesia	Bangladesh	Cambodia	Myanmar	Mainland China	Vietnam
Regulations on minimum notice regarding major operational changes	Local labour regulations: 14 working days	Local labour regulations: more than 30 days before notification	Local labour regulations: <ul style="list-style-type: none">– 7 days for employment of no more than 6 months– 15 days for employment between 6 months to 2 years– 1 month for employment between 2 years and 5 years– 2 months for employment between 5 years and 10 years– 3 months for employment more than 10 years	Local labour regulations: more than 30 days before notification	Collective bargaining agreement: more than 30 days before notification	Collective bargaining agreement: more than 30 days before notification

Freedom of Association

Yue Yuen upholds respect for employees’ right of freedom of association and collective bargaining. The Company recognizes the legal labor unions established by employees themselves, 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 factories 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 factories in Bangladesh and Myanmar have also set up employee representative committees through elections by employees at liberty 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.

Collective Bargaining Agreements (“CBAs”)

As a consensus between the employer and employees, the labor union of each region may sign CBAs with local branches of the Company in each region. The union also hold relevant employee caring events and activities jointly 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 factories of Yue Yuen in Mainland China, Indonesia and Vietnam. The number of employees protected by the CBAs is 250,708 in total, representing approximately 94.3% of the total number of employees in the footwear manufacturing business.

According to the Company’s internal regulations, the factory and the labor union shall convene a meeting for communication between the management and the labor union at least once every quarter; and the factory shall take the initiative to discuss with the labor union on issues regarding employees’ welfare and rights to obtain consensus and approval 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 (person)	100,178	125,600	24,930
Percentage of employees covered by the CBAs (%)	100% ^{Note 1}	100% ^{Note 1}	99.9% ^{Note 2}

- Note 1: The CBAs signed in Vietnam and Indonesia cover the rights and obligations of all employees and employers of the factories under the corporate title.
- Note 2: Only employees in the “footwear manufacturing” business units 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.

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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 in different areas. By consolidating the inputs from complaint channels of various regions, we establish a systematic record-keeping system and analyze the issues enquired by employees of each unit. 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 it was listed on the Main Board of the Hong Kong Stock Exchange, 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 forums in the necessary implementation of internal compliance management. In 2024, 454 employee forums were held, with a total of 17,717 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. At the forum, in addition to expressing their appreciation for the employees’ hard work, and spreading important information of the Company, 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.

Source of Cases	Subtotal
External Referrals (Brand Customers, Government, Third-Party Referrals)	9
Emails	10
Short Message Service (SMS)	12
Labour Union	43
Internal Referrals (Supervisors, Management, Factory Personnel, HQ/AC)	45
Suggestion Boxes	79
Direct Communication/Interviews	124
Factory Self-inspections	156
Telephones/Hotlines	194
Counseling/Life Guidance Office	207
Social Media or Mobile App	1,310
Employee Forums/Heart Bridge Communication Meetings/Management Communication Meetings	1,764
Total	3,953

In 2024, the Employee Relationship Management System (“ERMS”) recorded a total of 3,953 cases of complaint and consultation. 86.6% of closed cases were settled within 10 working days, 95.9% of the cases were concluded within 2 months, and as of April 9, 2025, there was 1 case, which occurred in December, that has not been settled, most of which occurred in December and still need time for investigation and processing. The issues of concerns to the employees in each region were primarily related to topics of internal working communication, living environment and equipment and food.



Vietnam – Employee Forum



Mainland China – Employee Forum

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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 from time to time 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 Group’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 controversial 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. 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, Workplace Misconduct and Discrimination Cases

In 2024, the ERMS recorded a total of 3,953 cases of complaint and consultation, with 58 cases of major management attitudes and workplace misconduct, including 23 cases of speech and behavior misconduct caused by emotional agitation of the management during production, and 35 cases of conflicts among employees, all of which were properly handled and settled. 7 of the cases were sexual harassment cases, for which after investigation, appropriate adjustments were made to the work and related punishments were imposed, and we had continuously showed care for the victims. There was no discrimination cases in 2024.

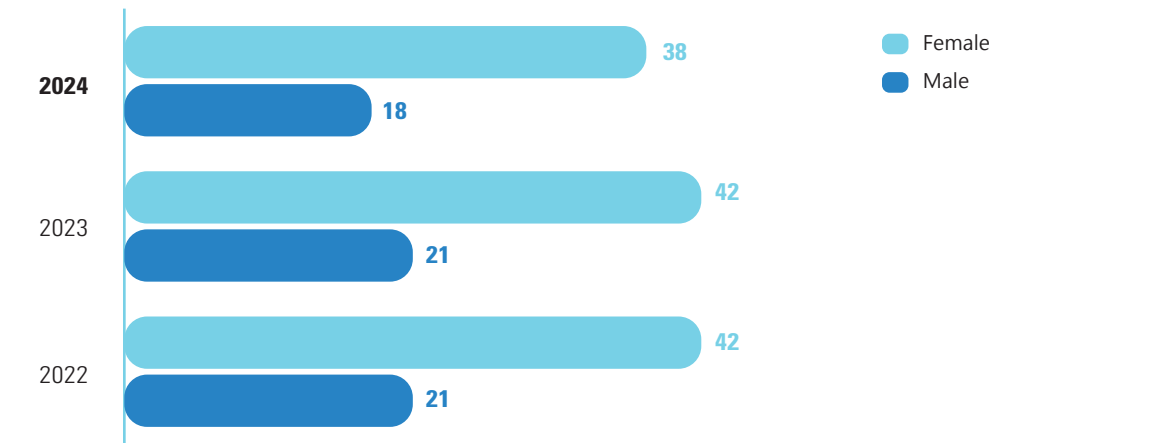
For cases of major management attitude and workplace misconduct, in addition to duly handling of complaints, factories must formulate improvement plans, including the plans for training violators, promoting a friendly workplace against harassment and abuse, and evaluating and strengthening the understanding 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, factories, local administrative centers, 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

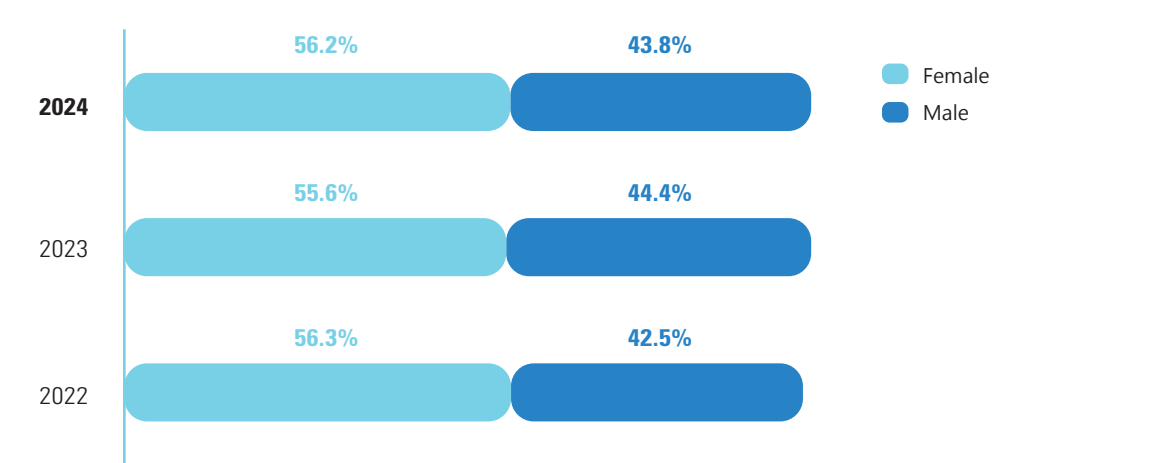
- Woman Empowerment

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 key positions 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.

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



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



Chapter 7

Best Workplace

- Talents without Borders**
 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. Global production sites of Yue Yuen are located in Mainland China, Vietnam, Indonesia, Bangladesh, Cambodia and Myanmar etc., and the footwear manufacturing bases are mainly located in Indonesia, Vietnam and Mainland China. We conduct talent analysis of our employees according to age, gender and geographical region, etc. annually. (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 regulate the moral order of believers. Yue Yuen 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 2024, 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 equals to the Indonesian New Year, when Muslims cheerfully dress up in festive clothes to celebrate the festival, 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.



Indonesia – Eid al-Adha Events



Indonesia –Attending Iftar



Mainland China – Dragon Boat Festival



Vietnam – Women’s Day Event

Chapter 7

Best Workplace

- Gender Friendliness
 - Equal Pay

The Company recognises its employees as its 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 as specified 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 disputes 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 are not be tolerated, and can be reflected and reported through various channels. In 2024, there were no incidents related to 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.

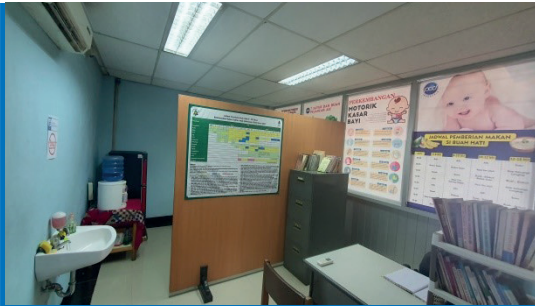
According to the laws and regulations of each country and the brand’s expectations, the Group transfers pregnant workers who are engaged in heavy workload to lighter work positions, and will allow them to take six months of maternity leave in Mainland China and to work one hour less per day in Vietnam 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 arrangements 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.



Breastfeeding room in Vietnam



Breastfeeding Room in Indonesia



Yoga Course for Pregnant Employees of Indonesia Yunfu



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 of the employer’s facilities.	
Impact Positive impact ➤ Actual: 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 ➤ Actual: 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: The long-term health and life quality of employees are affected.	
Policy and Commitment ➤ The basis for the occupational safety and health management policy is found in the “Code of Conduct”, which states, “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”. ➤ The commitment of providing a safe and healthy working environment to the employees, with the establishment of organizations, horizontal cross-department cooperation and top-down execution.	Indicator and Target ➤ Gradually establish a standardized management system with the establishment of organizations, horizontal cross-department 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 factories will be activated to handle. ➤ 2024 management objective: 20% reduction in the number of occupational accidents; 0 occupational fatality.
Actions ➤ Promotion of Corporate Safety Culture: gradually promotes corporate safety culture through the three-in-one chain of fundamental development, ESH partners and a top-down system. ➤ Promotion of ESH Restricted Equipment 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 members keep monitoring and follow 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 occupational hazards and risk of occupational diseases among employees, aiming 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 2024, Yue Yuen’s footwear manufacturing factories implemented the occupational safety and health management system ISO 45001, with 69% of the total number of plants passing the external inspections, and a total of 182,927 factory staff passing the inspections, accounting for 85% of the total number of employees of the wholly-owned footwear factories. Some factories have not yet applied for certification due to low risks. The Occupational Safety and Health Management System covers not only employees employed in the offices and footwear factories, but also non-employees in the areas such as outsourcing, contractors and suppliers required for the maintenance of related manufacturing plants in all of the Company’s operating locations. We have a total of 9,369 personnel dedicated to supervision and maintenance of the Company’s daily operations, including 334 dedicated occupational safety and health management personnel and 9,035 ESH partners. Our employees refer to regular employees, while non-employees refer to contractors, dispatched personnel, security and cleaning workers, etc.

In compliance with customers’ requirements and occupational safety and health management system, the footwear factories at the Company’s production sites have established hazard identification and risk assessment control procedures to effectively identify workplace hazards (including related workplace potential risks such as human factors hazard, abnormal workload and maternity health issue) and reduce the employee health hazards and avoid the occurrence of accidents. According to the local laws and regulations, the Company determines the risk level of high-risk hazards, the hazards identified in the factories, and the risks raised by employees through complaint channels or proposed improvement plans, and draws up relevant risk control plans for unacceptable risk issues, as well as 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 by making complaints and proposing improvement plans through various communication channels established internally will be recorded and tracked, and the Factory ESH Committee (Environmental Energy and Safety and Health Committee) will conduct improvement tracking at its monthly meeting. 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 exercise the right of retreat immediately.

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Safety Culture

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 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 occupational hazards in respect of the disasters occurred and the production-related machines at 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 idle machines in the factory to create a safe environment where employees can be assured of production. In June 2020, we have 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 among the incident unit, the administration center, the business department and the safety and health management personnel of the head office, we 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 are transmitted to the safety and health management personnel of each production site via 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 indicators analysis of respective regions, after which the implementation progress and the effectiveness of improvement are subsequently followed up by holding regular meetings by factories monthly, the administration center and the ESH Committee of the head office quarterly.

Statistics for the Cases of the Accident Investigation and Handling Mechanism in 2024:

Region	Cases of Accident Investigation		
	Occupational accident	Fire disaster	Sub-total
Mainland China	6 moderate	0	6
Indonesia	3 moderate and 1 severe	5 mild and 9 moderate	18
Vietnam	3 moderate and 2 severe	2 mild and 3 moderate	10
Total	15	19	34

- Note 1: Classification of occupational accident:
Mild: Causing one or more persons to recuperate at home for more than 1 day due to work-related temporary disability injury or medical treatment.
Moderate: Causing one or more persons to be subject to medical treatment by an external medical institution and to stay in hospital for observation for more than 1 day due to work-related temporary disability injury.
Severe: Causing one or more fatalities, permanent full disability or permanent partial disability disaster (amputated limb injury), coma and unconsciousness.
- Note 2: Classification of fire disaster:
Mild: Smoke only.
Moderate: Smolder and smoke or open flame, causing property damage (direct and indirect) of less than US\$25,000.
Severe: Smoke and smolder or open flame, causing property damage (direct and indirect) of US\$25,000 or above
- Note 3: An accident investigation meeting is held for: moderate occupational accidents or above, and mild fire disasters or above.
- Note 4: The statistics on the number of persons source from the Abnormal Incident Management System, covering the employees of the wholly-owned footwear factories of the Company.

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

	2022	2023	2024	
Targets	Employees	Employees	Employees	Non-employees
Number of Disabling Injuries	160	89	60	0
Days Lost due to Disabling Injury	6,853	2,266	1,999	0
Total Number of Employees	253,463	221,243	224,053	4,561
Total Working Hours	559,980,904	464,141,788	518,492,553	9,956,643
Major Types of Occupational Accidents	Pinch injury or getting caught by machinery	Cutting/clipping/ puncturing/abrasion caused by machinery and the workplace	Pinch injury or getting caught by machinery	n/a
Disabling Injury Frequency Rate (FR)	0.29	0.19	0.12	0
Disabling Injury Severity Rate (SR)	12	4	3	0
Number of Employees in Severe Occupational Accidents	6	1	3	0
Percentage Rate of Number of Employees in Severe Occupational Accidents	0.00237%	0.00045%	0.00135%	0
Number of Fatalities	0	0	0	0
Fatality Rate	0	0	0	0

- Note 1: The total working hours are calculated based on the monthly number of employees provided by factories.
- Note 2: Disabling injuries refer to occupational accidents with more than one day lost.
- Note 3: Disabling injury frequency rate (FR) = number of disabling injuries x 1,000,000/total working hours.
- Note 4: Disabling injury severity rate (SR) = total working days lost x 1,000,000/total working hours.
- Note 5: Serious occupational accident: fatality, permanent total disablement or permanent partial disablement.
- Note 6: Percentage rate of number of employees in serious occupational accidents = number of employees in severe occupational accidents/total number of employees.
- Note 7: Fatality rate = number of fatalities/total number of employees.

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Safety Culture

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 has carried out the safety culture activities since 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 staff) 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, we immediately inform the authorized personnel of the relevant violations for timely handling. The ESH specialists of each business unit and the ESH unit of each regional administration center supervise 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 factories and the total public works system, ESH Partners are selected according to the types of production lines 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 has been launched in Indonesia in 2020, parallel to the promotion of effectiveness sharing in Indonesia. Being expanded to the world in 2021, the number of ESH partners increased from 2% in the previous year to 4% in 2024, strengthening the correct hazard awareness and safety attitude of all employees. Take ESH partners as the starting point, field employees are imperceptibly affected. Once unsafe conditions for the production environment are indentified, it is encouraged to actively raise unsafe concerns to protect other colleagues, which is a correct safety behavior. The establishment of safety concepts can strengthen the staff’s safety awareness of their own operating environment, and timely detect safety problems to exercise the right of avoidance to protect themselves, so that they will not be subject to unfair treatment and punishment by the Company. We timely solve safety hazards, create a safe environment and establish safety awareness.
3. **Top to Bottom system:** It demonstrates senior management’s attention and commitment to ESH work, showing their concerns for the health of the employees and making employees feel more secure. In 2021, the superior supervisor conducted inspection, and the deficiencies discovered on site could be more effectively improved. Through one-to-many safety promotion and accident reminders, the Company has reduced 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 2024

1. **Training for Professional Safety and Health Management Personnel:** In addition to the dedicated safety and health management personnel in our factories according to local laws and regulations, we also provide education and training for non-employees by way of hazard notification before they enter our factories, and have established a preservice training system for high-risk machines, requiring operators and maintenance personnel to receive training with specified materials. As of 2024, a total of 23 types of high-risk machines have been designated for training, and 72,077 high-risk machine operators/maintenance employees have received training and passed the test, representing a 100% completion rate of training for designated personnel. Since 2024, the Company has conducted a total of 22 online courses (e School with Safety Culture (安全文化e學校)) on the internet, with a total of 646 trainees, enabling relevant colleagues to continue their education and learning.

Targets	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
Special 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

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2. **ESH Restricted Equipment 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 and unacceptable 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 continuously improve the safety of existing machines.

Since 2020, the key task of occupational safety and health has been to enhance “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, heel-lasting machine, etc.) were accumulated from 2015 to 2024. 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 2024, 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 2024 has been decreased by 9%, as compared to that in 2023. As for “management measures”, we have promoted a training and certification system for machine and equipment operators and maintenance personnel, launched safety and health inspections by on-site supervisors, and implemented a campaign to accumulate occupational disaster-free days. We will continue to enhance our corporate safety culture through ESH partners and top-down projects 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 selected wholly-owned footwear factories that have started production. It covers both in-service employees and non-employees. In 2024, we authorized responsible personnel to give actual audit guidance on site. The number of the personnel of the audited factories are 174,722 in total, accounting for approximately 81% of the total personnel of the wholly-owned footwear factories.

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. For example, as a result of the 2018 SD-KPI assessment, the top priority in occupational safety and health concerns was given to the daily maintenance and operation of machine/equipment. Therefore, in 2019, the safety and health-related plan is to develop a safety labeling and operation certification system for high-risk machines, and to focus on machine safety issues from both the hardware and software perspectives.

In addition, through the evaluation mechanism, it is found that the factory’s daily operation of ESH has entered a mature stage. The internal training mechanism of ESH has been carried out since 2014, achieving remarkable results over the years. Further 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 monitored the factories with high risk to assist them in formulating plans and making improvement. In 2024, the scope of risk assessment was no longer limited to points of machine and fire risk, but had been expanded to cover all occupational safety and health risks, making the assessment more complete and more accurate in identifying risks in factories for counselling and improvement. The new scope of evaluation includes chemicals and high pressure gases, facility operating environment, construction safety, health management, other machinery and equipment, personnel documentation and contingency, etc. Through these evaluations, the factories are motivated to make continuous improvement to prevent accidents.

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Worker Engagement

Each of the factories and administrative centers of the Company has set up an 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 change is allowed without special 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 Health (“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, discuss and provide suggestions for improvement on 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 majority of the ESH Committee of factories in each region are onsite employees, which reflects 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 (in January, April, July, October), and an extraordinary 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. All members of the Committee 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 the unit represented by each member. 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 at each level is in charge of the supervision.

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

Occupational Health Service and Promotion

The Company is committed to promoting a healthy life to employees and helping employees to change their living habits to achieve an ideal state of health. In addition to regular employee health checkups and hierarchical management in accordance with laws and regulations, it also provides general health checkups to cadres 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. According to the results of health checkups, in case of abnormalities, we will arrange other irrelevant jobs that may not cause abnormalities through the production and personnel operation mechanism, and enable him to serve the Company continuously, 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 where the employee works 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 of his unit and the human resources of his unit.

In addition to health checkups, the Company also organizes annual routine 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 organizes annual sports events for employees such as soccer games, road races, tug-of-war competitions, and etc. to strengthen employees’ workplace health.

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Analysis of Health Checkups for Employees in Various Regions of the Company in 2024

Region	General Health Checkup	Special Hazardous Operations Health Checkup	Total Checkups
Mainland China ^{Note1}	9,200	9,703	18,903
Indonesia	49,192	42,717	91,909
Vietnam ^{Note2}	89,731	72,531	162,262
Cambodia, Bangladesh and Myanmar ^{Note3}	4,043	1,801	5,844
Total	152,166	126,752	278,918

- 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: The Indonesian laws and regulations stipulate that health checkup shall be performed once every year.
- Note 3: Vietnamese laws and regulations stipulate that health checkup shall be performed to employees once every 6 months.
- Note 4: 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 operation 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 caring employee health in all respects.

Safety and Health Indicators

The Company has established the “Abnormal Incident Management System” for internal information occupational hazard management, and the 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 2024 statistics for occupational hazards management, the total number of occupational injuries was 60. Total days lost due to work-related injury were 1,999 calculated based on the days lost due to disabling injury (excluding traffic accidents).

The Company had zero occupational fatality and a fatality rate of 0% for the year. The number of severe occupational accidents was 3 (3 occupational accidents involving amputation), with the percentage rate of number of employees in severe occupational accidents at 5.0%, and the rate of severe occupational accidents increased by 200%; the occupational injury rate of the total number of recordable mild occupational accidents or above was 0.027%, and the total number of occupational accidents decreased by 32.6%, as corresponding to the Company’s target for 2024: 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 accident that occurred this year, the analysis of the occupational accident discussion meeting showed that the main disaster were caused by the personnel being pressed by machine and equipment. Accordingly, the Company has reviewed and carried out hazard source isolation measures on the machine and equipment 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 9% as compared with 2023. 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: Rate of severe occupational injuries = number of the severe occupational accidents/total number of occupational accidents

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The Statistics of Safety and Health Indicators for 2024 in Footwear Factories:

Items	Number of occupational accidents			Rate of occupational injuries		Rate of days lost (%)		FR			SR		
	Total	Male	Female	Male	Female	Male	Female	Total	Male	Female	Total	Male	Female
Total	60	35	25	0.30	0.06	63.78	36.22	0.12	0.30	0.06	3	10	1
Mainland China	17	11	6	0.84	0.12	58.21	41.79	0.28	0.84	0.12	13	38	7
Indonesia	7	6	1	0.13	0.01	99.40	0.60	0.04	0.13	0.01	0	3	0
Vietnam	34	17	17	0.36	0.09	62.30	37.70	0.15	0.36	0.09	4	12	1
Cambodia, Bangladesh and Myanmar	2	1	1	0.00	0.00	69.77	30.23	0.00	0.00	0.00	0	0	0

- Note 1

The source of statistical data of occupational accidents comes from the Company’s internal information “management system for abnormal incidents”, tallying occupational accidents with one or more days lost, and the total working hours is calculated by multiplying the attendance days and working hours with the number of attendances 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 working 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) x 1,000,000.
- Note 4

Disabling hazard frequency (FR) = number of disabling frequency x 1,000,000/total working hours.
Disabling hazard frequency (male) = number of disabling frequency(male) x 1,000,000/total working hours (male).
Disabling hazard frequency (female) = number of disabling frequency (female) x 1,000,000/total working hours (female).
- Note 5

Disabling severity rate (SR) = total working days lost x 1,000,000/total working hours.
Disabling severity rate (male) = total working days lost (male) x 1,000,000/total working hours (male).
Disabling severity rate (female) = total working days lost (female) x 1,000,000/total working hours (female).
- Note 6

Total working hours = 518,492,553 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 provides 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 in respect of early detection of abnormal areas and reasonable improvement.

According to the internal management and control mechanism, the Company had no fatalities of employees and non-employees due to occupational disease in 2024, and there were eight cases of occupational disease in Vietnam related to occupational hearing loss. The Company has conducted job transfers in accordance with local laws and regulations, and continues to track and interview the related employees from time to time to show its concern for their adaptation situation after job transfers. For employees in the same job positions, the Company will continue to provide personal protective equipment and enhance training, and will adopt the concept of area-based prevention and control to limit the areas of high noise exposure.

On the other hand, in 2024, the Company also arranged knowledge publicity on the prevention of occupational hazards in high-risk positions as it has previously done to reinforce employees’ understanding of preventive management measures, such as the use of personal protective equipment. The Company also set up medical units or collaborated with local hospitals in major production areas to hold regular health seminar or publicize general health knowledge.

Occupational disease prevention adheres to the principle of prior 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.

Chapter 9

Community Relations

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, 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 2024, Yue Yuen invested a total of NT\$3,887,830 (approximately US\$121,000) in community activities.

The data of community participation activities in 2024 were as follows: 952 participants in a total of 6 overseas education activities, 1,079 participants in a total of 5 medical care and health activities, 1,533 participants in a total of 30 local relations activities.

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 Relationships	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.

Since 2013, Yue Yuen has built kindergartens in Dong Nai and Binh Chanh of Vietnam, and as of 2024, a total of 2,681 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.

Yue Yuen’s Little Sun Kindergarten in Vietnam Obtained Grade 1 National Certification

The Little Sun Kindergarten, jointly operated by Pou Yuen in Vietnam, a subsidiary of Yue Yuen Industrial (Holdings) Limited, and Saigon Education Center, has successfully obtained Grade 1 national certification recently. According to the regulations of the Ministry of Education of Vietnam, a school is subject to an educational quality assessment every five years, which includes general certification in 4 grades, and national certification in 2 grades.

The Little Sun Kindergarten was established in 2013, which was derived from the spirit of the government’s proposal of “Developing Early Childhood Education from 2006 to 2015” then and the guidance principle of “promoting socialization and creating favorable conditions, whether in terms of system or policy, to enable organizations, individuals and the society to participate in the development of early childhood education”. In response to this initiative and based on the intention of employee care, the Company has established this kindergarten.

The Little Sun Kindergarten can accommodate approximately 700 children aged 2 to 5, with a total of 20 classrooms. Apart from offices, the administrative area also has sports rooms, reading space, medical office and other facilities. The kindergarten was assessed for educational quality for the first time in 2018, when it obtained Grade 1 general certification. In April this year, it was assessed for the second time, and applied for Grade 2 general certification and Grade 1 national certification, and obtained the same at the end of May. Among 1,004 private kindergartens in Ho Chi Minh City, the Little Sun Kindergarten is the 10th institution to obtain Grade 1 national certification. Passing this national certification is of great significance to ensuring the quality of early childhood education and improving educational standards. These standards are not only requirements for kindergartens, but also ensure and promote the overall quality of early childhood education.

For employees, their children may attend high-quality kindergartens, which not only reassures them at work, but also enhances their sense of identity and centripetal force with the Company. As regards the local city and county education systems, more than 60% of public kindergartens have obtained Grade 1 national certification, while only 1% of private kindergartens have met such standard. Since the Little Sun Kindergarten is the only institution that provides education for the children of the Company’s employees solely, it is even more significant for it to obtain Grade 1 national certification.



Chapter 9

Community Relations



Vietnam – Free Medical Consultation



Indonesia – Attending Iftar with the Orphans



Mainland China – Visiting Elderly People Living Alone



Indonesia – Blood Donation

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 2024, there were a total of 56,002 children who benefited from the Group’s contribution of US\$985,000. Since 2016, Yue Yuen has promoted the “Scholarship for Children of Employees” scheme, and as of 2024, there were a total of 45,246 students who benefited from the Group’s contribution of US\$503,000.



Vietnam – Award Scholarship



Indonesia – Award Scholarship



Mainland China –Summer Camp

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 2024, there were 5 medical health related activities organized with a total of 1,079 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 povertystricken 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 2024, the Group made a total contribution of US\$594,000 and a total of 318 houses were built and renovated.



Vietnam – Charity Housing Construction and Donation



We have continued to develop local communities in our overseas and domestic operation sites since 1988

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

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Appendix A. HKEX ESG’s KPI Index

A. Environmental			
Aspects	Key performance indicators		Chapter(s)
A1 Emissions	A 1.1	The types of emissions and respective emissions data	5.5 Air Pollutant Management
	A 1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1.2 Greenhouse Gas Emissions and Carbon Emissions Intensity Per Pair of Shoes
	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
	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 Management
A2 Use of Resources	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
	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 Resources Management
	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.	Chapter 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

B. Social			
Employment and Labour Practices			
Aspects	Key performance 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 Education and Training
	B 3.2	The average training hours completed per employee by gender and employee category.	7.1.3 Implementation of 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 7.2.3 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, Internal Evaluation Mechanism: SD-KPI

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B. Social			
Aspects	Key performance indicators		Chapter(s)
Operating practices			
B5 Supply Chain Management	B 5.1	Number of suppliers by geographical region.	6.2 Supply Chain 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.	Compliance Management 6.3 Product Quality 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.	

Appendix B. GRI Standards (2021) Index

Statement of use	From 1 January 2024 to 31 December 2024, 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		
Organization & 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/verification	No external assurance/verification
Activities & 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		
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

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GRI Indicators	Disclosure Requirement(s)	Chapters(s)
Governance		
2-19	Remuneration policies	Please refer to the Annual Report (Directors’ Report and Corporate Governance Report)
2-20	Process to determine remuneration	Please refer to the Annual Report (Corporate Governance Report)
2-21	Annual total compensation ratio	7.1 Manpower and Talent
Strategy, policies 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 2024 Highlights
Stakeholder 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	Disclosure Requirement(s)		Chapters(s)
Operational performance			
3-3 Management of material topics			
GRI 201 2016	201-1	Direct economic value generated and distributed	Chapter 2 2024 Highlights
	201-4	Financial assistance received from government	Please refer to the Annual Report (Notes to the Consolidated Financial Statements: Other Income)
Integrity management and anti-corruption			
3-3 Management of material topics			
GRI 205 2016	205-1	Operations assessed for risks related to corruption	3.2 Integrity Management and Anti-corruption
	205-2	Communication and training about anti-corruption policies and procedures	
	205-3	Confirmed incidents of corruption and actions taken	
Response to climate change-related risks			
3-3 Management of material topics			
GRI 201 2016	201-2	Financial implications and other risks and opportunities arising from climate change	5.1 Response to Climate Change-related Risks
GRI 305 2016	305-1	Direct (Scope 1) GHG emissions	
	305-2	Energy indirect (Scope 2) GHG emissions	
	305-3	Other indirect (Scope 3) GHG emissions	
	305-4	GHG emissions intensity	
	305-5	Reduction of GHG emissions	
	305-6	Emissions of ozone-depleting substances (ODS)	

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GRI Indicators	Disclosure Requirement(s)		Chapters(s)
Energy management			
3-3 Management of material topics			
GRI 302 2016	302-1	Energy consumption within the organization	5.2 Energy Management
	302-2	Energy consumption outside the organization	
	302-3	Energy intensity	
	302-4	Reduction of energy consumption	
	302-5	Reductions in energy requirements of products and services	
Waste management			
3-3 Management of material topics			
GRI 306 2020	306-1	Waste generation and significant waste-related impacts	5.4 Waste Management
	306-2	Management of significant waste-related impacts	
	306-3	Waste generated	
	306-4	Waste diverted from disposal	
	306-5	Waste directly disposed	
Air Pollutant management			
3-3 Management of material topics			
GRI 305 2016	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	5.5 Air Pollutant Management
Supply Chain management			
3-3 Management of material topics			
GRI 308 2016	308-1	New suppliers that were screened using environmental criteria	6.2 Supply Chain Management
	308-2	Negative environmental impacts in the supply chain and actions taken	
GRI 414 2016	414-1	New suppliers that were screened using social criteria	
	414-2	Negative social impacts in the supply chain and actions taken	

GRI Indicators	Disclosure Requirement(s)		Chapters(s)	
Manpower and talent				
3-3 Management of material topics				
GRI 201 2016	201-3	Defined benefit plan obligations and other retirement plans	7.1 Manpower and Talent	
GRI 202 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage		
	202-2	Proportion of senior management hired from the local community		
GRI 401 2016	401-1	New employee hires and employee turnover		
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		
	401-3	Parental leave		
GRI 404 2016	404-1	Average hours of training per year per employee		
	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 management				
3-3 Management of material topics				
GRI 408 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	7.2 Human Rights Management	
GRI 409 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		
GRI 402 2016	402-1	Minimum notice periods regarding operational changes		
GRI 40 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		

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GRI Indicators	Disclosure Requirement(s)		Chapters(s)
Occupational safety and health measures			
3-3 Management of material topics			
GRI 403 2018	403-1	Occupational safety and health management system	Chapter 8 Safety Culture
	403-2	Hazard identification, risk assessment and incident investigation	
	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	
	405-6	Promotion of worker health	
	403-7	Prevention and mitigation of occupational health and safety impacts directly related to business relationships	
	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
GRI 303 2018	303-1	Interactions with water as a shared resource	5.3 Water Resources Management
	303-2	Management of water discharge-related impacts	
	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(s)
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 with laws and regulations related to the health and safety of products and services	6.3 Products and Services
GRI 417 2016	417-1	Requirements for products and services information and labeling	
	417-2	Incidents of non-compliance with laws and regulations related to products and services information and labeling	
GRI 418 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
GRI 413 2016	413-1	Operations with local community engagement, impact assessments, and development programs	9.1 Community Involvement

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Appendix C. SASB Standards Index

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

Appendix D. TCFD Index

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

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Appendix E. GHG Inventory Principle 2024

Type	Company's Strategies and Actions
Inventory Principle	<div><div>➤</div>Scope 1&2: Data collection is based on the operation control method in accordance with the ISO 14064-1 (2018) Guidelines for Quantification and Reporting of Greenhouse Gas Emissions and Removals at the organizational level.</div> <div><div>➤</div>Scope 3: Refer to Green House Gas Protocol, Calculation Guidance, Supporting Documents.</div>
Inventory Scope	Footwear manufacturing areas: Mainland China, Indonesia, Vietnam, Cambodia, Bangladesh and Myanmar.
GHG	Carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF ₆), and nitrogen trifluoride (NF ₃).
Inventory Items	Scope 1 (Category 1: Direct GHG emissions): total direct GHG emission.
	(1) The GHG does not include hydrofluorocarbons that have been included in the Montreal Protocol specifications, such as R-22, etc.
	(2) Refrigerant R-600a is excluded from the inventory as IPCC has not announced the corresponding GWP value.
	(3) CO ₂ 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 ₄ and N ₂ 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/cm ³ and the boiler efficiency is 85.0%, and rice husks are used as solid biomass fuel with the cross calorific value of 4,452 kcal/kg, and 4,452* 95% = net calorific value: 4,229 kcal/kg, and after a thermodynamics calculation, the ratio of steam to biomass fuel is 0.2173.
	(4-2) Purchased steam:
	For the purchased steam (produced by biomass fuel boilers) used by China Yisen (中國裕盛) and Yuxiang (裕祥), assuming that the boiler steam pressure conditions is 10kgf/cm3, the steam supplier Xinao (新奧) 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 for every 85 m ³ 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 2024 was 8,159 kcal/M ³
	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:
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 x 0.95 = 2,873 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), the supplier provides the amount of fuel used simultaneously.
Rice husks are used as solid biomass fuel in 2024 with the cross calorific value of 3,350 kcal/kg, and 3,650* 95% = net calorific value: 3,476.5 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) Purchased steam:
For the purchased steam (produced by biomass fuel (rice husk) boilers) used by Vietnam PAV (越南PAV), the supplier provides the amount of fuel used simultaneously.
Rice husks are used as solid biomass fuel with the cross calorific value of 3,650 kcal/kg, and 3,650* 95% = net calorific value: 3,467.5 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
(4-6) Self-run boilers:
Vietnam Baofeng (越南寶豐) uses wood pellet as solid biomass fuel, the cross calorific value was 4,345 kcal/kg, and 4,345* 95% = net calorific value: 4,128 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

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	(4-7) 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 (SF6), a small amount of SF6 are only used as an insulation filler for high-voltage distribution equipment and its daily leakage rate is very low according to the supplier's data. The carbon emission resulted by evaporation will be included in calculation when equipment is filled (as per its purchase volume) and regarded zero when it is not filled.
	Scope 2 (Category 2: Indirect GHG emissions from energy inputs) total indirect GHG emissions from energy sources.
	Scope 3 (Category 3: Indirect GHG emissions from transportation (upstream transportation of products)) the total GHG emission of the upstream transportation of the Group's finished shoes of the Group 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.
Basis for Calculation	The GHG emissions of Scope 1&2 are calculated using the emission coefficients as follows:
	Activity data × emission coefficient × global warming potential (GWP) = CO ₂ 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 × average effluent concentration × wastewater per person hour (liters per hour) × septic tank treatment efficiency
	(1-2) CH ₄ emission factor = 0.6 metric tons of CH ₄ /metric ton - BOD × 200 mg/L × 15.625 (liters/hour) × 85% = 0.0000015938 metric tons/person hour
	(2) CO ₂ emission coefficient for acetylene adopts mass balance: CH ₂ CH ₂ +2.5O ₂ → 2CO ₂ +H ₂ O
	For every 1 mole of C ₂ H ₂ (molecular mass: 26) burned, 2 mole of CO ₂ (molecular mass: 44) are produced
	CO ₂ emission coefficient = 44 × 2/26 = 3.385 metric ton/metric ton
	(3) CO ₂ emission coefficient for welding electrode adopts mass balance: C + O ₂ → CO ₂
	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 ₂ emission coefficient of welding electrode burned =44/12= 3.6 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 consumption carbon emissions
	(2) Market based carbon 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 – renewable energy certificate carbon emissions offset
	(3) The GEC 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 upstream transportation of the Group's finished shoes is calculated using the Distance-Based method:
	(1) The total greenhouse gas emission from upstream transportation of the Group's finished shoes = cargo gross weight (tonnes) × cargo transportation distance (km) × emission factors of transportation vehicles (kg CO ₂ e/tonne-km)
	(2) The total greenhouse gas emission from air travel of the Group's headquarter annually is calculated using the Distance-Based method:
	(2-1) The total greenhouse gas emission from air travel (ton CO ₂ e) = aerial navigation distance (passenger-km) x emission factors of aerial navigation (kg CO ₂ e/passenger-km).
	(2-2) The aerial navigation distance between international cities is mainly calculated based on ICAO, Carbon Emission Calculator: the total greenhouse gas emission from air travel (ton CO ₂ e) = aerial navigation distance (passenger-km) x emission factors of aerial navigation (kgCO ₂ e/ passenger-km).
	(2-3) The aerial navigation distance between international cities is subject to those released by ICAO, Carbon Emission Calculator: https://www.icao.int/environmental-protection/Carbonoffset/Pages/default.aspx
Data of activities	Direct measurement or verification of data.

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Appendix F. Compliance Management

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

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

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ESG Indicators	Region	Laws and Regulations	Internal System
B1 Employment B4 Labour Standards	Mainland China	<ul style="list-style-type: none">Labor Law of the People’s Republic of ChinaLabor Contract Law of the People’s Republic of ChinaLabor Dispute Mediation and Arbitration Law of the People’s Republic of ChinaEmployment Promotion Law of the People’s Republic of ChinaSocial Insurance Law of the People’s Republic of ChinaRegulations on Prohibition of Child Labor of the People’s Republic of ChinaRegulation on Special Protection for Underage Workers of the People’s Republic of China	<ul style="list-style-type: none">Code of conductFair remuneration commitmentGuidelines on sexual harassment and sexual assault prevention measures complaints and disciplinary handling management measuresDiscipline/Engagement Committee MeasuresWork manuals and labor regulations of regional administrative centers
	Hong Kong	<ul style="list-style-type: none">Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)Employment Ordinance (Chapter 57 of the Laws of Hong Kong)Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong)Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong)Family Status Discrimination Ordinance (Chapter 527)Race Discrimination Ordinance (Chapter 602)	
	Myanmar	<ul style="list-style-type: none">Labor LawSocial Insurance LawFactory ActSyndical LawEmployment LawLabor Safety and Health Law 2019Minimum Wage Law	

ESG Indicators	Region	Laws and Regulations	Internal System
	Vietnam	<ul style="list-style-type: none">Labor LawSocial Insurance LawMedical Insurance LawSyndical LawEmployment LawLabor Safety and Health Law	
	Indonesia	<ul style="list-style-type: none">Labor LawSocial Insurance Law	
	Cambodia	<ul style="list-style-type: none">Labor LawLaw on Social Security SchemesTrade Union LawLaw on the Protection and the Promotion of the Rights of Persons with Disabilities	
	Bangladesh	<ul style="list-style-type: none">Bangladesh EPZ Labor Act (2019)Bangladesh Labor Act (2006)	
	Macau	<ul style="list-style-type: none">Labor Relations LawMinimum Wage for EmployeesLaw on Employment of Non-Resident WorkersSocial Security System	
	Taiwan	<ul style="list-style-type: none">Labor Standards ActEmployment Services ActLabor Pension ActAct for Protection of Labor in Mass DismissalLabor Incident Act	
	U. S.	<ul style="list-style-type: none">Fair Labor Standards ActNational Labor Relations ActEmployee Retirement Income Security ActFamily and Medical Leave ActTitle VII of the Civil Rights Act of 1964Pregnancy Discrimination ActEqual Pay ActAge Discrimination in Employment ActAmericans with Disabilities Act	
	Mexico	<ul style="list-style-type: none">Constitution of the United Mexican StatesFederal Labour Law	

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ESG Indicators	Region	Laws and Regulations	Internal System
B2 Health and Safety	Mainland China	<ul style="list-style-type: none">Prevention and Control of Occupational Diseases Law of the People’s Republic of ChinaProduction Safety Law of the People’s Republic of China	<ul style="list-style-type: none">Administration Standards on Environment, Energy, Safety and HygieneGuidelines on safety, environment and energy of boiler equipmentGuidelines on the supervision and measurement of Environmental, Safety and HygieneGuidelines on operations controlGuidelines on the construction of ContractorGuidelines on employee’s healthGuidelines on personal protective equipmentAbnormal Incident Management RegulationsHuman Factors Engineering guidelinesGuidelines on chemicals managementGuidelines on the management of mechanical equipment safetyGuidelines on the management of electrical safety
	Hong Kong	<ul style="list-style-type: none">Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)	
	Myanmar	<ul style="list-style-type: none">Labor Safety and Health Law 2020Labor LawFactory Act	
	Vietnam	<ul style="list-style-type: none">Labor Safety and Health LawLabor Law	
	Cambodia	<ul style="list-style-type: none">Labor Law	
	Bangladesh	<ul style="list-style-type: none">Bangladesh EPZ Labor Act (2019)Bangladesh Labor Act (2006)	
	Taiwan	<ul style="list-style-type: none">Occupational Safety and Health Act	
	U. S.	<ul style="list-style-type: none">Occupational Safety and Health Act	
	Mexico	<ul style="list-style-type: none">Constitution of the United Mexican StatesFederal Labour Law	
B3 Development and Training	Nil	Nil	<ul style="list-style-type: none">Operation process of education, training and internal lecturer managementOperation process of education, training and internal lecturer managementIndividual development plan (IDP)
B5 Supply Chain Management	Nil	Nil	<ul style="list-style-type: none">Supplier-friendly workplace guidelinesGuidelines on equipment general service supplier

ESG Indicators	Region	Laws and Regulations	Internal System
B6 Products Liability	Mainland China	<ul style="list-style-type: none">Constitution of the People’s Republic of ChinaCivil Code of the People’s Republic of ChinaPublic Security Administration Punishments Law of the People’s Republic of ChinaCriminal Law of the People’s Republic of ChinaProduct Quality Law of the People’s Republic of ChinaLaw on the Safety of Special Equipment of the People’s Republic of ChinaAdvertising Law of the People’s Republic of ChinaLaw on the Protection of Consumer Rights and Interests of the People’s Republic of China	<ul style="list-style-type: none">Guidelines on chemicalsIntellectual Property ManualGuidelines on Intellectual Property contract of the legal departmentAdministration standards on innovative research and development protectionAdministration standards on patent application and maintenanceQuality management guidelines for each brand business division
	Myanmar	<ul style="list-style-type: none">Product Safety Law	
	Vietnam	<ul style="list-style-type: none">Intellectual Property LawCyber Information Security Law	
	Cambodia	<ul style="list-style-type: none">Trademark LawLaw on Copyright and Related RightsPatent Law	
	Bangladesh	<ul style="list-style-type: none">Bangladesh EPZ Labor Act (2019)Bangladesh Labor Act (2006)	
B7 Anti-corruption	Mainland China	<ul style="list-style-type: none">Anti-Unfair Competition Law of the People’s Republic of ChinaCriminal Law of the People’s Republic of ChinaCivil Code of the People’s Republic of ChinaAnti-money Laundering Law of the People’s Republic of China	<ul style="list-style-type: none">Corporate Governance Policy DeclarationCode of Conduct and Practice Guidelines for Integrity ManagementPrevention of bribery policyWhistleblowing policy
	Hong Kong	<ul style="list-style-type: none">Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)	
	Myanmar	<ul style="list-style-type: none">Prevention of Corruption LawCriminal Law	
	Vietnam	<ul style="list-style-type: none">Prevention of Corruption LawCriminal Law	
	Indonesia	<ul style="list-style-type: none">Money Laundering Control LawCriminal Law	
	Cambodia	<ul style="list-style-type: none">Anti-Corruption LawCriminal LawAnti-Money Laundering and Combating the Financing of Terrorism Law	
B8 Community Investment	Bangladesh	<ul style="list-style-type: none">Act 90, 91, 92 and 146 of the Laws of the EPZ Office	<ul style="list-style-type: none">Code of conductSustainable development code of practice
	Nil	Nil	



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